

<b>Meeting</b>	<b>Authority Meeting</b>
<b>Date</b>	<b>25 March 2020</b>
<b>Location</b>	<b>Tele-conference</b>
<b>Title of Paper</b>	<b>Scottish Police Authority Budget 2020/21</b>
<b>Presented By</b>	<b>James Gray, Chief Financial Officer</b>
<b>Recommendation to Members</b>	<b>For approval</b>
<b>Appendix Attached</b>	<b>Yes: Appendix A - Budget 2020/21</b>

## PURPOSE

The Scottish Police Authority has a legal obligation, before the beginning of each financial year, to provide details of how it intends to allocate the financial resources it expects to have available.

This paper sets out the funds the Authority has available for the financial year 2020/21 and proposes how these resources should be allocated.

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

The Scottish Government acknowledges in their Budget Allocation and Management letter for 2020/21 that there is a current resource deficit and that measures will be taken to minimise this over the course of the year.

The letter also acknowledges that COVID-19 is an unprecedented event which could lead to additional expenditure and will be subject to close monitoring.

## 1. BACKGROUND

- 1.1 This report outlines the proposed Scottish Police Authority (SPA) budget for the financial year 2020/21.
- 1.2 The detailed 2020/21 proposed budget is per **Appendix A**.
- 1.3 The 2019 UK general election resulted in a delay to the publication of the UK budget and Scottish budgets.
- 1.4 The Scottish budget has now been approved in the Scottish Parliament on 5 March 2020.

## 2 FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 This budget is being set in the context of increasing real terms public spending across the UK and Scotland.
- 2.2 The draft Scottish budget proposed a like for like 4.9% cash or 3.0% real terms increase in total budget from the previous year<sup>1</sup>.
- 2.3 Over the last year the SPA has publically communicated a narrative on our financial sustainability, continuing to message the imperative for additional funding or workforce reductions to achieve financial balance.
- 2.4 Our long term financial modelling shows that without corrective action the SPA's deficit would grow over the next five years.
- 2.5 The SPA's revenue funding allocation for 2020/21 exceeds the Scottish Government (SG) commitment to protect the SPA's revenue budget in real terms.
- 2.6 The total increase in the SPA's resource funding is £50.2m or 4.6% in cash (£29.5m or 2.7% in real terms).
- 2.7 This budget proposes a revenue deficit of £44m - an increase in the previous year's core operating deficit (£24.6m) and total deficit including the impact of Brexit planning (£41.6m).
- 2.8 The increase in SG funding has not fully addressed the underlying structural deficit. To achieve financial sustainability in the long-term continues to require a combination of: workforce reductions; structural funding correction and ongoing funding increases in line with pay growth.

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<sup>1</sup> Scottish Parliament SPICe briefing (SB 20-12) – like for like comparison excluding devolution of social security and EU farm payments.

- 2.9 The SPA has also been advocating the urgent need for additional capital funding to reflect the ongoing requirements of an organisation of the scale and complexity of the SPA. We have been highlighting the failures in our current key assets (ICT, estates, fleet) as well as the need to invest in transformational change projects to deliver an efficient policing service, fit for the 21<sup>st</sup> century.
- 2.10 The SPA's capital funding from SG has increased by £10m from the previous year to £49.6m (including reform capital). This includes funding for investment in 'green' electric vehicles (£5m) and investment in modernisation of the police estate (£5m).
- 2.11 The capital funding settlement, despite increasing year on year remains lower than requested in the SPA's spending review submission and will not allow for investment in any new transformation.
- 2.12 The key highlights of the revenue budget are:
- Revenue deficit of £44m – an increase in the previous year's core operating deficit (£24.6m) and total deficit including Brexit (£41.6m).
  - Budgeting for 17,234 police officers, including ~270 non-SG funded officers.
  - Inclusion of agreed 3% staff pay award and SPRM costs baselined.
  - A continued commitment to no compulsory redundancies.
  - Increases in non-pay budgets (£17m), targeting at addressing issues within estates, ICT and public order.
  - Officer and staff wellbeing funded with a £1.7m increase from the previous year.
  - A central income target (£4.1m) has been budgeted that requires to be specifically identified during the year.
  - Initial reduction to income budgets (net ~£8m) due to COVID-19.
- 2.13 The key investment (capital and reform) highlights include:
- Total capital funding of £51.7m – including an increase in SG funding of £10m focused on fleet and estates and £2.1m of anticipated capital receipts.

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- Revenue reform funding of £25m (no change from prior year).
- The capital funding settlement is lower than requested in the SPA's spending review submission.
- £30m of unavoidable committed and legislative capital investment.
- £24m of further capital investment in BAU asset replacement (estates, fleet, ICT, etc).
- £5m of specific investment in 'green' electric vehicles that will begin to decarbonise the fleet.
- £5m additional investment to contribute towards the maintenance of the police estate.
- The funding allocated will not allow for new technology change

2.14 COP26 is not part of this budget paper and is subject to specific separate consideration.

2.15 In addition to the budgeted deficit, there are also a number of material threats, some of which may crystalize during the year that have not been budgeted for.

2.16 In particular, there are significant operational and financial risks related to coronavirus / COVID-19. The impact of these is highly uncertain and continually changing. The SPA has initially estimated a ~£8m reduction in income that has been incorporated in the revised deficit.

2.17 Further financial consequences, which are unquantifiable at this point, are being carefully monitored and will be reported regularly to the SPA. In response to SG's draft budget letter the Chief Executive working with Police Scotland has written to the SG to stress this risk and its financial implications. The SG has provided assurance that it will work with the SPA to ensure it is able to operate appropriately.

2.18 Conclusion

- This is a robust and achievable budget proposal, representing the best use of the resources available to the SPA.
- The Authority continues to demonstrate sound financial management, however, without a reset of its overall funding envelop the SPA will be unable to achieve financial

sustainability or address increasing and changing operational demands.

### **3 FINANCIAL IMPLICATIONS**

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

### **4. PERSONNEL IMPLICATIONS**

4.1 The personnel implications for the financial year 2020/21 are set out in this report.

### **5. LEGAL IMPLICATIONS**

5.1 There are no direct legal implications associated with this paper.

### **6 REPUTATIONAL IMPLICATIONS**

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

### **7. SOCIAL IMPLICATIONS**

7.1 There are no social implications associated with this paper.

### **8. COMMUNITY IMPACT**

8.1 There are no community implications associated with this paper.

### **9 EQUALITIES IMPLICATIONS**

9.1 There are no equality implications associated with this paper.

### **10. ENVIRONMENT IMPLICATIONS**

10.1 There are no environmental implications associated with this paper.

## **RECOMMENDATIONS**

Members are asked to Approve the Scottish Police Authority draft budget 2020/21.

