



Agenda Item 7

Meeting	Authority Meeting
Date	23 March 2023
Location	COSLA, Edinburgh
Title of Paper	Scottish Police Authority Draft Budget 2023/2024
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Approval
Appendix Attached	Yes Appendix A – 2023/24 Draft Budget Appendix B - Schedule of Rates for Events and Other Services 2023/24

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.

The purpose of this paper is to present the proposed 2023/24 revenue, capital and reform budgets.

This paper is for approval.

1. BACKGROUND

- 1.1 The SPA has a statutory duty to agree its annual budget for the coming financial year (2023/24) before the end of the current financial year (31 March 2023).
- 1.2 The Scottish Government 2023/24 draft budget was announced on 15 December 2022 and the 2023/24 Scottish Budget Bill was passed by MSPs in February 2023.
- 1.3 Details of the 2023/24 budget requirement and agreed funding are included in the draft budget report at appendix A.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The annual budget is essentially a plan detailing how the organisation intends to allocate financial resources throughout the year to achieve organisational and financial objectives. The budget includes a number of assumptions which will be ratified with the decisions made through formal internal and external governance processes.
- 2.2 Scottish Government's 2023/24 budget confirmed a £80.0m core funding uplift for policing (6.4%). Although this uplift is not as severe as the flat cash position indicated by the Resource Spending Review, it still represents a real terms reduction in funding when set against the additional cost of 2022/23 pay award (£37.0m), leaving only £43.0m to fund unavoidable pay and non-pay pressures for 2023/24.
- 2.3 Officer and staff budgets have been based on assumed updated operating models, with a provision for pay included in line with Scottish Government's fair work guidance.
- 2.4 As part of the core revenue budget, the cost of the post mortem toxicology services transfer from Glasgow University to the SPA has been baselined into core revenue (£2.3m).
- 2.5 In addition to the above, it is assumed that revenue funding will be provided in-year to support the continued recovery of the justice system (£2.1m), drug driving legislation and other funded initiatives.
- 2.6 Capital and reform funding for 2023/24 has been proposed at flat capital of £53.0m (including capital receipts) and reform has been

baselined at £20.0m, with a further £5.0m of reform allocated to the Justice Sector for justice transformation / blue light collaboration.

- 2.7 The full budget report is attached at appendix A.
- 2.8 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.
- 2.9 The charge out rates have been increased for 2023/24 in line with the budgeting assumptions outlined in appendix A. 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).
- 2.10 Details of the proposed charges for events and other services are included at appendix B.
- 2.11 This paper was presented to the SPA Resources Committee on 09 March 2023 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 throughout the body of the report and in appendix A.

4. PERSONNEL IMPLICATIONS

- 4.1 The personnel implications are detailed throughout the body of the report and in appendix A.

5. LEGAL IMPLICATIONS

- 5.1 A risk assessment is included as part of appendix A which considers the operational risk associated with the 2023/24 budgeting assumptions. This includes consideration of the legal implications.
- 5.2 A full impact assessment will be considered at the implementation stage.

6. REPUTATIONAL IMPLICATIONS

- 6.1 A risk assessment is included as part of appendix A which considers the operational risk associated with the 2023/24 budgeting assumptions. This includes consideration of public confidence.
- 6.2 A full impact assessment will be considered at the implementation stage.

7. SOCIAL IMPLICATIONS

- 7.1 A risk assessment is included as part of appendix A which considers the operational risk associated with the 2023/24 budgeting assumptions.
- 7.2 A full impact assessment will be considered at the implementation stage.

8. COMMUNITY IMPACT

- 8.1 A risk assessment is included as part of appendix A which considers the operational risk associated with the 2023/24 budgeting assumptions. This includes consideration of service delivery.
- 8.2 A full impact assessment will be considered at the implementation stage.

9. EQUALITIES IMPLICATIONS

- 9.1 Full equalities and impact assessment will be considered at implementation stage.

10. ENVIRONMENT IMPLICATIONS

- 10.1 A risk assessment is included as part of appendix A which considers the operational risk associated with the 2023/24 budgeting assumptions.
- 10.2 A full impact assessment will be considered at the implementation stage.

RECOMMENDATIONS

Members are asked to approve the:

- Scottish Police Authority Draft Budget 2023/24; and
- Schedule of Rate for Events and Other Services 2023/24.



Finance

2023/24 Draft Budget

Appendix A
March 2023



2023/24 budget highlights

Change & Transformation

All capital and reform bids have been approved to proceed in line with organisational strategy and objectives. Budget will be closely monitored throughout the year.

£53.0m capital

(including £2.9m capital receipts subject to property market). This is flat cash in line with prior year, which represents a reduction in real terms.

£20.0m reform

- To support change and the transformation of policing baselined to revenue.
- £5.0m of reform has been allocated to the Justice Sector for justice transformation / blue light collaboration

£2.3m

Cost of Post Mortem Toxicology Services from Glasgow Uni to SPA baselined to core revenue.

£37.0m

funding for 2022/23 pay award.

£43.0m

New core revenue funding.

Balanced budget

£1,328.2m total revenue budget requirement

Police officers

Officer numbers based on a ~16,638 operating model:

- Core officers = 16,421
- Externally funded = 217

Staff

- Based on HR records at 31 October 2022, adjusted for assumed PS workforce reductions (subject to discussion / approval from JNCC).
- No compulsory redundancies
- Pay harmonisation costs included.

Pay and reward

Provision for pay included in line with Scottish Government's fair work guidance.

TBC

Additional funding to be provided in-year for drug driving legislation and other funded initiatives

£2.1m

Assumption that additional funding will be received in-year to support recovery of justice system.



Summary

Executive Summary

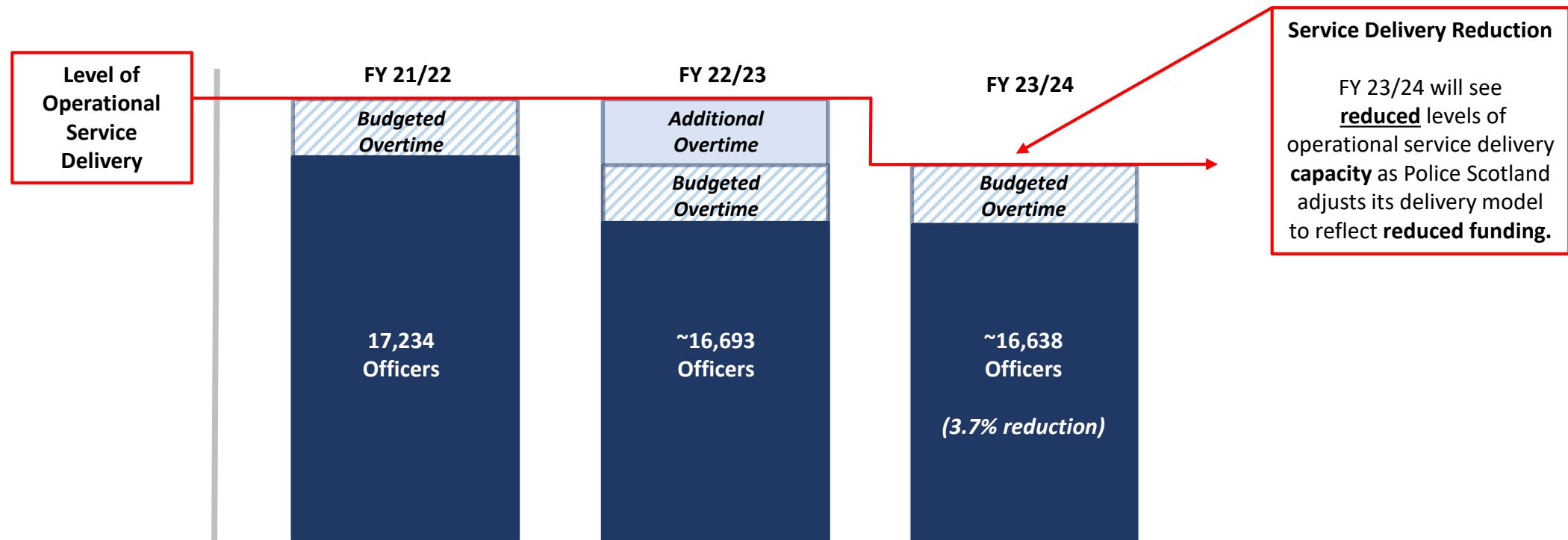
- This report sets out the Scottish Police Authority (“the Authority”) budget for 2023/24.
- The proposed revenue budget for 2023/24 is £1,328.2m. Approximately 96.2% of the annual spending is undertaken by Police Scotland, with the remainder incurred by Forensic Services (3.4%) and the SPA Corporate body (0.4%).
- The Scottish Budget confirmed a £80m core revenue funding uplift for policing for 2023/24, an increase of 6.4% on the previous year.
- Whilst this settlement is an improvement on the flat cash position indicated by the Resource Spending Review (RSR), it is worth noting that £37m of the £80m is required to meet the costs of the current year’s pay award, leaving a **true figure of £43m** for allocation in 2023/24.
- When set against significant inflationary and other cost pressures, including increases in utilities, national non-domestic rates, contract inflation, new technology costs and legal costs, and expectations around 2023/24 pay award, the current funding allocation actually represents a real terms reduction in funding requiring difficult choices to be made across the organisation.
- In order to live within the budget settlement and deliver a balanced budget, over £50m of savings have been proposed in the 2023/24 budget. Plans include reducing the workforce through a reduction in officer and staff numbers and options to reduce non-pay expenditure.
- Flat capital funding of £53m (including capital receipts) has been confirmed for FY 2023/24 and reform funding has been baselined at £20m, representing a 20% reduction in reform funding from previous years.
- Capital and reform demands and requirements are far in excess of the funding available. All capital and reform bids are to proceed in 2023/24, however, the pace of delivery will be limited within the funding available, particularly as spending power has also been eroded by high inflation.
- The spend profile of capital and reform will be actively managed by Finance and Portfolio Management during the year to ensure that actual spend is in line with the funding available.

