

Justice Committee

Scottish Government's Draft Budget 2015-16

Written submission from Police Scotland

Purpose

1.1 The purpose of this report is to provide written evidence at the request of the Justice Committee to assist the Committee's scrutiny of the Scottish Government's Draft Budget 2015/16.

Background

2.1 The Scottish Government's Draft Budget 2015/16 was published on 9 October 2014 and will be scrutinised in the Scottish Parliament over the next few months with its formal approval in early 2015. At this time the final funding allocations will be confirmed.

2.2 The underlying feature of the draft Scottish Government budget is the requirement to operate at essentially a "flat cash" allocation compared to the current year whilst also achieving the savings required in the Outline Business Case (OBC). The OBC indicated cumulative savings of £108.7m by the end of financial year 2015/16.

2.3 The draft budget indicates that the expected Reform reduction of £21.5m in funding for 2015/16 has been removed from the settlement.

Further detail on report topic

3.1 Police Scotland recognises the need for all public sector organisations across Scotland to look for efficiencies and new ways of undertaking their business to ensure that we can continue to provide quality public services and at the same time deliver upon the challenge of balancing our budget each year.

3.2 The proposed budget allocation for financial year 2015/16 is in line with expectations and reflects revisions anticipated in respect of budget transfers between Scottish Government portfolios.

3.3 Against a flat cash budget settlement the impact of inflationary elements such as wage inflation result in additional cost pressures which require to be met from the overall budget allocation.

3.4 In line with the Public Sector Pay Policy a 1% pay award effective from 1 September 2015 plus pay increments and other inflationary items result in further cost pressures of £23.2m in 2015/16.

3.5 The impact is an increased funding challenge over and above that assumed by the Reform OBC.

3.6 The in year funding challenge for 2015/16 is currently assumed to be £66.7m (ref Table 1 below) and assumes that previously identified recurring savings are sustainable.

Table 1 – Summary Revenue Budget 2013 – 2016

	2013/14 £m	2014/15 £m	2015/16 £m
Net Baseline Budget	1,110.0	1,056.9	1,029.3
Add Cost Pressures	16.3	27.3	23.2
Revised Baseline Budget	1,126.3	1,084.2	1,052.5
Revenue Funding	1,062.4	1,016.0	985.8
Budget Gap	63.9	68.2	66.7
Cumulative Budget Gap	63.9	132.1	198.8

3.7 The draft budget indicates Capital funding of £28.1m which is as expected and will underpin a capital plan which focuses on investment within ICT and new technologies.

3.8 This investment plan is designed to standardise systems and technology platforms across Scotland generating contractual savings and further efficiencies in business processes.

3.9 The Justice Committee has requested additional information in respect of prior financial years as detailed below.

Revenue Budget 2013/14

3.10 In financial year 2013/14 there was a budget gap of £63.9m and both Police Scotland and the Scottish Police Authority (SPA) worked closely to identify and deliver these savings.

3.11 This target has been achieved through the delivery of a range of recurring cost reductions. The cumulative impact indicates that the level of cost reduction expected from Reform (£1.1bn by 2026) has been achieved.