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**FINANCE**

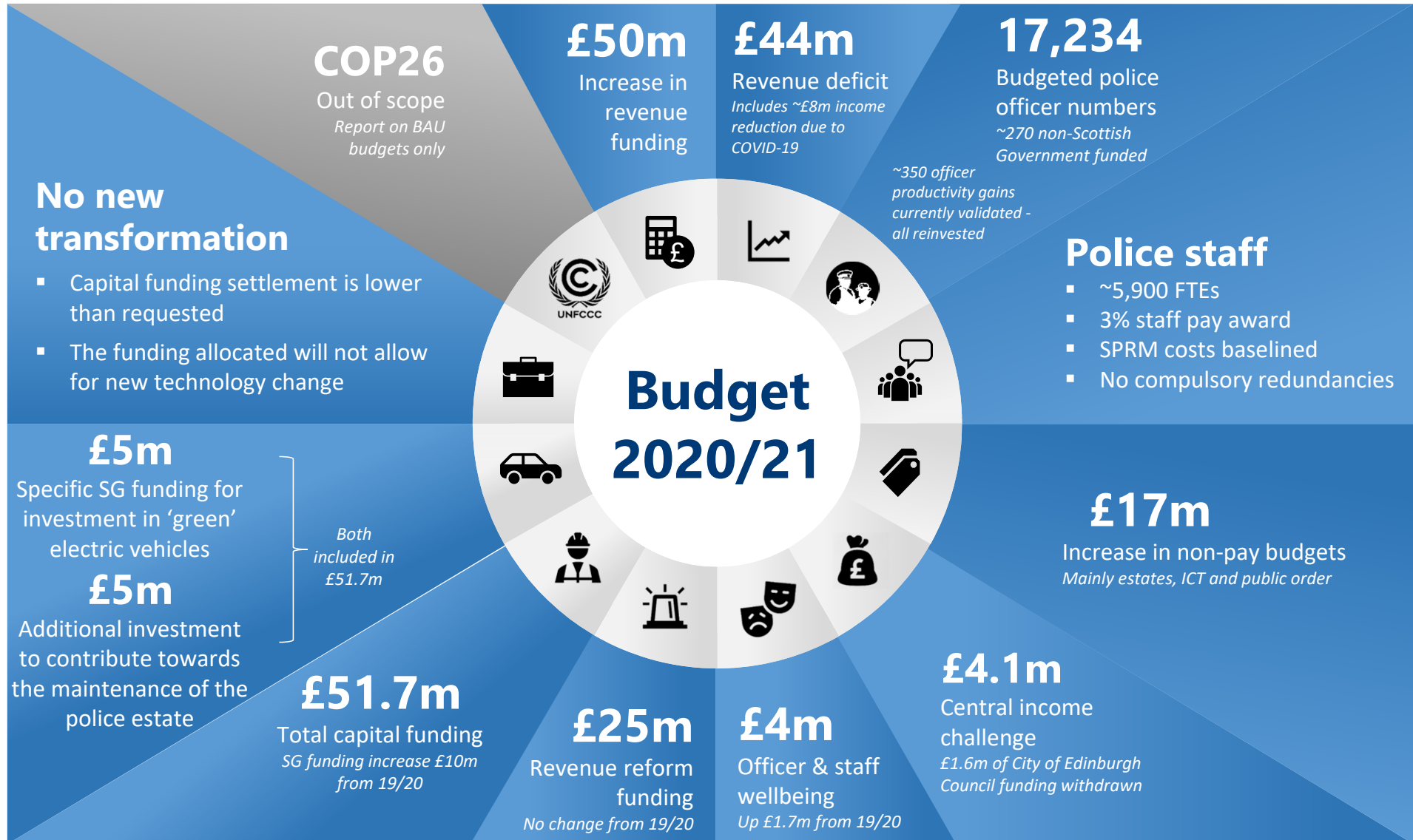
# Budget 2020/21

March 2020

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# Summary

# 2020/21 budget highlights



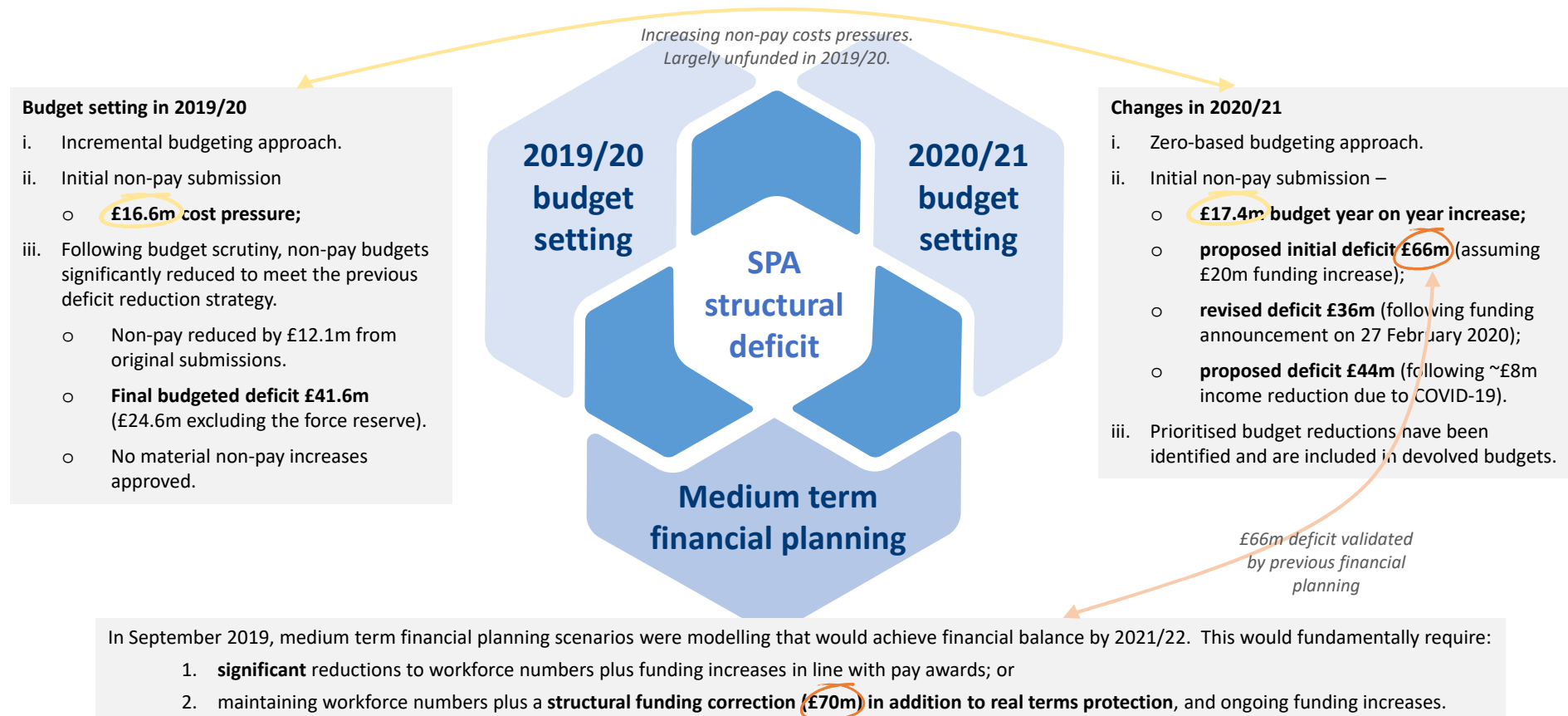


# Strategic context

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- Over the last 12 months we have widely communicated a number of key messages on our financial sustainability. At the SPA Board meeting of 24 September 2019, we stated that the achievement of financial sustainability - in the form of an ongoing balanced budget - is contingent on a **'structural correction'** to revenue funding of ~£70m in addition to our assumption of a £20m uplift for real terms protection and **annual increases thereafter** indexed to wage growth.
- Since the SPA Board, we have continued to develop and enhance a number of financial scenarios over a longer time horizon and have shared these formally with stakeholders including the Scottish Government (SG).
- These scenarios demonstrated that, without further corrective action, the **deficit would grow significantly over five years**, with a forecast deficit of £66m in 2020/21, even after the impact of savings delivered from planned change projects. This £66m deficit scenario assumed we address the increasingly **critical under-investment** in non-pay costs, and was based on assumed £20m funding growth, as previously advised by SG Finance.
- A zero-based budgeting approach has been used for budget setting in 2020/21 with submissions signed-off by budget holders. These granular budget submissions validated the £66m scenario, in terms of the cost base required to address historic under-investment in non-pay. Achieving this outcome still required a degree of prioritisation and challenge, with reductions to 'demand' shared across the business.
- Following confirmation of our revenue funding settlement, which at £50m year-on-year growth was £30m higher than modelled, a revised **deficit of £36m was proposed as our 2020/21 budget**.
- Due to the impact of COVID-19 we are anticipating a **loss of income of ~£8m** which **increases the proposed deficit to £44m**. This reduced income represents our current best estimate of income lost in the short term. The wider operational and financial impact of COVID-19 is highly uncertain and largely unquantifiable at this point. The service will be carefully monitoring and reporting on this matter to the SPA.
- As in previous years, the SG has acknowledged the deficit budget and will support the management of this position in-year. This provides assurance that a deficit revenue budget can be set. Following the impact of COVID-19 the SG has provided further assurances that it will work to ensure it provides the SPA with assurance required for it to be able to operate appropriately.
- The increase in SG funding has not fully addressed the underlying structural deficit. To achieve financial sustainability in the long-term continues to require a combination of: **workforce reductions; structural funding correction** and **ongoing funding increases** in line with pay growth.
- The capital funding settlement, despite increasing year on year remains lower than requested in the SPA's spending review submission and **will not allow for investment in any new transformation**.
- The financial impact of the UN climate change conference (COP26) is outside the scope of this report and work to determine the financial impact and funding for this event is being separately considered.