Operational context

Workforce Reductions

The 2023/24 budget has a core assumption that the overall workforce will be reduced by ~3.7% in order to make the necessary savings required to deliver a balanced budget. Significant work has been undertaken to identify how this will be managed in the forthcoming financial year. The overarching approach undertaken has been to focus on reducing service levels rather than seeking to stop any activity. The diagram below illustrates how the reduction in police officer numbers will reduce operational capacity in 2023/24.

Illustrative Model Showing FY 23/24 Budget Impact on Operational Service Delivery Reduction



Property Repairs

In order to manage significant budget pressures in our estate, we have only been completing statutory, health and safety and security maintenance (known as priority 1 and priority 2 jobs). Those estates budgetary pressures continue into 2023/24 and as a result maintenance will again be restricted to priority 1 and 2 jobs. This is an unsustainable position to take, and as such we are developing proposals to reduce the size of our estate, which could include the closure of police stations in the future.

Further detail on operational risk can be found on page 19.

Funding

Funding

The table below shows the confirmed funding settlement announced on 15 December 2022. The 2023/24 Scottish Budget Bill was passed by MSPs in February.

This includes £80.0m of additional core revenue funding for Policing, £37.0m of which is to be utilised to fund the FY 22/23 pay award, leaving only £43.0m of new funding for 2023/24. In addition, Post Mortem Toxicology Services have been baselined to core revenue.

Core capital funding is flat cash for FY 23/24.

Reform funding has been baselined at £20.0m.

Funding settlement	2022/23	2023/24	Movement	
	Budget *	Budget	£m	%
	£m	£m		
Core revenue funding	1,248.2	1,328.2	80.0	6.4%
Reform funding	25.0	20.0	-5.0	-20.0%
Reform baseline adjustment**	-5.0	0.0	5.0	-
Capital funding	50.1	50.1	0.0	-
Capital receipts (NBV)	2.5	2.9	0.4	16.0%
Total	1,320.8	1,401.2	80.4	6.1%

* The FY 22/23 values have been restated to reflect core budget values and baselined services.

** £5.0m of reform has been allocated to the Justice Sector for justice transformation / blue light collaboration

NOTE: In addition to the above, in-year funding is anticipated for Recovery, Renewal and Transformation (RRT) Justice Recovery (£2.1m), Emergency Services Mobile Communications Programme (£0.4m), Drug Driving (TBC), Digital Evidence Sharing Capability (TBC) and other funded initiatives.

For the purposes of this paper in-year funding has been excluded from the proposed revenue budget, on the assumption that these will be funded in-year through Scottish Government Autumn and Spring budget revisions.

Revenue

Budget assumptions

01

Police Officers

- Officer numbers based on a ~16,638 operating model:
 - Core officers = 16,421
 - Externally funded = 217
- Pay progression assumed to be self-funded by succession savings.
- ~16,638 Officers will vary throughout the year based on attrition and probationer intakes

02

Staff budgets

- Based on HR records at 31 October 2022.
- Assumed reduction in posts proportionate to the reduction in Police Officer posts to be discussed / agreed via JNCC.
- Increments in line with pay modernisation, with vacancy and reduced pay savings applied.

03

Overtime

- Core officer overtime to be managed within the £12.9m budget allocation
- In addition, £0.7m has been included in core budget to reflect T&Cs changes.

04

Pay and reward

- Provision for pay included in line with Scottish Government's fair work guidance.

05

Funding

- £80.0m uplift in core revenue funding, £37.0m of which is to fund the FY 22/23 pay award, leaving only £43.0m of new funding for 2023/24.
- Post mortem toxicology funding baselined to core revenue.

06

Income

- Income budgets assume a continued recovery around airports.
- Additional income has been built in based on previous over recovery levels.

07

IFRS16 – lease accounting

- All leases have been accounted for using pre IFRS16 rules. It is assumed both budget and funding will be adjusted in year.

08

Legislation

- No provision included for new legislation – assumed that such pressures will be fully funded.

09

Additional in-year funding

- Assumption that additional funding will be received in-year to support recovery of justice system (RRT), drug driving and other funded initiatives.

Proposed 2023/24 revenue budget

Revenue budget		2022/23 Budget £m	2023/24 Budget £m	Movement	
				£m	%
Police Scotland	Police officer costs	845.5	883.6	38.1	4.5%
	Police staff costs	230.6	246.9	16.3	7.1%
	Non pay costs	168.8	193.5	24.7	14.6%
	Income	-41.9	-45.5	-3.6	8.6%
	Police Scotland net expenditure	1,203.0	1,278.5	75.5	6.3%
SPA	Forensic services	40.5	44.5	4.0	9.9%
	SPA corporate	4.7	5.2	0.5	10.6%
	SPA net expenditure	45.2	49.7	4.5	10.0%
Total revenue budget		1,248.2	1,328.2	80.0	6.4%
<u>Funded by:</u>					
Grant in aid (core)		1,248.2	1,328.2	80.0	6.4%
Total revenue funding		1,248.2	1,328.2	80.0	6.4%

The table shows the **proposed budget compared to the funding settlement**.
A **balanced budget is presented for 2023/24**.

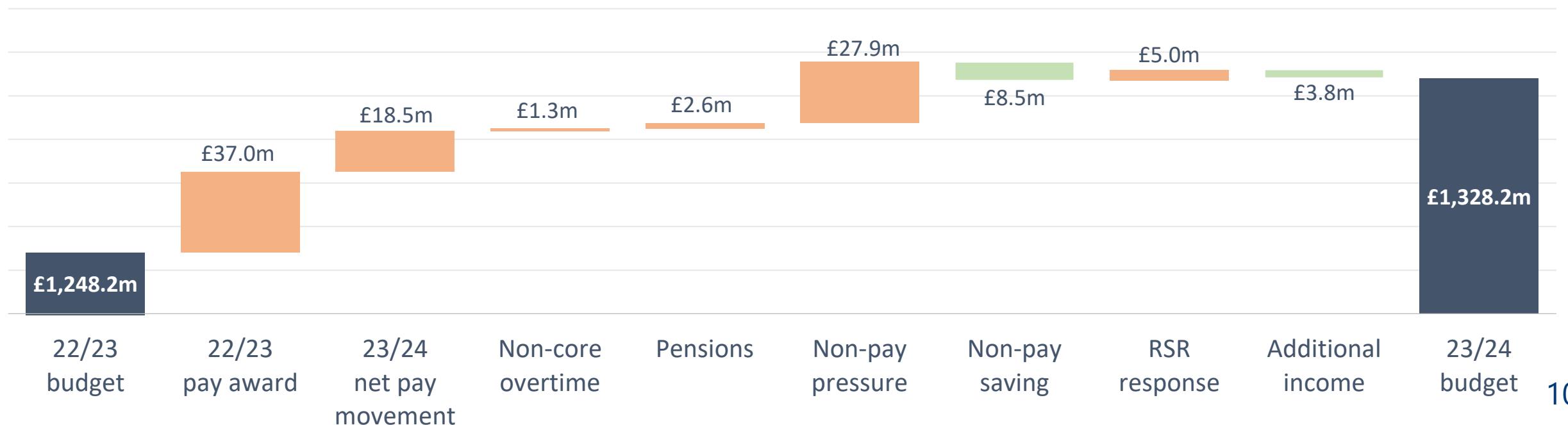
Police Scotland spend has increased due to pay assumptions, non-pay pressures (including significant inflation and legal costs) offset slightly by an increase in income.

