

Meeting	Audit, Risk and Assurance Committee
Date	06 May 2020
Location	Tele-conference
Title of Paper	CIPFA Benchmarking Report
Presented By	James Gray, Chief Financial Officer Stuart Fair, CIPFA Consultant
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A - FMCR Police Scotland Draft Report

PURPOSE

To update the Audit Committee on the outcome of the Police Scotland CIPFA Five Star Financial Management Model Assessment undertaken in autumn 2019.

Members are invited to discuss the content of this paper and associated appendix, Appendix A.

1. BACKGROUND

- 1.1 In the immediate years following the creation of Police Scotland and the Scottish Police Authority in 2013, there were well documented challenges associated with the creation of the single Police Force. Amongst them, were the challenges associated with consolidating back office processes, funding arrangements, and delivering on savings which in many cases were in excess of those originally expected.
- 1.2 Over this period, the Auditor General for Scotland reported extensively on the finances and performance of the Scottish Police Authority and Police Scotland and was critical of the basic core financial and governance standards achieved. As part of the 2016/17 process the Auditor General deemed that a series of governance failings and the poor use of public money at the Scottish Police Authority was "unacceptable". This resulted in low confidence across the Scottish Government Justice and Finance Teams over the organisational financial management capability within the SPA/Police Scotland.
- 1.3 In response to these issues, a number of critical actions were undertaken, comprising of a number of key appointments within the finance senior management team (including CFO) and the completion of a full transformation programme. The purpose of these actions being to fundamentally change the structure and ways of working within the Finance team, improving the service it provides to internal and external stakeholders to improve organisational decision making and financial discipline and to address the Auditor General's concerns.
- 1.4 The intended outcome of these actions was to embed a level of financial management capability within the organisation that is now unrecognisable from that of the 2017 base position.
- 1.5 To understand the maturity of the 2019/20 financial management capability of Police Scotland, CIPFA (Chartered Institute of Public Finance and Accountancy) were commissioned to undertake a review of the function, assess its maturity and benchmark it against other comparative organisations.
- 1.6 This paper sets out the key findings of that benchmarking study.

2. FURTHER DETAIL ON THE REPORT TOPIC

2.1 The CIPFA study was undertaken in autumn 2019, with the draft report being made available in January 2020. The review awards the Police Scotland finance function with a three star (out of five) classification, and tracking towards a four star classification in the next 18 – 24 months.

2.2 The description of a three star classification is defined by CIPFA as being:

“The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions. There is a medium-term financial strategy and competent investment programme management that ensures that most programmes are implemented. Commercial capabilities exist but are only partially developed”

2.3 This classification should be seen in the context of the 2017 base position, where if this study had been carried out the function would have barely rated a one star classification due to the issues outlined in the background section of this paper, and is described within the CIPFA report as having achieved a “seismic” improvement during this time.

2.4 The award of a five star classification is almost un-heard of, and certainly not within the UK public sector. If the finance function continue to track towards the four star classification this will put the Police Scotland Finance function in the top performing public sector finance functions within the UK.

2.5 Some notable items to highlight as part of the review that describe the “seismic” improvement within the Finance function are set out in Table (i) below:

Table (i)

Area of Finance	Improvements between 2017 – 2019/20 (as identified by CIPFA study)
Financial governance	<ul style="list-style-type: none"> • Creation of CFPB (Corporate Finance and People Board), Capital Investment Group and the Investment Governance Framework • Approach has increased internal transparency and financial decision making, enabling operational considerations and prioritisation to drive decision making.

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	<ul style="list-style-type: none"> Processes well embedded and developed stakeholder confidence with the finance service.
Strategic Financial Planning	<ul style="list-style-type: none"> Base level in 2017 very low; now robust financial planning arrangements are in place and stakeholders have high levels of confidence Budget formulation and medium term financial modelling well developed
Investment strategy	<ul style="list-style-type: none"> Capital Planning and Project Finance group has developed mature arrangements for supporting business case production and effective capital planning. Examples of additional funding as a result of this work demonstrated in successful funding applications for Estates and Fleet strategies Team have significant influence and impact of Business case formulation and approvals; and tracking of project performance and investment
In year financial performance	<ul style="list-style-type: none"> CIPFA auditor states that the financial monitoring reporting is some of the best seen in CIPFA FM Model assignments globally (auditor has undertaken 87 of these studies to date). Stakeholders have a high level of confidence in the reporting, and through work of newly established Business Partnering team they are having a direct impact and influence on decision making at local levels.
Financial Reporting	<ul style="list-style-type: none"> Following the base position of qualified audit opinions from Audit Scotland on the Annual Report and Accounts, and a number of Section 22 reports, the shift to obtain an un-qualified set of accounts from 2017 onwards has been significant, and contributed towards the three star CIPFA classification.
Transactional Finance	<ul style="list-style-type: none"> The Transactional finance team have successfully consolidated 19 legacy payrolls onto a single payroll system with all 23,000 Police Scotland now being paid on the same date.
Creation of Business Intelligence and Business Partnering teams	<ul style="list-style-type: none"> A Business Intelligence function has been set up within the Finance team to act as the engine for analysing, tracking and monitoring financial information. This is