# Change to revenue budgeting approach



- Much of the budget increase reflects pressures highlighted in the previous year that were not approved. For example in 2019/20 estates requested a £5m budget increase that was not approved and the current requested increase is £5.1m. The operational impact of historic ‘salami-slicing’ of non-pay budgets is exemplified by the poor condition of buildings and vehicles.
- Whilst the current increase in non-pay budgets appears high, this reflects the zero-based budget build and the budget necessary to remediate the issues arising from previous years focus on cutting non-pay budgets.
- The medium term financial scenarios assumed workforce numbers are maintained, requiring a £70m structural funding correction. This is broadly comparable to the initial proposed deficit (£66m) with differences related to updated assumptions on SG funding offset by higher staff pay awards.
- Following confirmation of the funding settlement this deficit had reduced to £36m, however, it has been increased to £44m due to reduced income as a result of COVID-19.

# Summary of proposed budgets

Revenue		2019/20 Budget £m	2020/21 Proposed £m	Movement £m
Police Scotland	Police officer costs: core	801.1	817.7	16.6
	Police officer costs: Brexit	17.0	-	-17.0
	Police Staff Costs	181.6	203.9	22.3
	Non Pay Costs	143.0	160.4	17.4
	Income	-40.7	-31.4	9.3
	<b>Net expenditure</b>	<b>1,102.0</b>	<b>1,150.6</b>	<b>48.6</b>
SPA	Forensic services	30.2	34.2	4.0
	SPA corporate	4.5	4.5	0.0
	<b>Net expenditure</b>	<b>34.7</b>	<b>38.7</b>	<b>4.0</b>
<b>Total revenue budget</b>		<b>1,136.7</b>	<b>1,189.3</b>	<b>52.6</b>
<u>Funded by:</u>				
	Grant-in-aid	1,095.1	1,145.3	50.2
	Operating deficit - core	24.6	44.0	19.4
	Operating deficit - Brexit	17.0	-	-17.0
<b>Total funding</b>		<b>1,136.7</b>	<b>1,189.3</b>	<b>52.6</b>

Investment	2019/20 Budget £m	2020/21 Proposed £m	Movement £m
Capital budget	43.1	51.7	8.6
<b>Capital funding</b>	<b>43.1</b>	<b>51.7</b>	<b>8.6</b>
Revenue reform budget	25.0	25.0	0.0
<b>Revenue reform funding</b>	<b>25.0</b>	<b>25.0</b>	<b>0.0</b>

## Revenue

- This budget assumed officer numbers and retained at 17,234 and excludes the impact of any additional costs from COP26.
- Staff budgets include the cost of the approved pay award in addition to the full cost of SPRM increments which were funded from reform in 2019/20. Further cost pressures have arisen including the annualised cost of new roles created.
- Police Scotland non-pay budgets have been increased by £17.4m – targeted towards areas of historic underinvestment and where previous budget cuts have been applied to an unsustainable level.
- Income budgets have reducing mainly due to the end of Operation Ailey. A significant reduction in local government funding has occurred (£1.6m) which has been added to the central income challenge. A further net reduction of ~£8m has been estimated arising from COVID-19.
- A £44m revenue deficit is proposed. To reduce the deficit further would increase the operational risks to the service and require difficult decisions to be made.
- In addition to the budgeted deficit there are a number of material threats, some of which may crystalize that have not been included (see page 22).

## Investment

- The capital investment group (CIG) prioritised the allocation of capital and reform funding.
- Additional specific funding has been provided for 'green' electric vehicles (£5m) and £5m to contribute towards the maintenance of the police estate.
- The funding allocated is lower than the resources requested. This level of funding will not allow for investment in new technology transformation in 2020-21.

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# Funding

# Funding

- The draft Scottish budget was expected to be published in early December 2019, however, due to the general election the UK and Scottish budgets were delayed. The draft Scottish budget was published on 6 February 2020 and received final approval by the Scottish Parliament on 5 March 2020.
- This budget includes £50m of additional revenue funding. This exceeds the SG commitment to provide real terms protection of the SPA's revenue budget for the lifetime of the current Scottish Parliament. This is the final year of this commitment.

	2019/20 Budget £m	2020/21 Budget £m	Movement	
			£m	%
Revenue	1,095.1	1,145.3	50.2	4.6%
BAU capital	35.0	40.0	5.0	14.3%
Additional funding for electric vehicles	0.0	5.0	5.0	-
Capital reform	4.6	4.6	0.0	0.0%
Capital receipts	3.5	2.1	-1.4	-40.0%
Capital	43.1	51.7	8.6	20.0%
Revenue reform	25.0	25.0	0.0	-
<b>Total</b>	<b>1,163.2</b>	<b>1,222.0</b>	<b>58.8</b>	<b>5.1%</b>

**Revenue** represents budget for current expenditure such as staff costs and goods and services. In addition to the SG funding there are other sources of non-central government funding that are included within income budgets. This source of funding continues to reduce year on year.

As outlined in this report, the SPA is proposing an operating deficit in 2020/21. The SG is fully aware of the deficit budget and is committed to supporting the SPA.

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 to reinvest in further capital expenditure.

Overall capital funding has increased by £8.6m from the previous year (net of receipts). This falls significantly short of the funding required and requested to the SG as part of the SPA's detailed spending review submission to transform the service and address the historic underinvestment in the police estate, fleet and ICT assets.

**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.

- In addition to the primary budgets (table 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.
- In 2020/21 the accounting and budgeting rules for leases are changing to comply with international financial reporting standard (IFRS) 16. The SG will be revising all budgets to reflect this change and we are currently assuming that there should be no financial detriment to any public body as a result.

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# Revenue

# Revenue budget

Budgets have been prepared following the approved zero-based budgeting approach. In conjunction with finance business partners, budget holders have built their non-pay budget requirement from scratch, using a bottom up approach, rather than focusing on previous years spend.

## Pay costs (pages 12 - 13)

- Budget for salaries, allowances, on-costs and pensions.
- Overall pay costs represent 87% of the SPA's expenditure.
- Pay costs are ~20% police staff and ~80% police officers.

## Non-pay costs (page 14)

- Costs including: estates, fleet, ICT, supplies and general running costs.
- Historic 'salami slicing' of non-pay budgets has reduced non-pay spend to an unsustainable level that requires further investment.
- The SPA's non-pay budget is ~13% compared with a UK average of ~22%.

## Income (page 15)

- External income generated from: charges for services of police, rental income, other grant income, etc.
- There has been recent and potential further large reductions in income particularly from local authority partners who are also experiencing significant financial pressure.

## SPA (page 16 - 17)

- Relates to Forensics services (£34.2m) and the SPA's corporate body (£4.5m).



▪ Blocks are not exactly to scale and represent the Police Scotland budget unless stated.