Forensic Services spend has increased due to pay assumptions and a revised target operating model offset by savings/efficiencies.

SPA Corporate spend has increased due to pay assumptions and increased non-pay costs, mainly the external audit fee and premises costs.

* The FY 22/23 values have been restated to reflect core budget values and baselined services.

** £10.6m of income relates to funded officer and staff posts.



Revenue detail

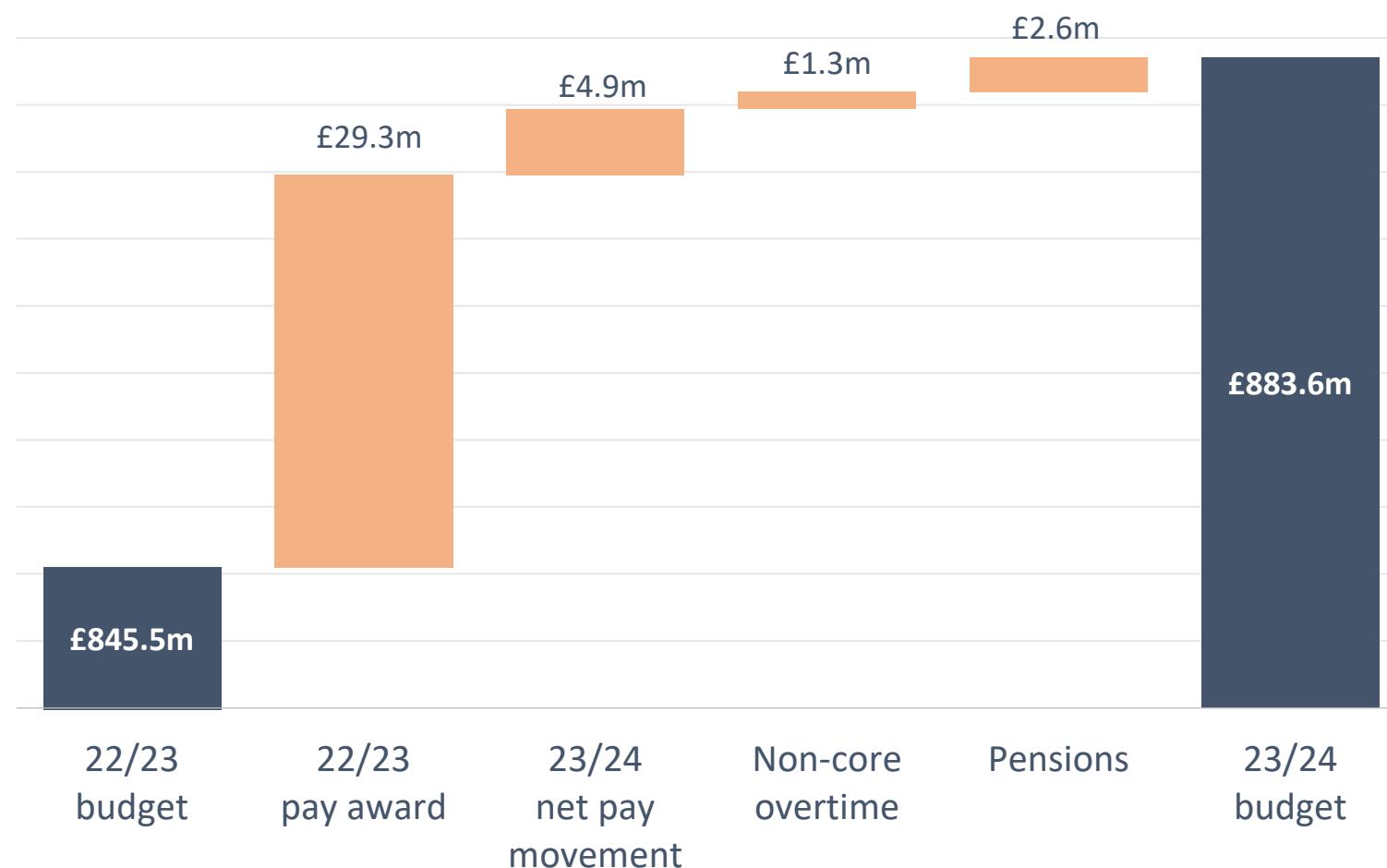
Police officer costs

Police Officer budget	2022/23	2023/24	Movement	
	Budget £m	Budget £m	£m	%
Police officer pay	806.0	839.7	33.7	4.2%
Overtime - core	13.6	13.6	0.0	0.0%
Overtime - non-core (funded)	2.3	3.6	1.3	56.5%
Allowances	5.0	5.5	0.5	10.0%
Pensions (injury benefit and ill health)	18.6	21.2	2.6	14.0%
Total	845.5	883.6	38.1	4.5%

Officer numbers are based on a ~16,638 operating model, including externally funded posts. This is in line with the current number of officers the organisation has.

Police officer costs includes provision for pay in line with Scottish Government's fair work guidance.

* The FY 22/23 values have been restated to reflect core budget values and baselined services.



The cost of increments are payable but funded by officer succession savings.

Non-core overtime budget has increased by £1.3m, however this is offset by a corresponding increase in income.

Ill-health and injury pension budgets have been re-profiled based on case volumes. The budget was reduced last financial year however a rise in approved cases has led to the FY 23/24 budget being updated accordingly.

Staff costs

Police Staff budget	2022/23	2023/24	Movement	
	Budget £m	Budget £m	£m	%
Salaries, allowances and on costs	265.8	287.3	21.5	8.1%
Overtime	2.2	2.1	-0.1	-4.5%
Special constables	0.4	0.3	-0.1	-25.0%
Total	268.4	289.7	21.3	7.9%
Comprised				
Police Scotland	230.6	246.9	16.3	7.1%
Forensic Services	34.4	39.1	4.7	13.7%
SPA Corporate	3.4	3.7	0.3	8.8%
Total	268.4	289.7	21.3	7.9%

Budget based on HR records at 31 October 2022, adjusted for assumed Police Scotland workforce reductions (part year saving).

Staff costs includes provision for pay in line with Scottish Government's fair work guidance.