	<p>designed to support Business Partners and stakeholders have informed and meaningful conversations regarding financial monitoring and performance.</p> <ul style="list-style-type: none"> • This is seen as the next step in a maturing finance function to change the ways of working moving from a “typical” management accounting culture to one that focuses on analytics and evidence based data to have informed discussions with budget holders and ensure that Finance has a seat at the table in organisational wide decision making.
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Next Steps

- 2.6 The Finance Service recognises that there is further work to be done to move the function up to four stars. The recent restructure has provided the platform for the service to further develop the business partnering capabilities of the service, and provide far greater analysis and insight through the creation of a finance business intelligence team. Capital planning and financing will continue to mature, ensuring greater linkages between strategy and transformation. It is also the intention of the service to continue to reduce the time taken to produce the Annual Report & Accounts in future years.
- 2.7 Appendix A sets out in more detail the high level strengths and development areas for the Finance function. An action plan will be created to maintain the strengths and actions put in place to build on the development areas with a view to earn the four star classification in 18 months.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications associated with this paper.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

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

6. REPUTATIONAL IMPLICATIONS

- 6.1 The reputational implications associated with this paper are positive for the Police Scotland Finance function. CIPFA, as the leading public finance body in the UK, has recognised the significant improvements made.
- 6.2 These improvements have also been noted by key stakeholders such as Audit Scotland, the Scottish Government and the internal audit service. The Finance Service was nominated for, (by Force Executive members) and won, the Service Improvement award at the Chief Constable's Scottish Police Excellence Awards February 2020.

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 equalities implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are invited to discuss the content of this report.



Financial Management Capability Review of Police Scotland

April 2020

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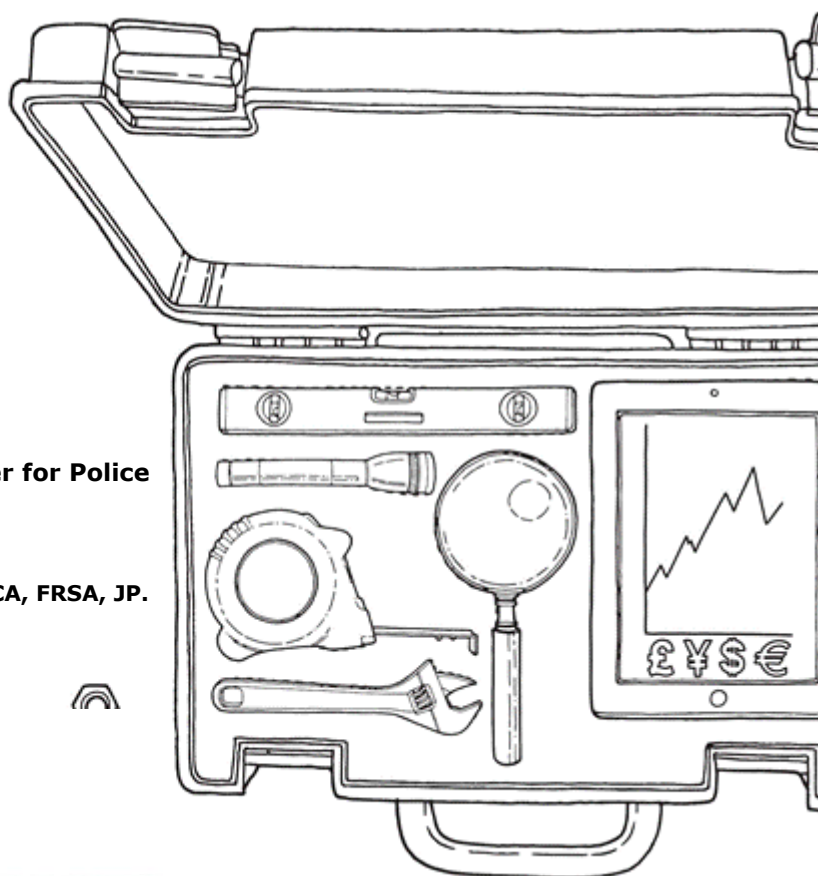
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Executive Summary