# Budget assumptions & deficit

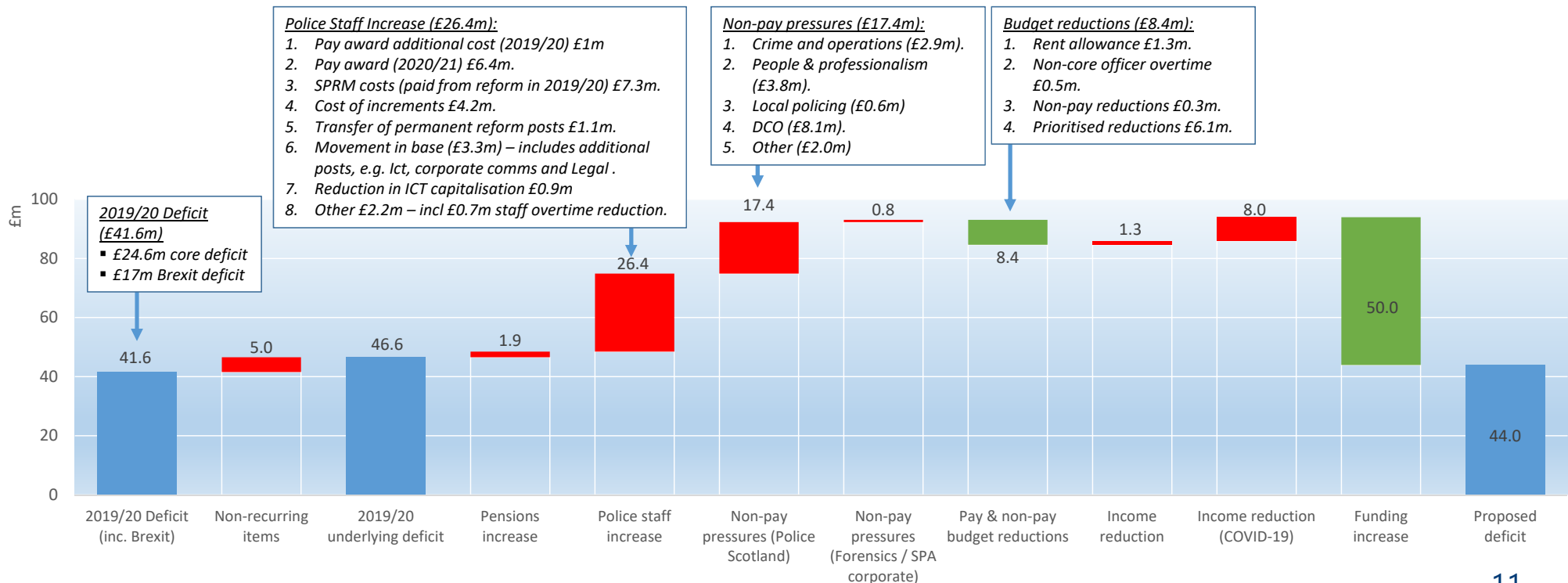
The chart shows proposed budget assumptions following the zero-based budget build and initial prioritisation of spend. The underlying deficit is in line with the medium term financial modelling submitted to the Scottish Government which highlighted the need for a structural funding correction in addition to annual funding increases.

## Assumptions

Pay costs	
Non pay costs	<ul style="list-style-type: none"> <li>Recognise revenue pressures as determined from the zero-based budget build.</li> <li>Other non-pay inflation has been applied where appropriate to specific budget lines as determined in the budget build.</li> </ul>
SG funding	<ul style="list-style-type: none"> <li>Increase in revenue funding by £50m per the approved Scottish budget (3 March 2020).</li> </ul>
Forensic services & SPA corporate	<ul style="list-style-type: none"> <li>Initial budget growth has been included.</li> <li>There are not material reductions from SPA corporate.</li> </ul>

## Pay assumptions

- Officer numbers maintained at 17,234 throughout 2020/21. Approved PNB changes to CRTP and pay points have been reflected.
- Staff budgets based on SCoPE records at 31 December 2019 including vacant posts. Appropriate vacancy and reduced pay savings applied to budgets at a local level.
- No additional officer pay award. Current agreement is to 31 March 2021.
- 3% award for police staff as approved in the two year agreement.
- Increments for staff in line with SPRM and assume pay progression for officers is self-funded by turnover.
- Continued commitment to no compulsory redundancies.

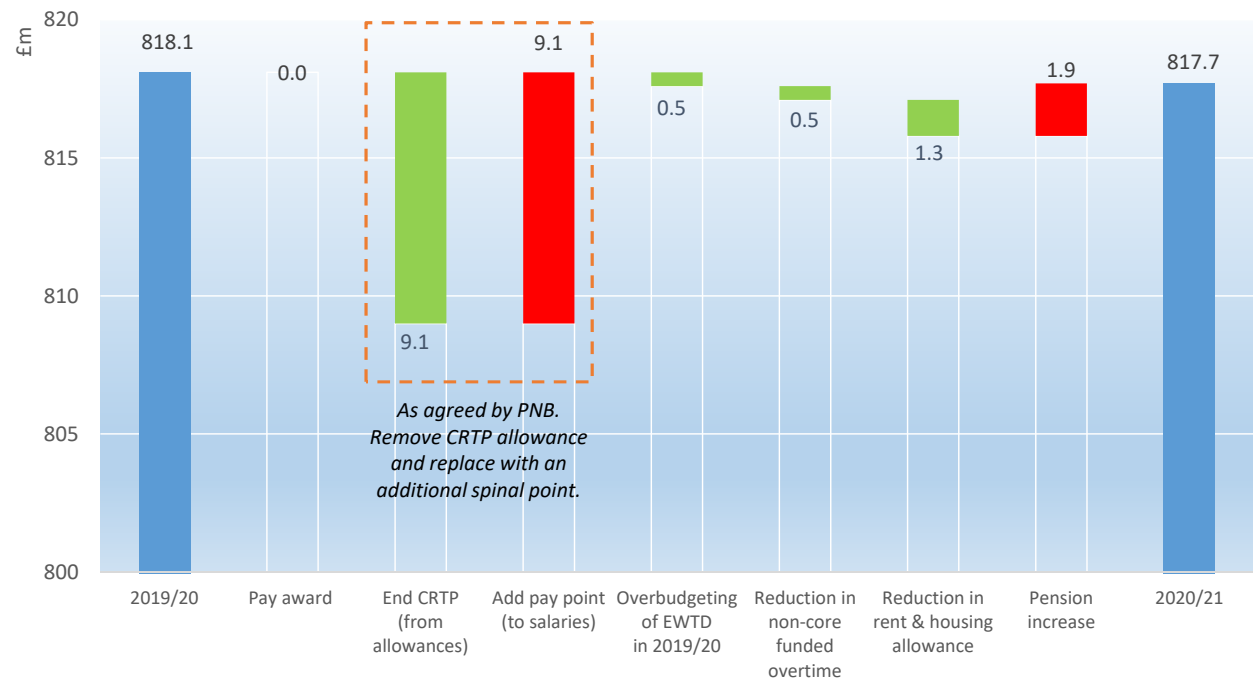




# Police officer costs

- In line with the funding settlement, the proposed budget assumes that police officer numbers are **retained at 17,234** for the duration of 2020/21. This budget is based on current practice of probationer intakes of ~200 per quarter. Whilst officer numbers are being maintained change projects such as the contact assessment model (CAM) have and will continue to realise officer capacity creation benefits in addition to service improvements which are being reinvested to meet increasing and changing demands on policing.
- There is no additional cost of pay awards in 2020-21 as the previous 6.5% increase applies until 31 March 2021. In addition, it is assumed that increments are payable but funded by officer succession savings (ie as officers at the top of the salary scale retire and are replaced by probationers at the bottom of the scale).
- Due to the UN Conference of Parties conference (COP26), it may not be possible to accommodate probationer officers intakes over the period of the conference due to the need to utilise the Scottish Police College for supporting the policing operation. Alternative probationer recruitment scenarios are being considered that may result in additional costs which at this point are assumed to be chargeable to COP26. Further clarity is required on precisely what additional costs will be funded.
- The proposed budget assumes that the underlying core officer overtime allocation is held flat but has been reallocated between divisions based on demand data. The core overtime budget has reduced by £0.5m due to the correction of working time directive costs in 2019/20. There is a £0.5m reduction in non-core (funded) overtime, following various reductions in the equivalent grant income.