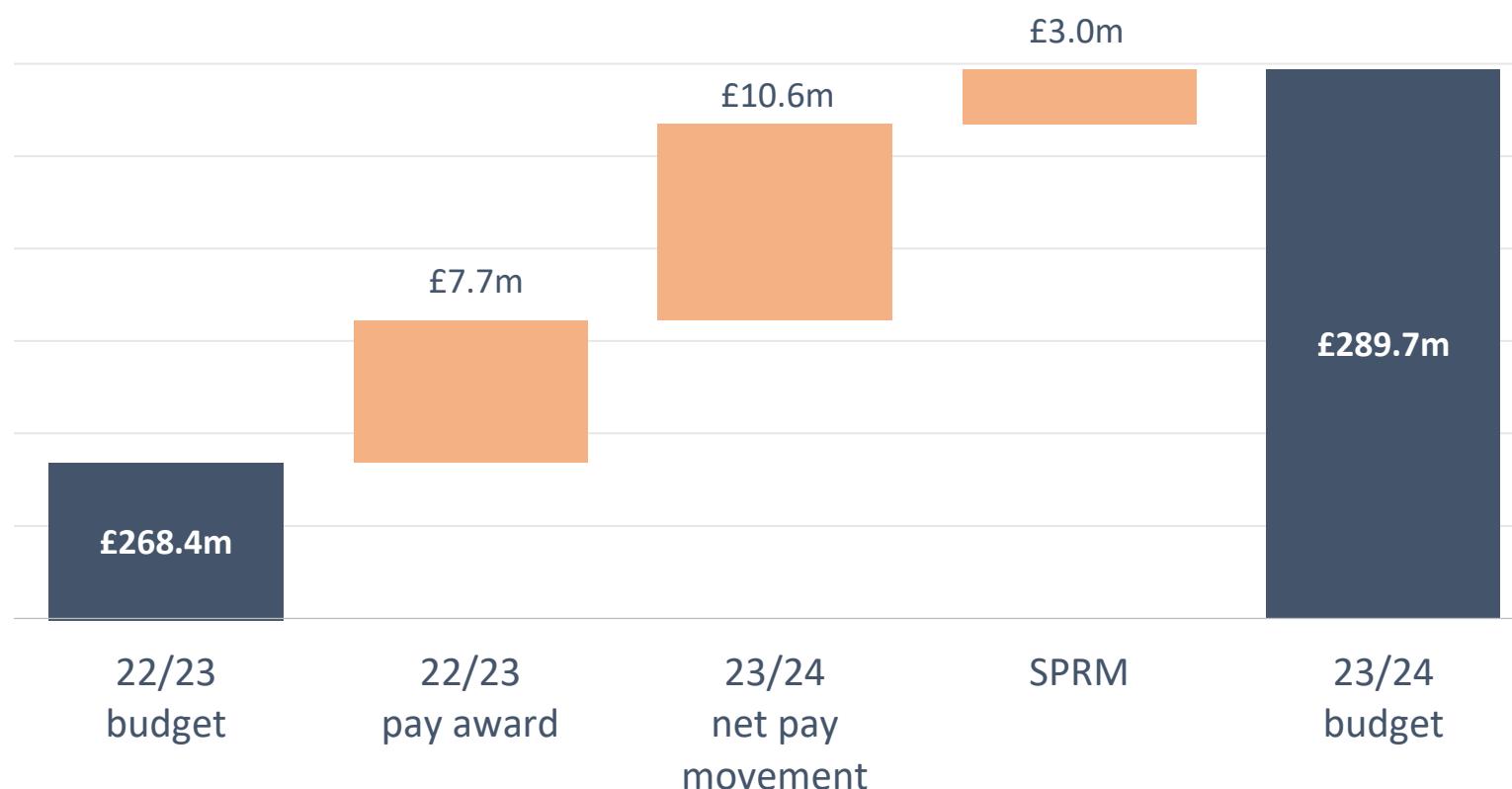
This is the final year of the one off incremental impact relating to SPRM. Going forward increments should be self funded by succession savings.

Appropriate vacancy/turnover rates applied to local budgets.

Staff posts have been included to support the continuation of the transfer of post mortem toxicology to the SPA – this has been baselined into the core revenue budget.

Forensics staff costs increase mostly relates to pay and increments (£3.7m). There is also the further implementation of the Forensics operating model (~£1m) which is partly offset by non-pay savings (see slide 14).

* The FY 22/23 values have been restated to reflect core budget values and baselined services.



Non-pay costs

Non-pay budget	2022/23	2023/24	Movement	
	Budget £m	Budget £m	£m	%
Other employee	3.3	5.2	1.9	57.6%
Premises	58.4	68.6	10.2	17.5%
Transport	20.5	21.4	0.9	4.4%
Supplies and services	39.1	39.6	0.5	1.3%
ICT	33.0	33.8	0.8	2.4%
Administration	6.7	11.3	4.6	68.7%
Third party payments	14.2	14.5	0.3	2.1%
Capital financing	4.4	4.0	-0.4	-9.1%
Other	-2.4	3.2	5.6	233.3%
Total	177.2	201.6	24.4	13.8%
Comprised				
Police Scotland	168.8	193.5	24.7	14.6%
Forensic Services	6.2	5.5	-0.7	-11.3%
SPA Corporate	2.2	2.6	0.4	18.2%
Total	177.2	201.6	24.4	13.8%

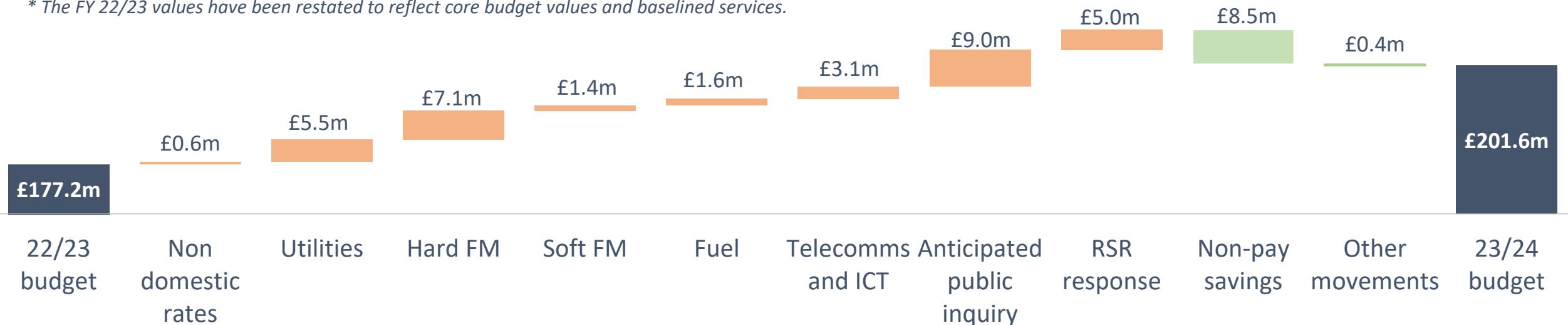
Non-pay budgets have been updated to reflect **significant inflationary pressures, new contract costs and transformation impact** alongside **non-recurring pressures**.

The non-pay budget for 2023/2 has **increased by £24.4m** from the previous FY. Premises costs and anticipated Public Inquiry spend are the biggest drivers for the uplift in budget.

In addition, **£5.0m has been allocated to support transformational change** within the organisation, with a focus on **spend to save initiatives and future financial balance**.

As part of the budget setting exercise, **£8.5m of non-pay savings proposals** have been built into the base budget – further detail is provided on slide 19.

* The FY 22/23 values have been restated to reflect core budget values and baselined services.



Income

Income	2022/23	2023/24	Movement	
	Budget £m	Budget £m	£m	%
Specific grant funding	-7.7	-11.0	-3.3	42.9%
Local Authority Funded Officers	-3.5	-3.3	0.2	-5.7%
Other Funded Officers and Staff	-1.4	-1.3	0.1	-7.1%
Public fees	-4.6	-4.1	0.5	-10.9%
Rental and hire	-7.1	-7.2	-0.1	1.4%
Mutual aid	-1.2	-1.6	-0.4	33.3%
Services of police	-11.9	-12.4	-0.5	4.2%
Seconded officers	-1.1	-1.3	-0.2	18.2%
Other income	-4.4	-4.5	-0.1	2.3%
Total	-42.9	-46.7	-3.8	8.9%

The income budget assumes a **full recovery following COVID**.

Income budgets have increased from the revised income budget of **£42.9m to £46.7m** as part of the budget setting process.