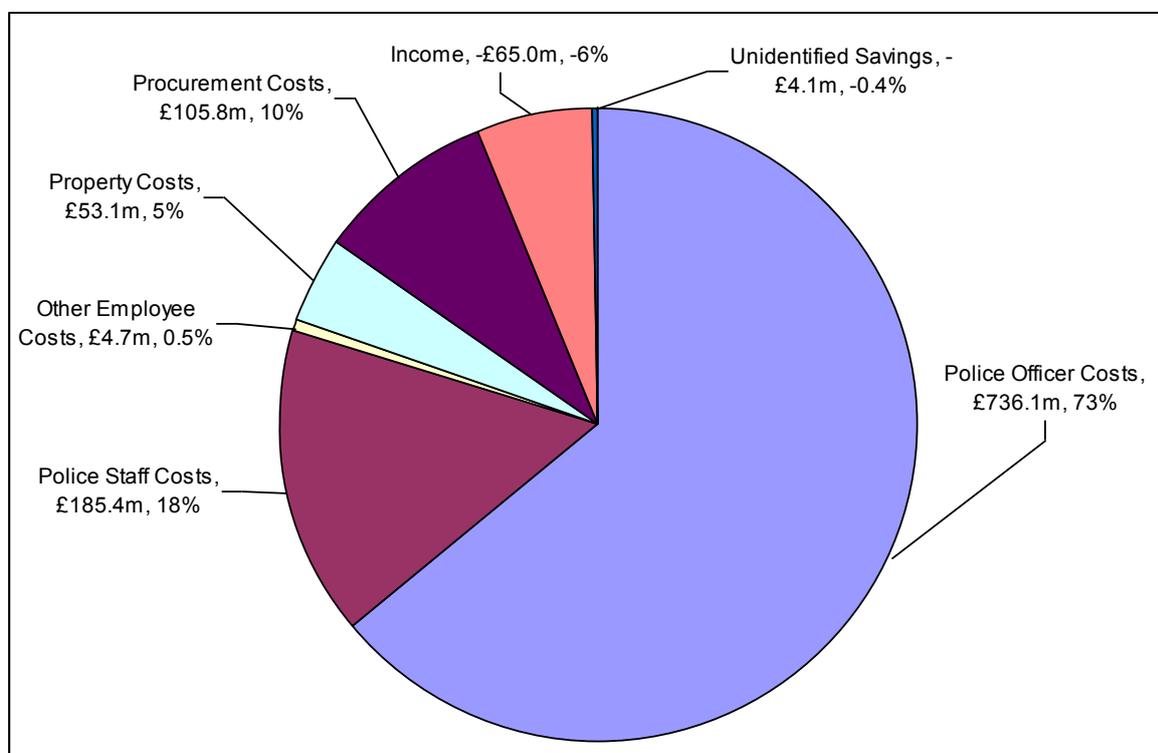
Revenue Budget 2014/15

3.12 The SPA's cash DEL resource budget for 2014-15 (£1,016m) was allocated to the Chief Constable of Police Scotland (£987.9m), Chief Executive of SPA (£4.7m) and Director of Forensic Services (£23.4m). The Police Scotland budget represents 97% of the overall budget.

3.13 This budget required total savings of £68.2m to be achieved. The budget approved in March 2014 noted savings of £58.4m had been identified over the areas of People, Property and Procurement. The balance of the savings required (£9.8m) were allocated across business areas to identify and deliver in year.

3.14 To date £5.6m of the savings have been identified and are at various stages of delivery. The balance of savings requires to be identified and Police Scotland remains committed to achieving this by the end of the financial year.

Analysis of 2014/15 Net Revenue Budget (£1,016m)



Financial Challenges

4.1 The allocation of the 2015/16 budget between business areas is currently being progressed and will be finalised in due course.

4.2 The diagram above analyses the revenue budget and highlights that the police officer costs account for 73% of the budget with 18% relating to staff costs. This is a combined total of 91% of the budget accounted for by staffing costs.

4.3 The remaining element of the budget relates to non staff costs against which saving requirements are increasing. It should be noted however that many of these costs are fixed in nature thereby restricting the ability to achieve additional savings in the medium term.

4.4 Police Scotland are committed to delivering the required savings and aim to do so within the restriction of current public government policies of maintaining police officer numbers at 17,234 and no compulsory redundancies. In order to do so this will require the Force to make difficult choices and decision about service provision and structure.

4.5 Plans which were developed during 2014/15 will continue to deliver a full year effect in 2015/16 and will assist in closing the identified budget gap.

4.6 Measures which have been undertaken include:

- non filling of non business critical vacant posts;
- VR/ VER;
- contract rationalisation;
- estates strategy and rationalisation; and
- consideration of other staff costs and allowances.

Summary

5.1 Police Scotland is fully aware of the challenges facing the public sector in the current financial climate and recognises the efforts of the Scottish Government to maintain a “flat cash” settlement in the forthcoming financial year.

5.2 Operating within this settlement brings budget challenges for Police Scotland in particular the additional £23.2m of cost pressures.

5.3 The impact of these cost pressures added to the budgeted savings from police reform increases the overall funding challenge. The draft budget indicates Capital funding of £28.1m which is as expected and will underpin a capital plan which focuses on investment within ICT and new technologies.

5.4 This investment plan is designed to standardise systems and technology platforms across Scotland generating contractual saving and further efficiencies in business processes.

Police Scotland
31 October 2014