	2019/20 Budget £m	2020/21 Proposal £m	Movement £m
Police officer pay	746.3	772.4	26.1
Police officer pay – Brexit	17.0	0.0	-17.0
Overtime - core	13.4	12.9	-0.5
Overtime - non-core (funded)	3.1	2.6	-0.5
Allowances	18.2	7.8	-10.4
Pensions (Injury benefit & ill health)	20.1	22.0	1.9
<b>Total Police Scotland</b>	<b>818.1</b>	<b>817.7</b>	<b>-0.4</b>



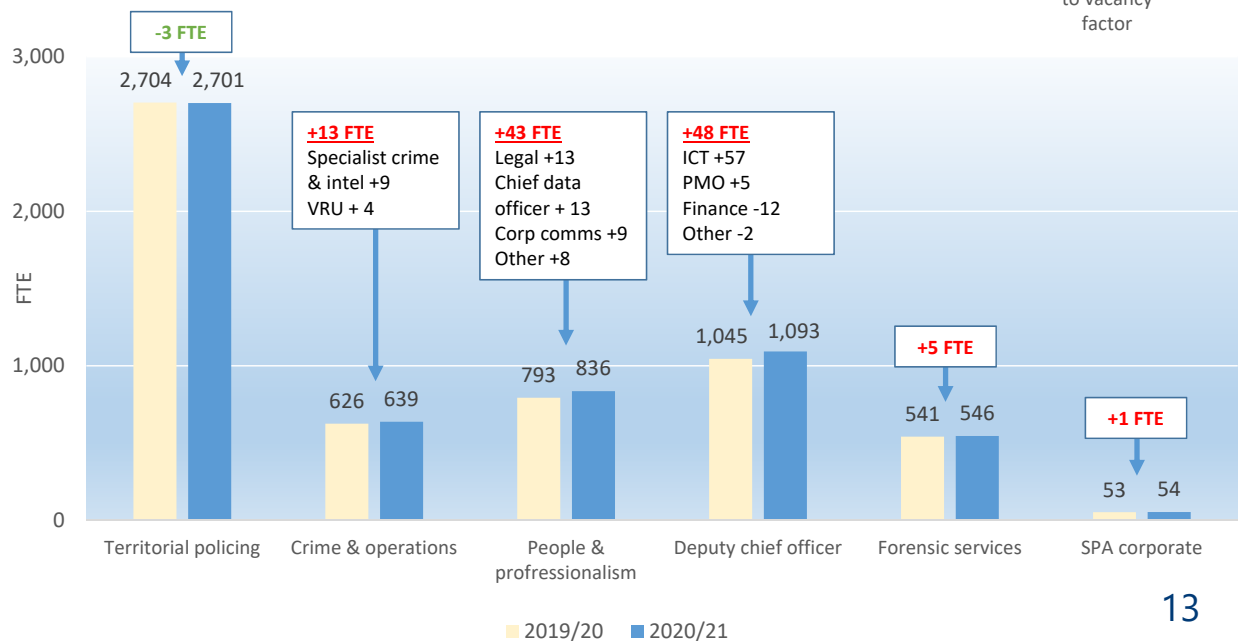
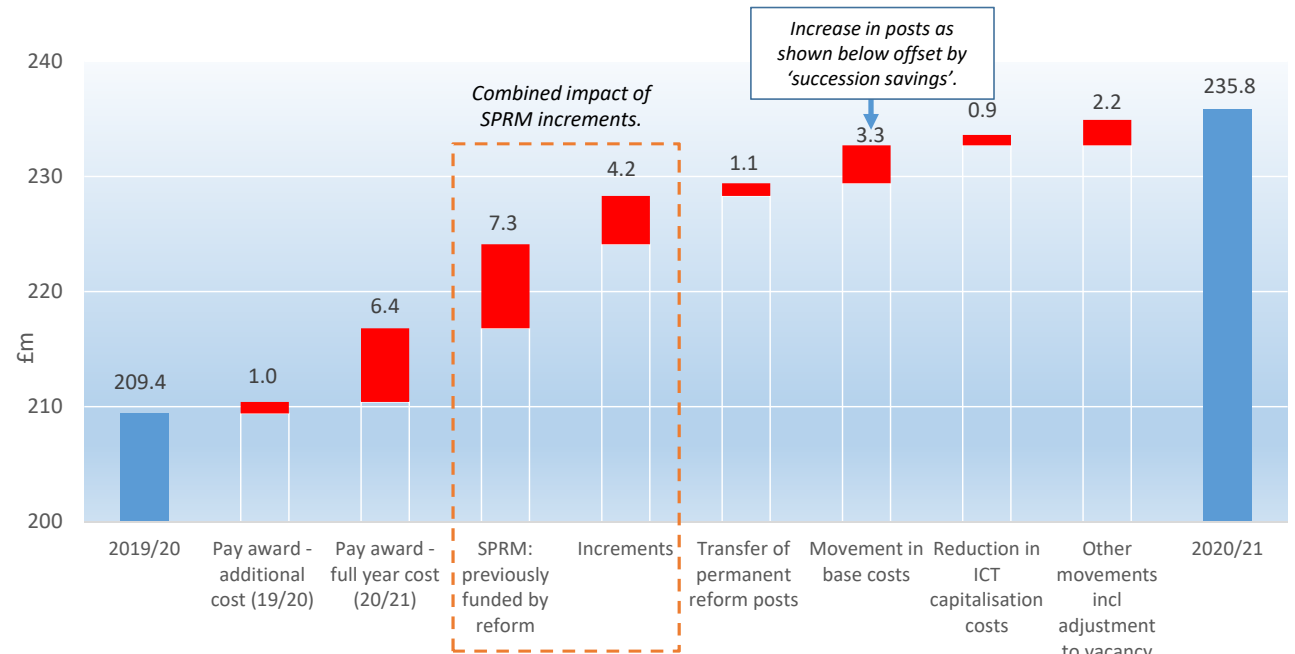
Note: there is no police officer budget in forensic services or SPA corporate.

As agreed by PNB (circular 2018/04), CRTP allowance has been removed and replaced with in additional spinal point. This shows as an increase to the police officer pay line (£9.1m) and a corresponding decrease to the allowances line.

# Staff costs

- The staff budget is based on staff in post at 31 December 2019 plus permanent true unoccupied vacant posts. Appropriate vacancy / turnover rates have been applied and corresponding 'savings' have been applied to devolved staff budgets.
- A 3% pay award has been budgeted based on the two year agreement and increments have been budgeted in line with the SPRM pay and grading structure.
- There is £1.1m of permanent posts transferred from the reform budget.
- Additional staff resources requests have been made that are not included in the budget proposal. Any further increase in staff resources must be funded from within existing approved budgets.
- New requests will be considered by the Strategic Resilience and Resources Group (SRRG) in lieu of a strategic workforce plan. These will only be approved if they are self-funded from elsewhere within existing staffing budgets and aligned with the emerging workforce strategy and target operating model (TOM).