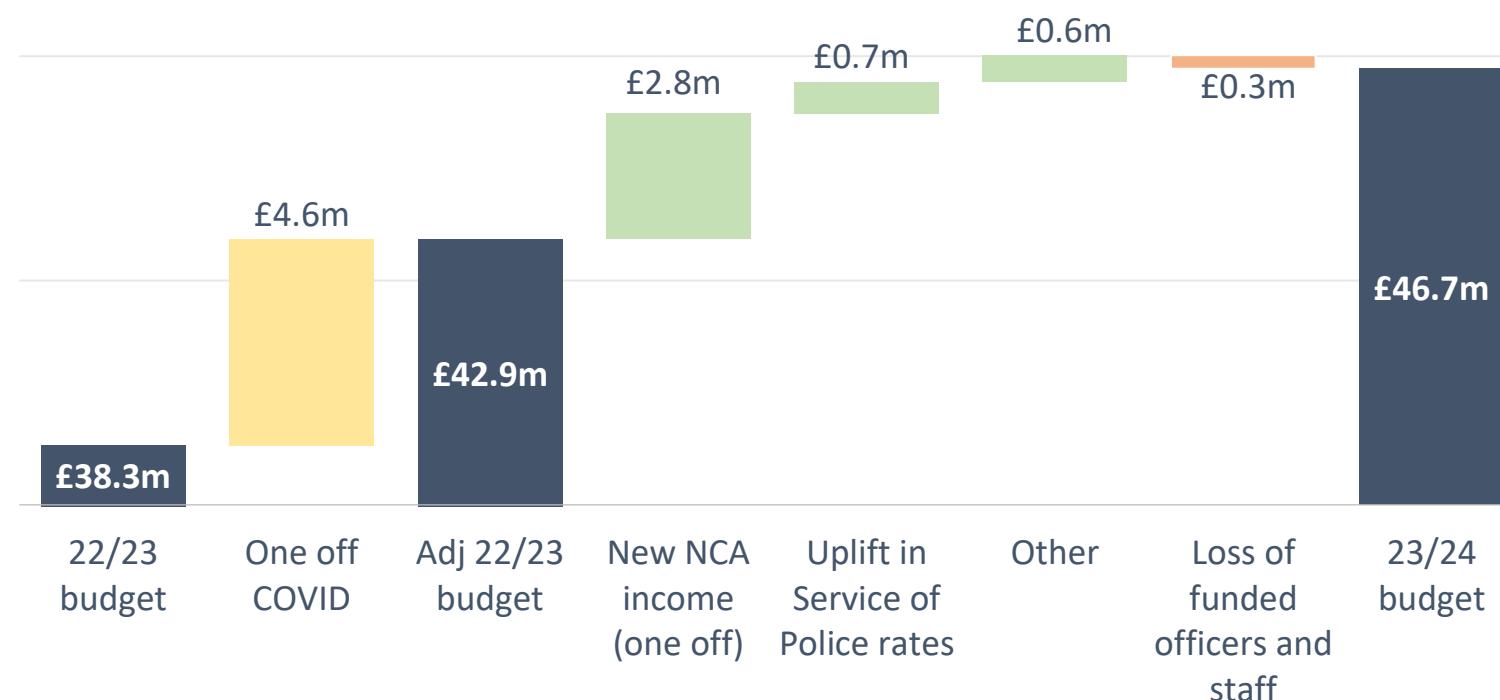
The uplift in income has resulted from **one off NCA income (£2.8m)**, an **uplift in the Services of Police rates (£0.7m)** and other small recoveries.

In line with previous years **additional income of £3.6m** has been built in based on historic over recovery levels.

Further risk relating to **potential reduction in grant funding**.

*The FY 22/23 values have been restated to reflect core budget values and baselined services.

** c£1.0m of income relates to SPA Corporate and Forensic Services



Forensic Services and SPA Corporate

Forensic services and SPA Corporate followed the same budgeting process as Police Scotland; supported by SPA /Police Scotland finance with the budget submissions approved by the Director of Forensic Services and Chief Executive. The police staff budget build was completed centrally for all areas following a consistent process and budgeting assumptions.

Forensic Services and SPA Corporate	Forensic Services				SPA Corporate			
	2022/23 Budget	2023/24 Budget	Movement		2022/23 Budget	2023/24 Budget	Movement	
	£m	£m	£m	%	£m	£m	£m	%
Staff	34.4	39.1	4.7	13.7%	3.4	3.7	0.3	8.8%
Other employee	0.1	0.1	0.0	0.0%	0.0	0.1	0.1	-
Premises	0.1	0.1	0.0	0.0%	0.8	1.0	0.2	25.0%
Transport	0.2	0.2	0.0	0.0%	0.1	0.0	-0.1	-100.0%
Supplies and services	4.6	3.9	-0.7	-15.2%	0.1	0.1	0.0	0.0%
ICT	0.7	0.6	-0.1	-14.3%	0.0	0.0	0.0	-
Administration	0.2	0.1	-0.1	-50.0%	0.7	0.8	0.1	14.3%
Third party payments	0.5	0.5	0.0	0.0%	0.5	0.5	0.0	0.0%
Other costs	0.0	0.0	0.0	-	0.1	0.0	-0.1	-100.0%
Capital financing	-0.2	0.0	0.2	-100.0%	-0.1	0.1	0.2	200.0%
Income	-0.1	-0.1	0.0	0.0%	-0.9	-1.1	-0.2	22.2%
Total	40.5	44.5	4.0	9.9%	4.7	5.2	0.5	10.6%

* The FY 22/23 values have been restated to reflect core budget values and baselined services.

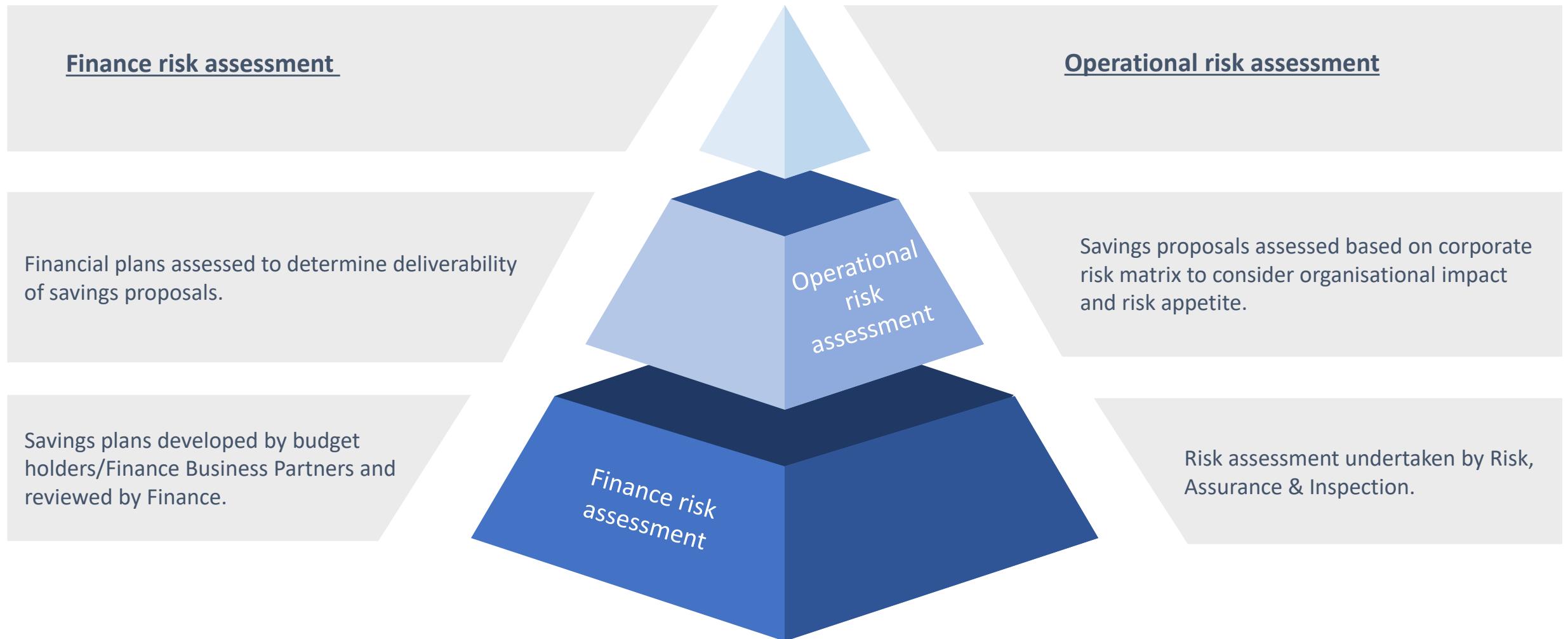
- The majority of the Forensic Services budget growth is related to unavoidable pay award and increments pressures (£3.7m).
- This budget allows for further implementation of the approved new operating model. There is growth in forensics staff and costs, however, these have been largely offset by savings within the non-pay budget. The net budget growth attributable to the new operating model is £0.4m (1.0%).