From October 2019 to January 2020, CIFPA conducted a Financial Resilience and Financial Management Capability Review (FMCR) at Police Scotland. Gathering data through an electronic survey, one-to-one interviews with staff, a review of key documentation, and using a benchmark of best practice in the public sector, CIFPA has reviewed the financial resilience and quality of financial management of Police Scotland. Our evidence suggests that Police Scotland has sound financial management capability.

Financial Resilience Review

The review of Police Scotland's Financial Resilience encompassed three key areas:

- Deficit financing
- Robustness of the Medium-Term Financial Strategy (MTFS)
- Transformational change and efficiency savings

Police Scotland faces significant financial resilience challenges including the need to bridge a continuing structural deficit in the face of emerging operational pressures. However our review of Financial Management capability suggests that Police Scotland has high level leadership and financial expertise appropriate for the tasks that lie ahead. Each of the above areas are explored in more detail within our substantive report, however the key findings on financial resilience are summarised below:

Summary	Key points
	Deficit financing
Deficit financing funding v activity	<ul style="list-style-type: none">• Police Scotland has a continuing underlying structural deficit that is not going to be eliminated through current activity levels• There are risks to organisational effectiveness if funding is disrupted• There is an in-depth understanding of the causal issues and cost drivers underpinning the structural deficit• The underlying largely incremental budget setting processes are unlikely to drive significant efficiency savings although in-year financial tracking of financial performance is highly effective
	Robustness of the MTFS
Modelling Projected deficits Sensitivity analysis	<ul style="list-style-type: none">• Strategic financial modelling is comprehensive, core assumptions used and sensitivity testing is regarded as robust• The modelling demonstrates an advanced understanding of relevant cost drivers and operational environment. There is a developed understanding of the impact of underfunding on operational capabilities and drag on transformational change capability• Foundational contributing strategies need further maturity and depth

Transformational change and efficiency savings

Efficiency savings and transformational change

- Change programme – low levels of CapEx/Reform funding are limiting transformational change capability and could negatively impact operational outcomes
- Project approval process – strong evidence of sound governance around Capital Investment Group approval framework
- Gap funding strategies are dependent on aspirational efficiency savings some - being delivered at some risk

Financial Management Review

Overall Assessment

Using CIPFA’s five-star rating system, Police Scotland was rated overall as a THREE STAR organisation. Leadership is the strongest management dimensions with “Processes” and “Stakeholders” following on aggregate scoring on the matrix below. From our experience the “People” Dimension is typically the weakest of the Management Dimensions across the range of organisations we have worked with and this is also the case at Police Scotland. On Financial Management styles, Police Scotland follows a typical progression with “Delivering Accountability” (which is most closely related to the traditional role of finance) being the strongest, Supporting Performance being slightly weaker and consistent with most organisations, “Enabling Transformation” is the weakest. A current snapshot of Police Scotland’s statement scores in a star rating format is expressed below.

CURRENT SNAPSHOT	Management Dimensions			
Financial Management Style	Leadership	People	Processes	Stakeholders
Delivering Accountability	****	**	***	****
Supporting Performance	****	***	***	*
Enabling Transformation	**	**	**	***

Actual scoring positions in numerical format are as follows:

CURRENT SNAPSHOT	Management Dimensions			
Financial Management Style	Leadership	People	Processes	Stakeholders
Delivering Accountability	3.00	2.00	2.50	2.75
Supporting Performance	2.75	2.25	2.25	1.50
Enabling Transformation	2.00	2.00	2.00	2.50

Specific strengths identified within our review were:

- **Leadership** – our review evidenced strong strategic leadership and ownership of Financial Management across the Force Executive with highly effective focus and support provided by the Deputy Chief Officer (DCO) and Chief Finance Officer (CFO) - there is a growing recognition of the importance of sound financial management and the need for improvement – particularly across the senior ranked officers