	2019/20 Budget £m	2020/21 Proposal £m	Movement £m
Salaries, allowances and on-costs	206.1	233.2	27.1
Overtime	2.9	2.2	-0.7
Special constables	0.4	0.4	0.0
<b>Total</b>	<b>209.4</b>	<b>235.8</b>	<b>26.4</b>
<b>Comprised</b>			
Police Scotland	181.6	203.9	22.3
Forensic services	24.9	28.9	4.0
SPA corporate	2.9	3.0	0.1
<b>Total</b>	<b>209.4</b>	<b>235.8</b>	<b>26.4</b>

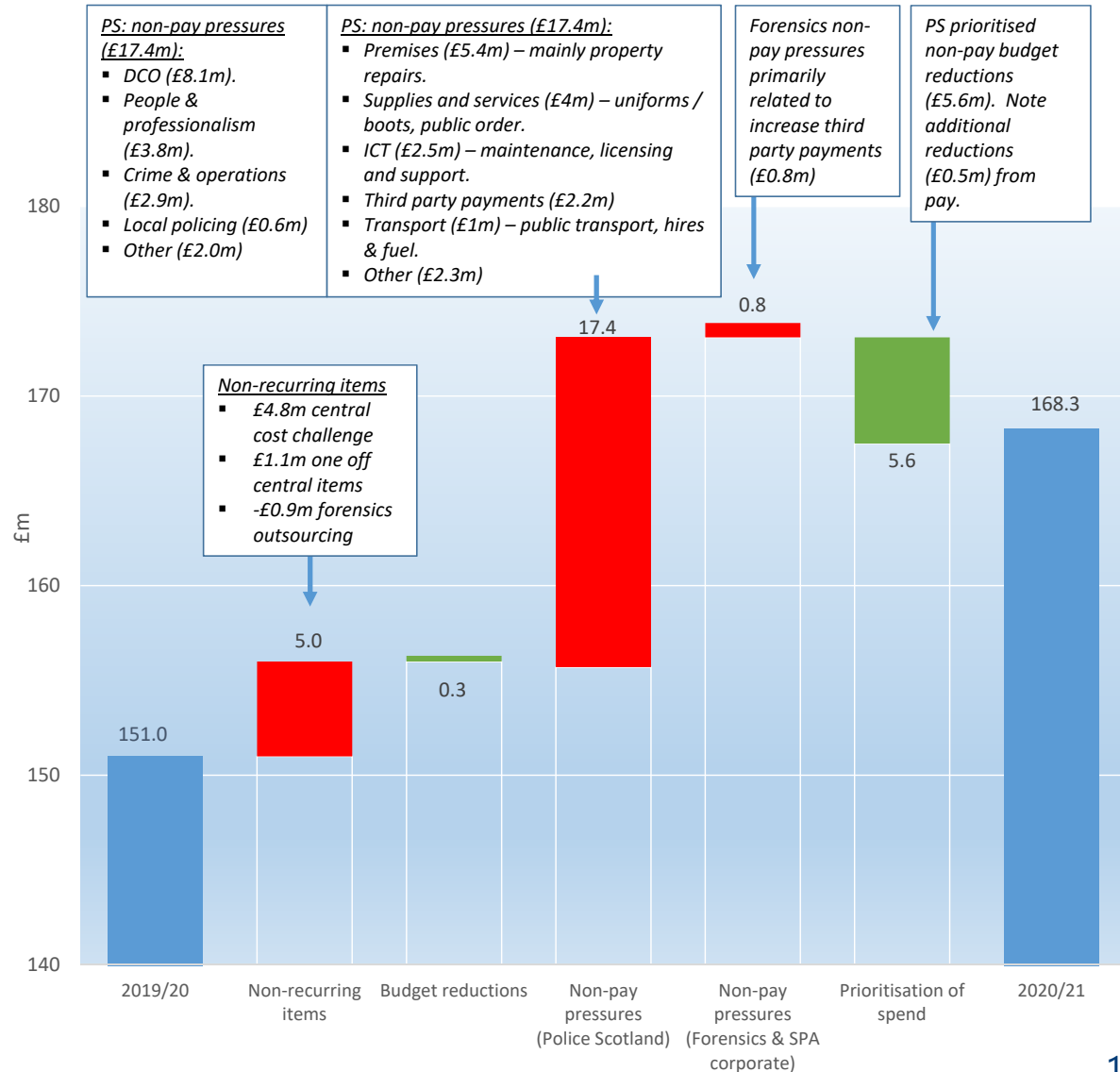


# Non-pay costs

Non-pay budgets have been developed using a zero-based budget build. 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.

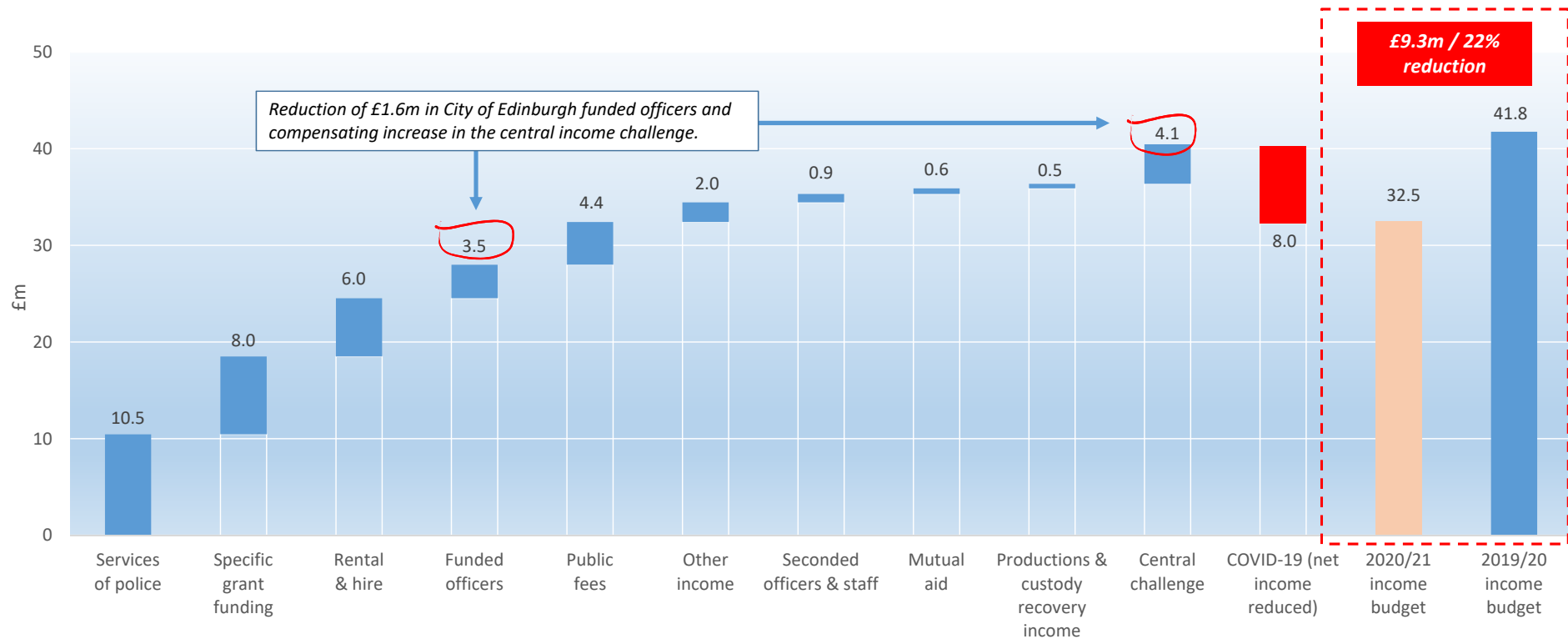
	2019/20 Budget £m	2020/21 Proposal £m	Movement £m
Other Employee	2.8	3.5	0.7
Premises	50.5	55.6	5.1
Transport	20.3	21.0	0.7
Supplies & Services	34.3	38.4	4.1
ICT <sup>1</sup>	27.7	28.7	1.0
Administration	7.1	7.3	0.2
Third Party Payments <sup>1</sup>	12.0	13.7	1.7
Capital Financing	6.0	5.7	-0.3
Other	-9.7	-5.6	4.1
<b>Total</b>	<b>151.0</b>	<b>168.3</b>	<b>17.3</b>
<b>Comprised</b>			
Police Scotland	143.0	160.4	17.4
Forensic services	5.5	5.4	-0.1
SPA corporate	2.5	2.5	0.0
<b>Total</b>	<b>151.0</b>	<b>168.3</b>	<b>17.3</b>

<sup>1</sup>Note: Home office charges were reallocated from third party payments to ICT costs. For comparability with 2020/21 the 2019/20 budget has been reallocated in this table.