- The majority of the SPA corporate growth is also related to unavoidable pay award and increments pressure (£0.3m). There is no growth in staff numbers, with a recruitment freeze in place.
- There are other unavoidable cost pressures related to premises costs (£0.2m) and audit costs (£0.1m) incurred on behalf of the entire police service.

Risk assessment

Budget risk

A risk assessment has been undertaken for all savings proposals included in the 2023/24 budget. This review provides an assessment of the operational risk associated with each proposal, alongside the financial risk of achieving the saving and ultimately delivering the 2023/24 budget. It is important to note there is an element of risk attached to all budgets and that the service must accept a degree of risk within risk tolerance.



Police Scotland's risk assessment matrix has been applied to the savings to independently assess the risk rating for every saving proposal. The risk assessment results are detailed on the following slide to show the RAG rating for both the finance and operational risk assessment.

Savings included in the budget

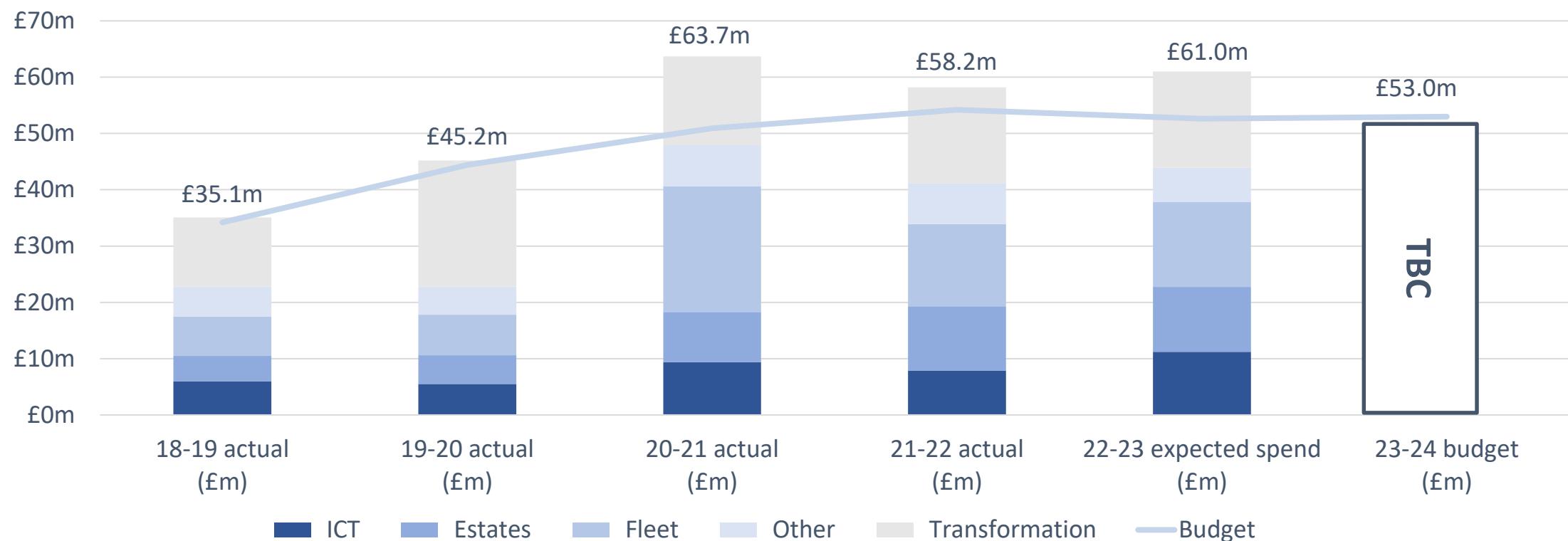
The below savings have been built into the budget and each must be delivered to ensure the balanced budget position can be maintained. Financial deliverability and operational risk rating included.

Workforce saving	Detail	Value	Risk appetite	Financial deliverability	Operational risk
Police Officers	~16,638 operating model – assumes that all anticipated external funding will be received.	-	Cautious		Public confidence
Police overtime	Assumes that core officer overtime will be managed within the core budget allocation	-	Cautious		Service delivery
Police Staff	Assumed Police Scotland workforce reductions	-	Cautious		Service delivery
Non-pay saving	Detail	Value	Risk appetite	Financial deliverability	Operational risk
Property repairs	Statutory, health and safety and security maintenance only	£3.2m	Averse		Wellbeing
Sustainability savings	More efficient use of gas and electricity	£1.7m	Averse		Wellbeing
Digital efficiency	Additional savings to be identified within Digital Division	£0.5m	Cautious		Finance
Service and maintenance	Switch to ULEV results in lower costs and newer vehicles	£0.6m	Cautious		Finance
Vehicle hires	Further roll out of car club scheme resulting in less hire cars	£0.3m	Cautious		Finance
EV fuel savings	Fuel savings realised due to the utilisation of ULEV	£0.3m	Cautious		Finance
Op Tarn	Change in method of reviewing / charging for costs	£0.7m	Cautious		Finance
Specialist policing	Reduction of training, clothing and equipment costs	£0.1m	Cautious		Service delivery
4% efficiency target	Procurement efficiency target on selected non-pay budgets	£1.1m	Cautious		Finance
NON-PAY SAVINGS BUILT INTO BASE BUDGET		£8.5m			

Capital and reform

Capital funding - historic

The below chart details the budget allocated each year (including disposals and additional grants), as well as highlighting the level of actual/forecast expenditure. For a number of years, we have made submissions to the SG Infrastructure Commission, the SG Capital Spending Review and the SG Low Carbon Fund reinforcing our needs for additional capital funding. However, following the update of the SG Capital Spending Review in May 2022, it has been assumed that our level of grant-in-aid funding for capital will remain static over the next 5 years.

