

## Justice Committee

### Scottish Government's Draft Budget 2015-16

#### Written submission from the Scottish Police Authority

### 1 Purpose

1.1 The purpose of this report is to provide written evidence to the Justice Committee as requested on the 2015/16 Scottish Police Authority (SPA) Draft Budget. It complements the submission provided by Police Scotland.

### 2 Background

2.1 The Outline Reform Business case for the consolidation of Policing Services in Scotland had an overall target to generate recurring savings of £1.1bn over a 15 year period to 2026. We are, at this early stage, confident that this long-term outcome will be achieved as savings of £63.9m were made in 2013/14, and we are on track to deliver £68.2m savings in the current financial year.

2.2 The original Business Case saw a reduction in the baseline revenue of £108.7m, phased in over the first three years of police reform. However alongside these savings cost pressures have also been identified in respect of pay awards, pay inflation, retail inflation and service delivery cost pressure.

2.3 The £68m savings for the 2014/15 year are on track but are not yet fully delivered. A budget gap is being managed down to the forecast breakeven position at the end of the financial year. Balancing the budget is a statutory responsibility for the SPA.

### 3 Financial Position

3.1 The 2015/16 budget has been received by SPA. The DEL resource amount of £1,035m is less than our initial planning expectation (£4m less than was stated in last year's Draft Budget). In cash terms the initial expectation was of a receipt of £994m against our actual advised 2015/16 position of £990m before budget transfers which when applied reduce the cash budget to £986m as shown below.

3.2 The revenue cash budget is allocated across SPA Corporate, Forensic Services and Police Scotland as noted below for 2014/15. This split is not available for 2015/16 as the detailed budget review will not be completed until March 2015.

	2014/15 £m	2015/16 £m
SPA Corporate	4.7	Budget allocation process yet to commence
Forensic Services	23.4	
Police Scotland	987.9	
<b>DEL Revenue Cash</b>	<b>1,016.0</b>	<b>985.8</b>

3.3 The current forecast outturn position for 2014/15 is breakeven and has been achieved by making both staff and non-staff savings. A priority focus for savings has been the voluntary redundancy (VR) and early retirement (ER) programme which through a carefully managed approach has balanced business needs with attractiveness for staff members. This has resulted in 523 staff leaving the organisation under this scheme in 2013/14, and 243 approved leavers to date in 2014/15. This reduction in headcount of 766 staff brings permanent recurring savings which contribute strongly towards the delivery of the long-term 2016 efficiency target. This has been achieved within the Scottish Government's policy position of having no compulsory redundancies.

3.4 Non-staff costs have also been reduced through a rationalisation of the estate infrastructure and general efficiencies being pursued across other purchased goods and services.

3.5 The 2015/16 year savings required will be £21m as previously stated in last year's Draft Budget letter plus the £4m budget reduction, in addition to the estimated cost pressures which as part of the 2015/16 budget exercise will become more apparent.

3.6 Although the savings target for the 2015/16 year is lower than that of the previous two years, the challenge of delivering this saving with the additional cost pressures added is a more significant one given the efficiencies already realised from the consolidation of the legacy police organisations and supporting infrastructure. Much of the duplication from having 9 individual police organisations has already been removed, and the efficiencies of having combined functions have been realised. Achieving a balanced budget in the 2015/16 year is therefore a considerably more difficult and stretching target.

3.7 Looking ahead, current 'invest to sustain' activity includes:

- significant change projects such as the information technology project, i6, integrating and improving current core policing processes;
- C3, which is the bringing of efficiencies to the operation of control rooms, and;
- Delivering a common IT estate as part of the necessary infrastructure for the organisation.

3.8 Change programmes are at the forefront of delivering long term service efficiencies - particularly through this IT investment. Such significant projects run over a period of years due to the scale, complex nature and impact. For Police Scotland this will lead to a number of key milestones being delivered in 2016/17, and not in 2015/16. This is one of the key challenges for the phased realisation of efficiencies and the ability to deliver further savings in the 2015/16 year.