# Income

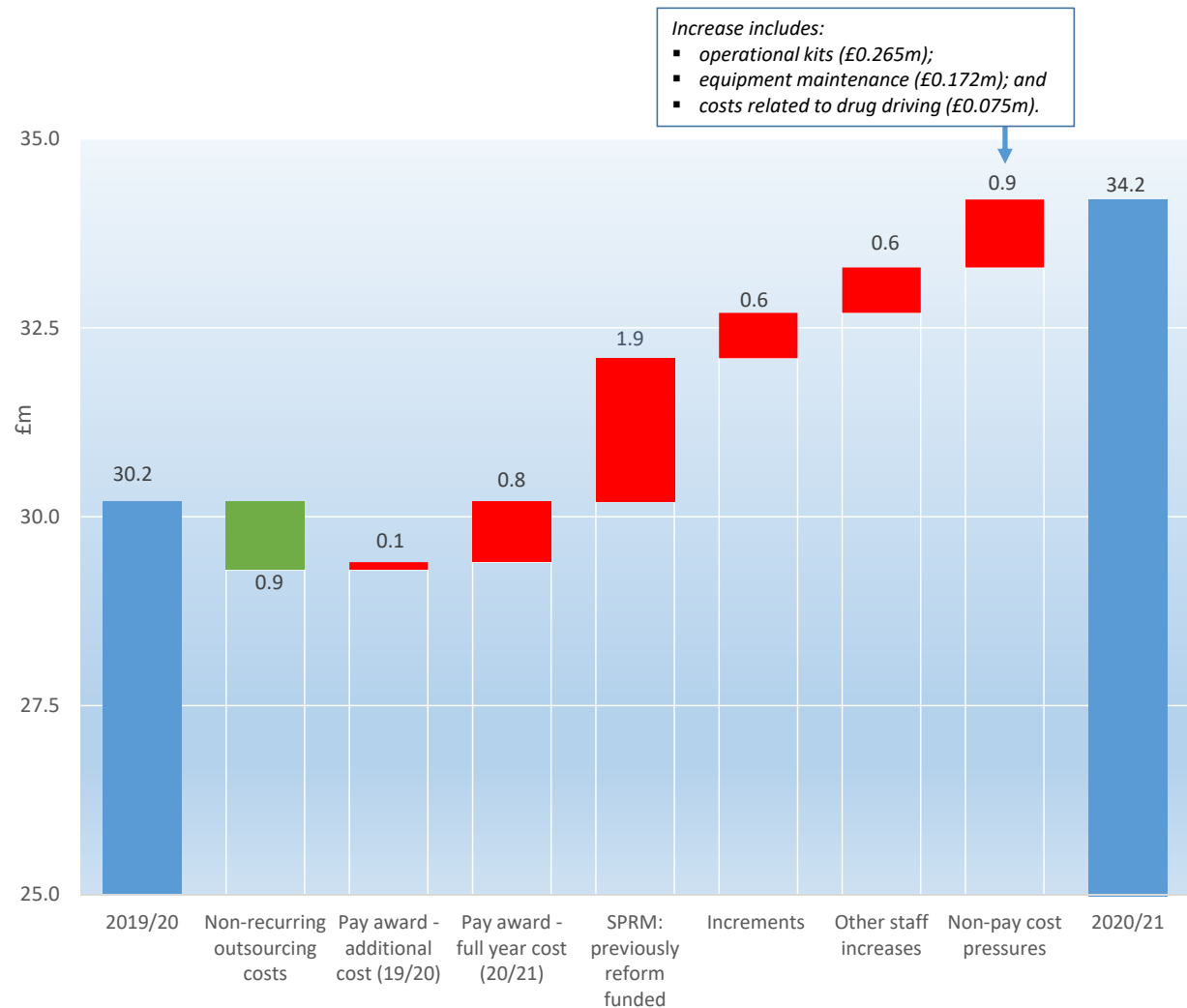
- The initial income budget proposed a £1.3m reduction from the previous year after the inclusion of a £2.6m income challenge. The majority of this is due to Operation Ailey which concluded in November 2019.
- The central challenge presents an element of risk to the overall budget but past trends indicate that additional income is highly likely from events, football matches, unplanned operations or secondments that are unknown at the time of budget setting.
- Funding from local government for funded officers has been reducing in recent years. For the 2020/21 budget, City of Edinburgh Council has reduced its grant funding to the SPA by £1.6m. There has been an compensating increase applied to the central income challenge.
- Due to COVID-19 a large number of sporting and other events have been cancelled. As a result, there is currently a net ~£8m reduction in income estimated, however, given the situation is highly uncertain it is likely that further budgeted income might not be realised. This will be closely monitored and reported on throughout the year.



# Forensic services

- Forensic services 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 submission has been approved by the Director of Forensic Services.
- The police staff budget build was completed centrally for Police Scotland, Forensic Services and SPA corporate following a consistent process and budgeting assumptions.

	2019/20 Budget £m	2020/21 Proposal £m	Movement £m
Police staff	24.9	28.9	4.0
Other employee costs	0.1	0.1	0.0
Premises	0.0	0.1	0.1
Transport	0.3	0.3	0.0
Supplies and services	3.0	3.6	0.6
ICT	0.6	0.7	0.1
Admin	0.2	0.2	0.0
Third party payments	0.3	0.4	0.1
Non-recurring outsourcing	0.9	0.0	-0.9
Income	-0.1	-0.1	0.0
<b>Total</b>	<b>30.2</b>	<b>34.2</b>	<b>4.0</b>



# SPA corporate services

- The SPA's corporate function provides a number of services for a variety of customers including the Board to primarily scrutinise and hold policing to account.
- The budgeting process has been consistent with all other business areas, supported and approved by the interim Chief Executive.

	2019/20 Budget £m	2020/21 Proposal £m	Movement £m
Police staff	2.9	3.0	0.1
Other employee costs	0.1	0.1	0.0
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	0.5	0.0
Capital financing	0.2	0.1	-0.1
Income	-1.0	-1.0	0.0
<b>Total</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0</b>

Increase includes:

- Pay award ~ £79k
- Increments ~ £15k

Reduction due to decrease  
in finance lease interest.

# Investment: capital & reform

# Capital

The SPA have been communicating the need for a significant increase in capital funding for policing in 2020/21 since Summer 2019. This funding ask was to begin implementing our strategies to complete police reform and to enable Scotland to have a police service fit for the 21st Century

We have also demonstrated the current capital allocation for policing is amongst the lowest in UK policing on a per capita basis and is low compared to other public bodies in Scotland. This will undoubtedly inhibit our ability 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 capital investment group (CIG) has responsibility for scrutiny and recommendations on the allocation of capital and reform funding.
- In December 2019 the CIG considered a number of funding scenarios and prioritised how spend would be allocated given a range of different funding allocations and identified **£30.8m of unavoidable capital spend** related to regulatory change, committed change, regulatory BAU or critical / difficult to stop projects. All other proposed expenditure is deemed as replacement activity or discretionary projects.
- **The total capital funding allocation, before £3.3m 'slippage management', is £51.7m** (comprised: £40m core; £5m electric vehicles; £4.6m capital reform and £2.1m capital receipts).
- This level of funding will not allow any new technology change activity in 2020/21. Examples of the operational impact of this funding means:
  - we will only be able to issue mobile devices (smart phones) to some of our officers. Funding is available to complete phase one which will have provided mobile devices to ~10,000 officers in local policing, however, there is no funding for phase two (~7,000 devices for officers in other operational areas); and
  - we will be unable to commence work to equip Police Scotland officers with body worn video (BWV). This equipment, which is basic equipment issued to officers in England and Wales, was one of the key recommendations made by Dame Elish Angiolini's independent review into complaints handling, investigations and misconduct issues.
- In line with previous financial years 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. Capital budgets may also be reprioritised during the year, if necessary, which could be required if COP26 adversely impacts projects.
- The slippage management target in 2019/20 was 5% and it is recommended that a 7% slippage target is included and reviewed quarterly by the CIG.