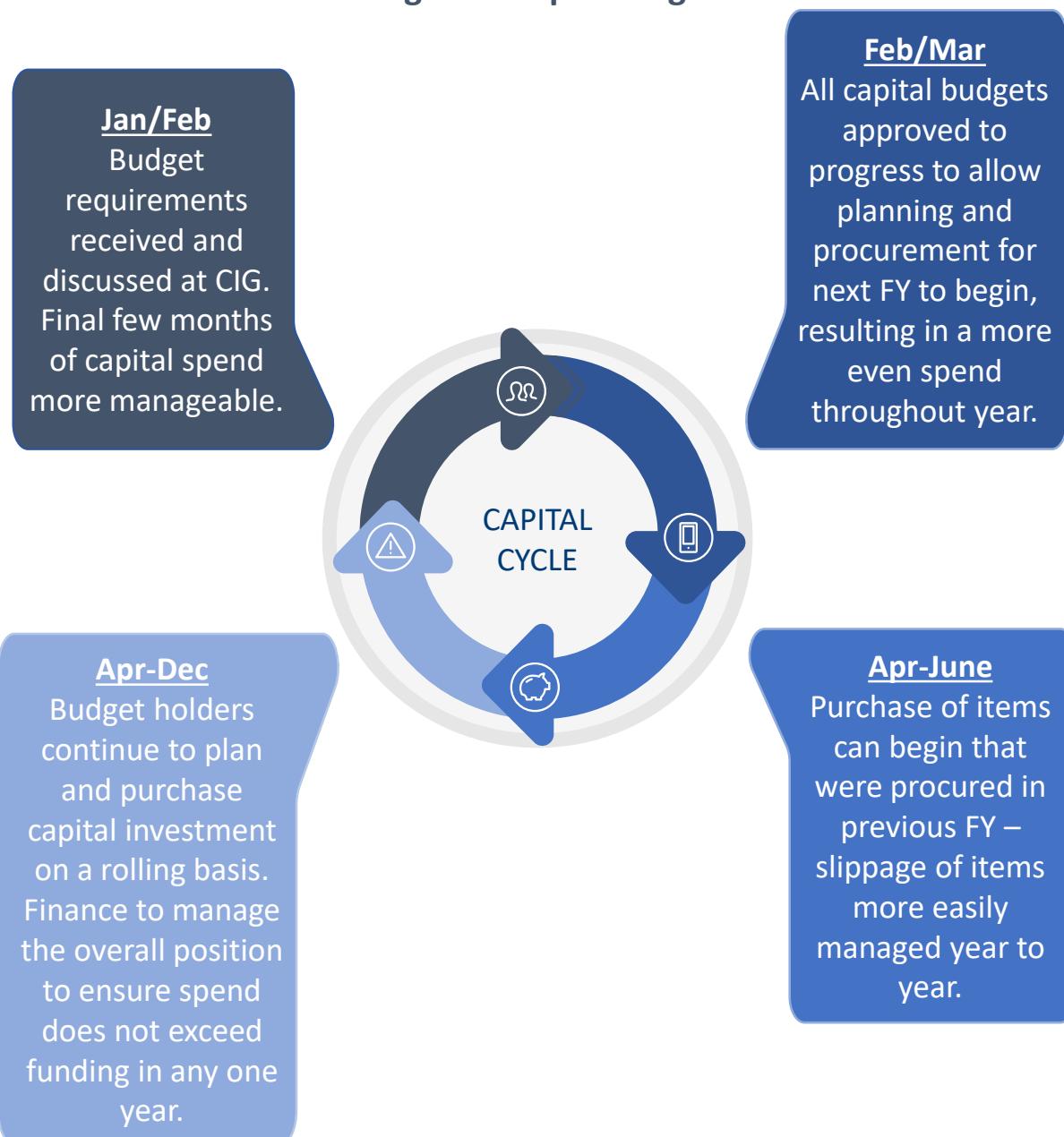


Funding breakdown	18-19	19-20	20-21	21-22	22-23	23-24
Grant in aid	23.0	35.0	45.0	45.5	45.5	50.1
Other grants	0.2	0.3	0.6	1.1	1.6	0.0
Reform capital	4.6	4.6	4.6	4.6	4.6	0.0
Proceeds from disposals	6.4	4.5	0.7	2.4	1.0	2.9
Sub Total	34.2	44.4	50.9	53.6	52.7	53.0
Additional GIA	0.9	0.8	12.8	4.6	8.3	0.0
Total	35.1	45.2	63.7	58.2	61.0	53.0

The capital cycle

Capital cycle

The diagram below outlines the **capital cycle undertaken by the organisation last financial year** which will continue in 23/24. This new approach attempts to break the cycle of spend in the last few months of each financial year as this **creates risk and is an obstacle to solid longer term planning**.



A new approach

In order to break the cycle, the **following solutions were implemented for the first time last financial year** (and will continue this financial year), with a focus on how to break the capital cycle and therefore potentially secure more funding.

- **Shift in mind-set** – move away from thinking about capital as single year budget, but rather as a 5 year capital delivery plan.
- **Enabling Budget Holders** – rather than constrain budget holders to a single year capital budget to fit within the SG provided funding levels, we should enable them to spend in line with their total capital bid request.
- **Specialist functions** will continue to work collaboratively with budget holders, providing additional support where required to help expedite capital and reform expenditure.
- **Finance to keep score** – enabling budget holders in this way will mean a capital budget set significantly in excess of the funding we have available. As in previous years, the finance team will manage the corporate position to ensure expenditure meets budget by year end any given financial year
- **Resourcing appropriately** – we need to resource our capital delivery teams relative to our ambition of being an organisation with an annual capital budget of £80-100m.

Lessons learnt from the previous financial year will be applied to ensure there is continuous improvement in processes throughout.

23/24 capital and reform budget allocation

		Capital £m	Reform £m
Rolling replacement	Estates	12.9	0.0
	Fleet (rolling replacement)	14.5	0.0
	Electric Vehicle Infrastructure	5.3	0.3
	ICT	13.9	0.0
	Specialist policing equipment	5.1	0.0
	Weaponry & officer safety	2.1	0.0
	Forensic services	1.8	0.0
Change	Corporate Change (incl. EPF and VR VER)	0.2	7.7
	Cyber Security	0.0	0.5
	Data Drives Digital	3.0	0.6
	Digital Division Projects	0.9	1.9
	Digitally Enabled Policing Programme	4.1	0.4
	Body Worn Video	0.6	0.0
	Estates Transformation, Review and Rationalise	15.0	5.1
	Forensic Service 2026	0.3	1.0
	Hate Crime	0.5	0.0
	Local Policing Service Delivery	0.0	0.4
	Modernised Contact & Engagement	0.5	1.8
	Other	0.2	6.1
	Policing in a Digital World	1.5	2.8
	Rights and Justice Legislative programme	2.3	0.0
	Technical Surveillance	0.4	0.0
	Transformation resource	0.0	7.8
	Slippage Management	-32.1	-11.4
Total	53.0	25.0	
Funding	Core grant in aid	50.1	20.0
	Additional revenue funding	0.0	5.0
	Capital receipts	2.9	0.0
	Total	53.0	25.0

The **capital and reform 23/24 budget allocations** have been detailed in the table.

Overall **£85.1m of capital budget has been allocated** for 23/24 to be managed as part of a longer term 5 year capital plan. **Slippage of £32.1m** must be managed to remain within funding allocated.

£55.6m has been allocated to **rolling capital replacement programmes**.

£29.5m has been allocated to **Change capital projects** to deliver transformation change across the organisation.

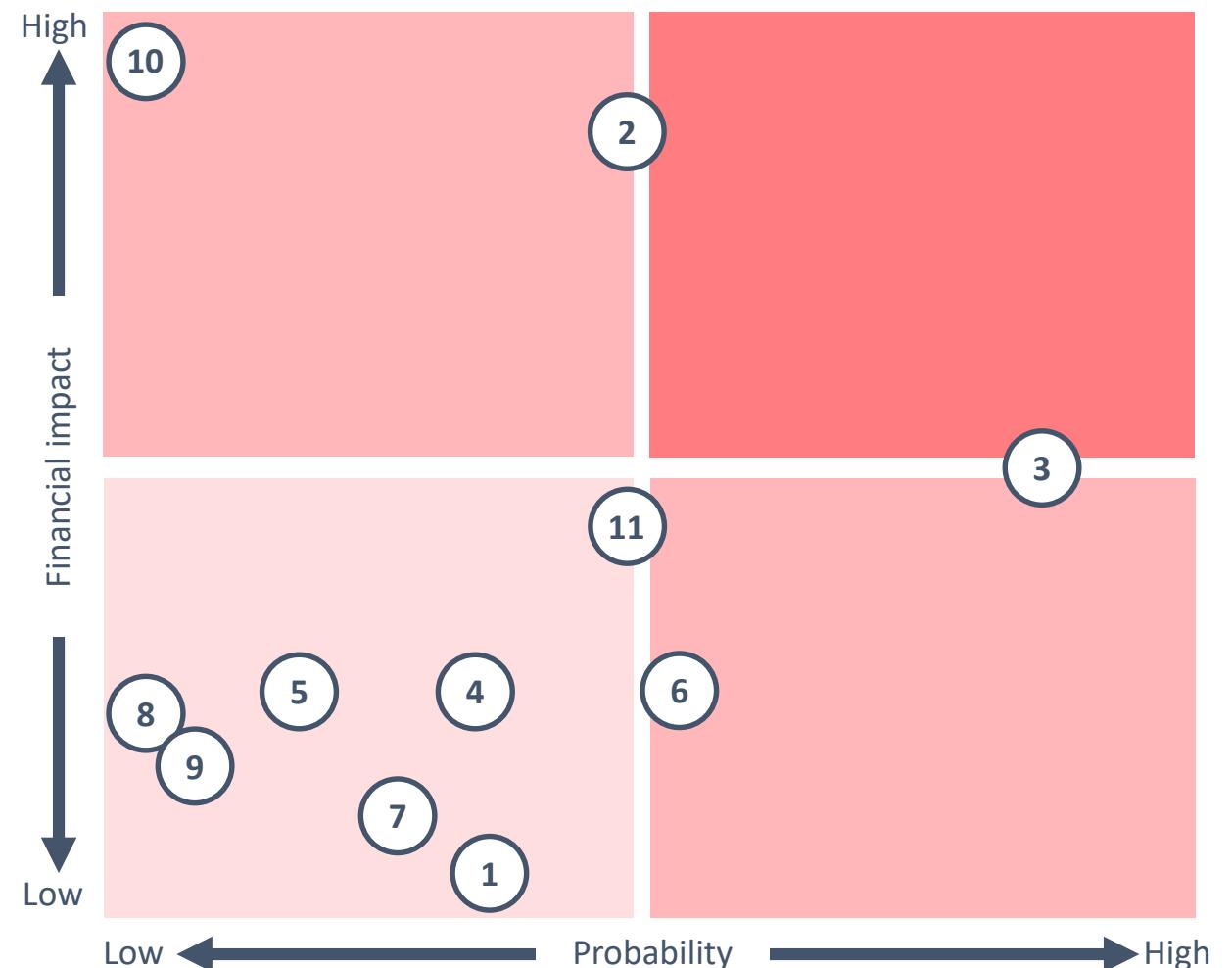
£20.0m of reform funding plus an **additional £5.0m from core revenue** has also be allocated to deliver Change projects, including staff required for a successful delivery. **Slippage of £11.4m** must be managed to remain within funding allocated