## 4 Financial Challenges and Governance

4.1 The budget and financial challenge is a driver for change. The change approach, in line with other organisations, involves delivering efficiencies from a root and branch review of current operations in tandem with longer term strategic change which is delivered through transformation. The SPA is testing and scrutinising these opportunities to ensure best value is being delivered.

4.2 The SPA focus is on financial governance of the overall budget, including change programmes, and ensures that the funding allocated to the SPA is accounted for in an appropriate manner. We apply stringent monitoring of these funds through:

- Ensuring the budget expenditure is in line with Policing Principles, Strategy and key plans emanating from this.
- Promoting best value and efficient use of resources through the processes exercised by Police Scotland and their reporting to the Finance & Investment Committee over the use of these funds.
- The Accountable Officer who, as the Chief Executive, bears personal responsibility for ensuring the required financial principals which require to be exercised can be evidenced not only in the activities of SPA but in the processes followed by Police Scotland. As Accountable Officer the Chief Executive holds the responsibility for the overall SPA budget and expenditure thereof.
- Under the Police and Fire Reform (Scotland) Act 2012 the Accountable Officer has a statutory responsibility to be personally accountable to the Scottish Parliament for ensuring the resources of the SPA are used economically, efficiently and effectively.
- The SPA Director of Financial Accountability maintains oversight of the Police Scotland budget and expenditure and holds responsibility for the completion of the SPA Statutory Annual Accounts which consolidates this activity and compliance with the required financial statutory obligations of the organisation.
- The Finance & Investment Committee (F&IC) provides an objective overview of the Authority's financial position and reviews, appraises and scrutinises all budget plans and expenditure, all significant investments (in line with set financial delegated levels) prior to expenditure being committed, and ensures that value for money criteria are satisfied and there is adherence to set expenditure limits.
- The SPA Board approve the overall annual financial budget and expenditure plans after thorough review of the proposals which have also gone before the F&IC.

4.3 In addition to the formal committee structures there are supporting working groups, attended by members of both SPA and Police Scotland, which are critical to driving strategy forward and necessary in maintaining oversight of the transformation of the service. SPA also attend and contribute to all business and project governance committees to ensure targets are tracked and delivery maintained.

4.4 All business change projects come before the Board for approval before commencement and implementation. Through interaction with members, early engagement with the SPA is managed through the now fully-appointed executive team to ensure the criteria of assessment are satisfied in respect of these significant change programmes, and good project governance arrangements are instilled for continued monitoring and support.

4.5 The overall financial management of the organisation is managed between engagement with SPA and Police Scotland on a weekly basis. The work in this area will continue as the detailed budget setting for the 2015/16 year starts, with the full implications of this review clearer by March 2015 when the overall output of this exercise will be taken to the March F&IC and full SPA Board meetings for final review and approval.

4.6 The budget challenge for the 2015/16 year is recognised as being more significant than in the previous two financial years, but has been helped to date with access to the Police Reform Funding budget. This funding has been used to support the inability of the SPA to reclaim approximately £24m of input VAT annually. The Reform funding is only guaranteed to the end of the 2015/16 financial year so it is important to note that there will be no cover for this expense in the 2016/17 year. Although this position has been recognised for some time, and has been the subject of inter-governmental dialogue with the relevant UK departments, this places a further pressure on policing in 2016-17 that will have to begin to be addressed ahead of that.

4.7 Strong governance and effective oversight underpin successful delivery, improve quality of planning, and influence and determine outcomes. SPA exercise this role and strong financial oversight which will continue throughout the forthcoming financial year as the size and scale of the significant financial challenge becomes clearer. The SPA is committed to working in a strong partnership with Police Scotland to delivering a sustainable financial approach that will support us in delivering strong policing outcomes at best value for the taxpayer.

Scottish Police Authority  
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