

## **Justice Committee**

### **Scottish Government's Draft Budget 2016-17**

#### **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 2016/17 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 has an overall target to generate recurring savings of £1.1bn over a 15 year period to 2026. £132.1m of savings have been delivered from Police Reform over the last 2 years, being a reduction in grant in aid funding of £88.2m and £43.9m from absorption of inflationary and organisational pressures.

2.2 The original Outline Business Case saw a reduction in the baseline revenue budget of £108.7m (2013-14 - £41.8m, 2014-15 - £46.4m and 2015-16 - £20.5m). The 2015-16 figure was revised to £24.9m making the overall savings target £113.1m. Alongside these savings cost pressures have also been identified in respect of pay awards, pay inflation, retail inflation and increased service delivery costs resulting in significantly higher annual savings being required.

2.3 In our submission to the Justice Committee last year it was noted that the financial challenge in the current financial year, 2015/16, would be greater still and this is proving to be the case.

## **3 Financial Position 2015/16**

3.1 The SPA Board accepted the £985.8m 2015/16 revenue budget on the 31<sup>st</sup> of March 2015. At this time the financial pressures were recognised through the acknowledgement of an unidentified savings gap of £10.994m and a number of proposed savings which would be difficult to achieve from the overall £57.5m in year savings required.

3.2 Whilst the Board has monitored the progress of the budget delivery through both the Finance & Investment Committee and Board meetings it has become clear a number of potential savings options will not deliver in the current financial year. This in year timing aspect combined with the organisational constraints placed on the SPA budget restrict the potential recovery options open to the SPA and Police Scotland at this time.

3.3 SPA members have requested an action plan is brought forward by Police Scotland to address the current financial position which will be discussed at the 16 December 2016 Board meeting.

3.4 The SPA members already recognise the difficulty in balancing a budget of which around 90% of budgeted costs relate to the organisation's staff (19%) and police officers (71%). While working in an environment of no compulsory redundancies and fixed officer numbers there are limited viable options to pursue.

3.5 Consequently at this point in the financial year the SPA is reporting a forecast budget deficit of £25.3m at the year end. Work will continue in this area to ensure all practical steps are taken to limit any in year budget overspend.

#### **4 Financial Challenges 2016/17**

4.1 The overall budget for the 2016/17 year is not yet known, and the SPA do not anticipate receiving notification from the Scottish Government of their 2016/17 Grant in Aid funding until 16 December 2015.

4.2 The SPA Finance and Investment Committee members reviewed the organisation's cost base for the future year at their November meeting. The spending review work covers all current known pressures. A number of these are common to all public bodies and include pay inflation, pay award, inflationary pressures and, particularly in 2016/17, the additional national insurance payments due from the ending of the 'opt out' for the second state pension.

4.3 Whilst work to understand the cost base for 2016-17 is maturing, the current funding which Policing may receive is not yet clear. This also includes the capital budget and any element of police investment funding which may be available for future development (in a similar manner to Police Reform funding). The Police Reform allocation was also used to cover non recoverable input VAT, which is forecast to cost the SPA in the region of £33m in 2016/17. We welcome the continued efforts of the Scottish Government, led by the Deputy First Minister, to raise this iniquitous position for Scottish policing with the UK government.

4.4 As with all other public sector organisations the UK Government's programme is expected to limit the available funding for policing in Scotland. We have been working closely with Scottish Government officials to determine the potential impact of further funding reductions. Clearly, this work will be taken forward in further detail once the Scottish Government has sight of the available funding.

4.5 The budget and financial challenge is an important driver for change in policing and how it delivers its vital service to the public. The change approach, in line with other organisations, involves delivering efficiencies from a rigorous 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.

4.6 The Programme for Government 2015/16, published at the beginning of September 2015, made a commitment for work to be undertaken between the SPA and the Scottish Government on assessing the impact on policing of long-term horizon issues and changes to police demand, and report during the summer of 2016. This work will underpin the wider transformation strategy for the service as it

positions for the future, and the second Strategic Police Plan will reflect this longer term journey towards a sustainable policing model.

## **5 SPA Budget Governance**

5.1 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&I) 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&I.

5.2 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.

5.3 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 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.

5.4 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 2016/17 year starts, with the full implications of this review clearer by March 2016 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.

Scottish Police Authority  
24 November 2015