- **Technical Finance** - significantly strengthened technical finance capability – Finance Team restructuring and recruitment has provided the foundation for a highly effective Finance Function to develop
- **Financial Strategy** - strong modelling and understanding of cost drivers and operational environment – developed understanding on impact of underfunding on operational capabilities and drag on transformational change capability
- **Agility/reactivity** - exemplar in-year financial performance reporting leading to robust in-year high level monitoring and re-calibration capability - strong tracking on efficiency savings delivery and CapEx/Reform investment
- **Consultation** – Police Scotland is highly receptive to views from stakeholders in the shaping of outcomes and related financial strategy

Notwithstanding obvious strengths, eleven areas for improvement (some interlinked) were identified:

- **Financial sustainability** – key strategies - potential lack of high level financial resilience – key foundational strategies need to be further developed and integrated with financial strategy (more maturity needed) in order to provide more granularity and certainty within 3 year and 10 year financial planning modelling challenges in delivering a balanced budget - Financial Strategy not fully linked to key resource planning (e.g. Strategic Workforce Plan, Fleet, Asset Management, Digital Data & ICT and Procurement) and gap funding strategies dependent on aspirational efficiency savings being delivered at some risk
- **Budget Setting** - methodology is traditional and largely incremental although there is some evidence of zero basing/outcomes based. Participation of budget holders in the budget formulation process is not strong. The process is predominately high level top down approach and lacks a 'bottom up' construction. The budgeting processes being highly incremental tends to perpetuate inefficiencies and budgeted savings tend to be small
- **Efficiency Savings** – more clarity around the definition and impact of cashable, non-cashable and counterfactual savings needed. Some efficiency savings have salami sliced attributes, partly aspirational - some take the shape of being the product of stopping activity or cost avoidance rather than direct management intervention or service change – larger efficiency savings may be aspirational/expectational rather than delivered through process efficiency, process engineering changes or wider transformational change
- **Limited delegation /lack of diffused FM literacy** – operational budget holder exposure to resource management issues primarily limited to overtime and travel expenditure – absence of understanding on detailed activity costs and undue reliance on finance decision support
- **Accountability for Financial Performance** – linked to lack of diffused FM Literacy - strong at a strategic level but much weaker at operational budget holder level and inconsistencies in holding to account for financial performance at Chief Sup. level - there is an over-reliance on the finance function/Business Partnering to 'manage budgets for, and on behalf of, budget holders

- **Business Partnering** – it is recognised that Business Partnering is evolving and embedding but Business Partners are currently unable to drive performance improvement or transformational change due to undue level of focus on data construction and budget containment
- **Positioning and influence of Finance** - highly effective on BAU but unable to fully drive performance improvement or transformational change due to undue level of focus on budget containment/stewardship
- **Finance Function efficiencies and effectiveness**– the finance function would benefit from a development plan which includes standards and target levels of performance and efficiency – minimisation of undue data manipulation
- **FM Competency Framework and performance framework:** no cohesive framework in place - variable financial management and system skills of budget holders/managers – accountability on financial performance not fully understood – challenge on financial performance requires greater depth
- **Risk Management** - Police Scotland has a defined and developed Risk Management process and a Risk Register – however difficult to evidence ‘risk owners’ - current process are ‘tick box’ in nature and not dynamic - potential lack of effectiveness
- **Value for Money (VfM) approach:** an improving position but VfM is not well understood or consistently applied throughout the organisation – potential lack of rigour/challenge on use of resources - key Procurement improvements are being made but still to be fully embedded – improving commercial capability (from a low base) but evidence of some difficulties in actively/rigorously managing contractor/supplier performance

A defining mark of an improving organisation is where weaknesses can be transformed into strengths. On financial reporting, significant achievement has been demonstrated turning around consistent year-on-year qualified audit opinions and criticism over financial management into unqualified audit opinion being achieved including improvement in financial management being acknowledged by the statutory auditor (Audit Scotland) for both 2017/18 and 2018/19. In this respect external Financial Reporting has been turned into a positive attribute. In summary, Police Scotland has developed key FM capability strengths including strong senior leadership, robust strategic financial strategy modelling, strong in-year performance tracking and an effective ability to recalibrate activity to meet financial targets at a high level. As well as this level of agility there is improving governance and internal control. Whilst there are positive signs of improvement on Value for Money (VfM) it is not yet fully embedded within the ‘DNA’ of the organization. On Financial resilience our evidence suggests that funding constraints appear to be have had a negative impact on the utilisation of key assets with potential consequential impacts on operational outcomes and creating drag on achieving transformational change. Notwithstanding these comments our evidence strongly points to ‘seismic’ improvement having been achieved over the last two years on overall Financial Management capability. It would be our considered view that maintaining this trajectory of improvement should push this current rating towards upper THREE STAR and potentially FOUR STAR status within an 18/24 months period.