Threats and opportunities

Threats

The chart summarises the key threats that could result in a material change to the 2023/24 budget. The threats listed will be monitored throughout next financial year and reflected in the forecast outturn accordingly.

1. Reduced Officer numbers – the new ~16,638 operating model assumes that income will be received for all externally funded posts.
2. Police Officer overtime - current use of overtime is not sustainable in the long term creating a risk that spend cannot be managed within budget.
3. Assumed Police Scotland workforce reductions – assumed reduction of PS staff through use of a vacancy management and VR/VER.
4. Pay costs - various pay assumptions have been made with regards to pay award, headcount, attrition and savings. Any variations to these assumptions will be managed throughout the year.
5. Non-pay pressures – an assumption has been made within budgets for inflation, price increases and other pressures.
6. Property repairs – it has been assumed only P1 and P2 repairs will be completed, however this creates an additional risk and backlog of repairs. Potential to overspend and increased costs in future years as minor repairs become major.
7. Ill-health retirals – budget has been increased due to higher volume of cases being processed however costs may exceed budget available if cases are processed at a more rapid rate.
8. Income challenge – additional income built in based on historic over recovery levels.
9. Legal – provision included for anticipated legal costs, however due to the demand led nature of this spend, actual costs remain unknown.
10. Legislation – no provision included for new legislation – assumed that such pressures will be fully funded.
11. Capital review – a review is expected to be undertaken by SG.



Financial landscape and financial planning

Financial planning

- Since its creation the Police Authority has undergone significant change, and has already delivered the financial and operational benefits of police reform that the Scottish Government's Resource Spending Review (RSR) now requests of the wider public sector. As a result over £200 million has been removed from the annual cost of policing when compared to legacy arrangements.
- Financial sustainability has been the primary objective of the financial planning strategies developed since 2016, all of which highlighted the significant funding challenges facing the service.
- A balanced budget along with a manifesto commitment to real terms protection provided policing with a stable platform and a route to maintaining financial sustainability over the longer term. These assumptions formed the basis of the latest five year financial plan that was approved by the Authority in September 2021.
- The RSR published in May 2022 removed the real terms protection commitment and instead indicated a flat cash settlement for policing until FY 2026/27.
- Whilst the actual budget settlement for 2023/24 isn't as severe as flat cash, high inflation is reducing the spending power of our budgets, and when considered alongside the expectation for future pay awards, anything below real terms protection represents a real-terms reduction in funding for policing requiring difficult choices to be made.
- Police Scotland's reform journey will continue to focus on developing organisational capability, i.e. Body Worn Video, but also in ensuring that the organisation is as efficient and effective as possible to live within the funding available, i.e. through investment in our digital capability, the roll out of Enabling Policing for the Future (EPF) and the wider roll-out of the Strategic Efficiency Redesign and Reinvestment Review (SERR).
- The Scottish Government Capital Spending Review indicated a flat capital funding settlement of ~£53m per annum over a five year period (including anticipated capital receipts). This level of funding is significantly short than required to deliver a policing service for the 21st century. Flat cash will allow key investments to progress, but the pace of delivery is limited within the funding available.
- The immediate focus of financial planning has been on developing the annual budget for 2023/24. Although there is great value in longer term financial planning, it is very difficult in the current economic environment, both of which need to stabilise to allow reasonable financial planning assumptions to be developed to inform longer term financial planning.
- The organisation will, however, continue to develop scenario modelling to understand the impact of 2023/24 funding settlement and future financial challenges, and continue to work closely with Scottish Government to articulate the capital and revenue requirements over the medium term.

Financial uncertainty

There are a number of areas of uncertainty that continue to be monitored to ensure that any financial or funding implications can be articulated and discussed, both internally and externally with Scottish Government.

01

Funding

- *Annual budget settlements*
- *Funding commitments*
- *Spending review outcomes*

04

Economic factors

- *Global price increases / inflation*
- *Wage inflation*
- *Potential recession*
- *Increasing interest rates*

02

Service provision

- *Workforce size & mix*
- *Demand for services*
- *New legislation*
- *Service priorities, i.e. new technology*

05

Political priorities

- *Priorities and commitments*
- *New legislation*
- *Public inquires*

03

Income

- *Assumptions based on historic trends / current demands*
- *Local authority grant funded officers*

06

Changing nature of costs

- *IFRS 16*
- *Software as a service - ICT applications moving towards online hosted packages.*

As noted previously, these areas need to stabilise to allow reasonable financial planning assumptions to be developed to inform longer term financial planning.

Appendix B

Schedule of Rates for Events and Other Services 23/24

Schedule of Rates for Events and Other Services

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.

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.

This slide and the next set 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.

The charge out rates have been calculated using the methodology set out in the NPCCs Guidelines on Charging for Police Services. 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.

The charge out rates have been increased for 2023/24 in line with the budgeting assumptions presented as part of this paper.

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.

Full economic rate per hour	Rate from 01-Apr-22	Rate from 01-Apr-23
Chief Superintendent	£110.50	£119.00
Superintendent	£97.50	£106.00
Chief Inspector	£77.00	£84.50
Inspector	£72.50	£79.50
Sergeant	£73.50	£85.00
Constable	£63.50	£73.50
Special Constables	£26.00	£30.00

Full economic rate per hour	Rate from 01-Apr-22	Rate from 01-Apr-23
Grade 11	£79.00	£82.50
Grade 10	£71.50	£74.00
Grade 9	£62.50	£64.00
Grade 8	£54.50	£55.50
Grade 7	£47.50	£49.50
Grade 6	£53.00	£54.50
Grade 5	£46.00	£48.50
Grade 4	£40.00	£42.00
Grade 3	£36.50	£38.50
Grade 2	£33.50	£35.50
Grade 1	£30.00	£32.00

* These revised charge out rates are effective from 1 April 2023.

Schedule of Rates: other non-statutory services

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). When calculating rates for 2023, the December 2022 CPI measure of 10.5% has been used, as published by the Office for National Statistics. These charges with the proposed uplift are shown below:

ITEM	Apr-22	Apr-23
Supply of Accident Reports	£108.50	£120.00
Search Fee (where the police have no information)	£108.50	£120.00
Interview (after copy of accident report has been applied)	£178.50	£197.00
<u>Supply of Photographs:</u>		
per Print	£8.00	£9.00
per Photocopy	£5.50	£6.00
CD – per disk	£24.50	£27.00
<u>Supply of Video / DVD:</u>		
½ hour video/DVD	£83.00	£91.50
1 hour video/DVD	£118.50	£131.00
3 hour Video /DVD	£257.00	£284.00
Supply of information about thefts, house breaking and occurrences	£108.50	£120.00
Crash Investigator Accident Report	£512.50	£566.50
Scale Plan (A3)	£142.00	£157.00
Scale Plan (A1)	£283.50	£313.50
3D Construction + preparation time	£708.00	£782.50
Alarm Registration (incl. VAT - £60)	£52.50	£58.00
Supply of Plans – Charges will depend on the type of service provided and equipment used.		

* These revised charge out rates are effective from **1 April 2023**.