	Spending review ask £m	Unavoidable (committed & legislative) £m	Other (replacement & discretionary) £m	Total £m	Difference (budget – SR ask) £m
Estates	10.3	3.4	2.8	6.2	-4.1
Estates (SG award)	-	-	5.0	5.0	+5.0
Fleet (rolling replacement)	6.0	-	3.3	3.3	-2.7
Fleet (green)	7.0	-	5.0	5.0	-2.0
ICT	12.1	2.1	4.6	6.7	-5.4
Specialist policing equipment	2.8	0.2	2.6	2.8	0.0
Weaponry & officer safety	1.2	2.5	0.5	3.0	+1.8
Forensic services	1.7	1.9	0.4	2.3	+0.6
<i>Change: legislative &amp; inflight only</i>					
DDICT: core operating systems	4.5	6.3	-	6.3	+1.8
DDICT: unified comms & ICSS	6.4	2.8	-	2.8	-3.6
DDICT: other items	22.4	1.8	-	1.8	-20.6
Criminal justice – remodelling	-	3.9	-	3.9	3.9
Estates (NESC / Haddington)	-	4.0	-	4.0	4.0
ESMCP resilience	-	1.0	-	1.0	1.0
Other change	-	0.9	-	0.9	0.9
<b>Total</b>	<b>74.4</b>	<b>30.8</b>	<b>24.2</b>	<b>55.0</b>	<b>-19.4</b>
<b>Funding</b>					
Core grant in aid				35.0	
Estates grant				5.0	
Green grant				5.0	
Reform capital				4.6	
Capital receipts				2.1	
<b>Total funding available</b>				<b>51.7</b>	
<i>7% slippage management</i>				3.3	
<b>Total</b>				<b>55.0</b>	



# Reform

- The SG has 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 unavoidable reform spend has been undertaken on the same basis as capital by the CIG. The CIG identified £17.7m of unavoidable reform costs.
- In line with previous financial year and the capital budget it is proposed that the reform budget is also over allocated (by 10%) 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.
- This left £7.0m to allocate which has been split across a variety of projects. Key projects and initiatives supported by the reform budget in 2020/21 include:

- Finalisation of phase one of the mobile working project.
- Continuation of the Custody & Criminal Justice Programme, including renovations at London Road at ongoing support for the implementation of a Justice-wide Digital Evidence Sharing Capability.
- Continuing implications of the SPRM programme.
- 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
- Funding for Corporate Change including Leadership & Talent, Procurement improvement and the next phase of Transforming Corporate Support Services.
- Funding for Phases II and III of Core Operating Solutions.

	Unavoidable (committed & legislative) £m	Other (replacement & discretionary) £m	Total £m
Transformation resource	6.9	-	6.9
SPRM	10.2	-	10.2
National ICSS	0.2	-	0.2
COS	0.6	-	0.6
Corporate change (incl TCSS)	1.0	2.4	3.4
Estates transformation	0.6	1.6	2.2
Mobile working	0.1	-	0.1
Custody & criminal justice	0.5	-	0.5
Cyber & technical surveillance	-	0.1	0.1
Forensics transformation	-	0.2	0.2
Cyber resilience	0.2	-	0.2
VR VER	-	2.1	2.1
Small change	0.2	0.6	0.8
<b>Total</b>	<b>20.5</b>	<b>7.0</b>	<b>27.5</b>
10% slippage target			-2.5
<b>Total</b>			<b>25.0</b>

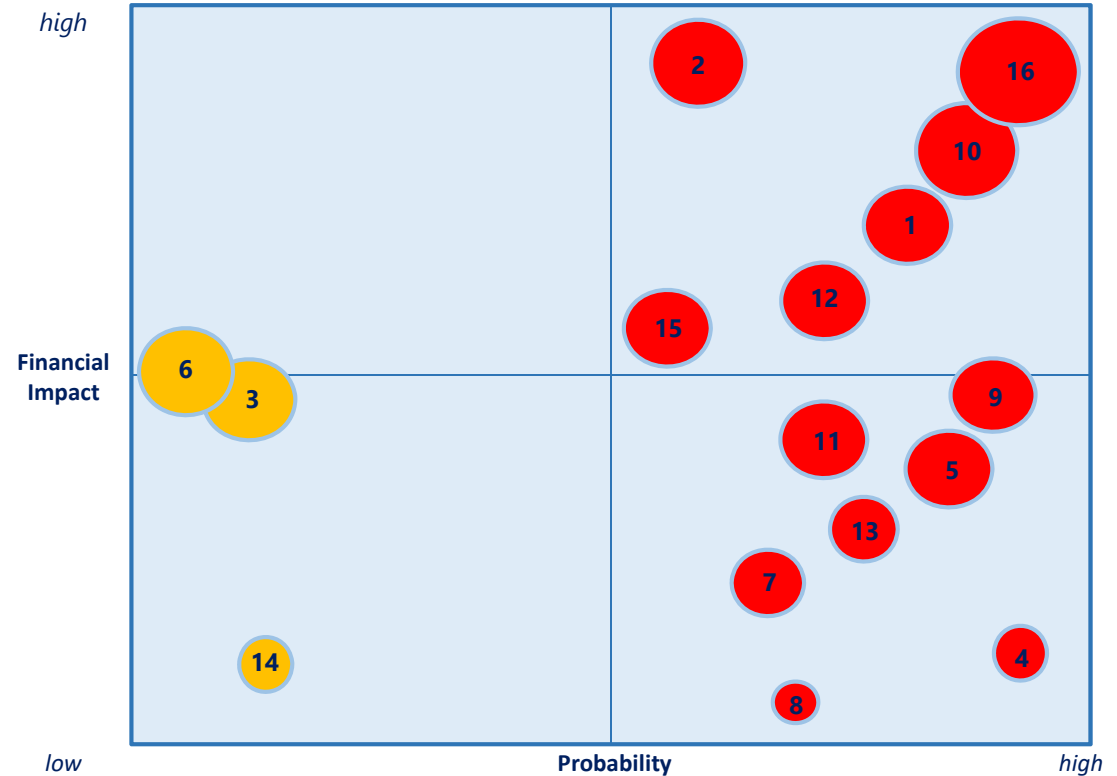
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# Threats

# Threats

The chart summarises the key threats that could result in a material change to the 2020/21 budget. These threats are **over and above the budget deficit**.

1. Local authority funded officers (£3.5m) – all funding has yet to be fully confirmed, however, budgets reflect the reduced City of Edinburgh council funding (£1.6m reduction) offset by an increase in the central income targets.
2. Central income target (£4.1m) – target increased due to reduced City of Edinburgh Council funding. The SPA currently has no specific plans to meet the stretch income target.
3. Airport income (£2.2m) – risk if delivery models change.
4. Service and maintenance costs (£0.6m) – pressure on revenue budget due to limited capital funding for renewal plans.
5. Property repairs & maintenance (£2.0m) – continued pressure on the estates budget given historic under-investment.
6. Mobility phase two (£2.6m) – additional revenue financial risk if the project is brought forward.
7. Home Office charges (£1.1m) – ongoing negotiations with the Home Office on the SPA's charges.
8. Communications data (£0.3m) – risks that costs will be transferred from the Home Office to all UK Forces.
9. Public inquiry costs (unquantified) – costs of announced public inquiry, currently unknown.
10. SPRM appeals (unquantified) – the SPRM appeals process is ongoing and the financial impact is not yet known.
11. Workforce parking levy (unquantified) – detail of possible charges is not yet known.
12. Revenue consequences of capital funding (unquantified) – increased revenue costs due to lower capital settlement that requires assets to be maintained that were assumed to have been replaced.
13. Innovation, continuous improvement and automation project savings assumed in the budget (£1.5m).
14. SPA Corporate are reviewing their organisation structure during 2020/21 that may have financial implications.



15. COP26 (unquantified) – impact on ability to deliver change and generate income from events due to sourcing this event.
16. COVID-19/ coronavirus (unquantified) – financial impact related to: organisational response, workforce absence and further reduction to income.

*Note: ESMCP and COP26 is not included in this budget paper. These costs are assumed to be funded by the Scottish and UK Governments.*