Introduction

About this Report

This report, in respect of Police Scotland, the scope of our work is addressed to the Chief Constable and the Scottish Police Authority. It aims to highlight the key results from CIPFA's Financial Management Capability Review (FMCR). The FMCR encompasses a review of the organisation's Financial Resilience and Financial Management and the report sets out findings in respect of each element. It seeks to highlight key observations, issues and recommendations, along with a more detailed Improvement Plan which will be assimilated within Police Scotland's existing improvement planning arrangements.

Background

Police Scotland and the Scottish Police Authority (SPA) was created on 1 April 2013 as a single national Police Force with the merging of eight regional Scottish Police forces including specialist forensic services which were assigned to the Scottish Police Authority. Police Scotland is the second-largest police force in the United Kingdom (after the Metropolitan Police Service) in terms of officer numbers which stands an establishment of 17,234 and covers the largest geographical area. The Chief Constable is accountable to the Scottish Police Authority, and the force is inspected by Her Majesty's Inspectorate of Constabulary in Scotland.

The Scottish Police Authority is accountable to Scottish Ministers for maintaining the Police Service and unlike other arrangements within the England and Wales, where regional forces have each their own Police and Crime Commissioner, the SPA is a government body – in this case the Scottish Government. Police Scotland are effectively a Non Departmental Public Body (NDPB) and as a consequence has no legal powers to borrow or hold reserves in the same way that its counterparts England and Wales can do. From its inception, Police Scotland has been subject to significant political and media criticism over the way the eight forces were assimilated including governance issues with difficulties in system and process rationalisation, with the force relying on significant deficit financing (the underlying 2015/16 deficit was estimated at £63 million). Indeed, as part of the 2016/17 process the Auditor General deemed that a series of governance failings and the poor use of public money at the Scottish Police Authority was "unacceptable". Confidence was extremely low across the Scottish Government Justice and Finance Teams over the organisational financial management capability within the SPA/Police Scotland.

Significant expectations had been made on delivering savings and reforming/delivering transformational change as a result of the creation of the national force. As a consequence of these expectations, funding may have been negatively impacted in line with meeting these efficiency driven expectations set by the Scottish Government. Against the backdrop of system and funding difficulties, the national force has had to deal with emerging challenges in policing such as adapting to wider societal change impacts, UK wide policing initiatives, added challenges in relation to criminal law and procedure changes and the impact on front end services as a direct result of fiscal retrenchment in other parts of the Scottish public sector.

The scope of our review was applying CIPFA's Five Star Financial Management Model to Police Scotland only with most aspects of Scottish Police Authority not in scope. The "Financial Excellence in Policing" programme, which has been driven by the Finance & Coordinating Committee of NPCC but is equally owned by the Police and Crime Commissioners Treasurers' Society (PACCTS), seeks to raise the bar in financial management across UK forces and PCCs where relevant. The programme has 11 objectives categorised into one of three key themes: Financial Management, Data and People. The FMCR is part of the Financial Management theme. The scope of our FMCR covered Police Scotland only with most aspects of Scottish Police Authority not in scope.

What is the FMCR?

The FMCR is an independent 'as-is' assessment of a force's capability to effectively manage its current finances, internal process and operations, as well as how it plans future financial management. Key outputs include identification of areas of best practice and areas for improvement. The process is repeated in 12 months' time to review progress made and provide an updated report on the full FMCR. The FMCR at Police Scotland was conducted over a five-month period from June 2019 – October 2019. The assessment is based on core components of the CIPFA Financial Management Model (FM Model) adapted for the Police environment within the UK.

CIPFA obtained data from Police Scotland as follows:

- Electronic survey – 66% overall response rate (86 out of 124)
- One-to-one interviews – 25 interviewees with Police Scotland and SPA Board members
- Document reviews – e.g. Medium-Term Financial Strategy, Service Planning, Supporting Strategies

More detailed information on the response to the electronic survey, those interviewed and the documents reviewed can be found in the Appendix I: FMCR Information Sources.

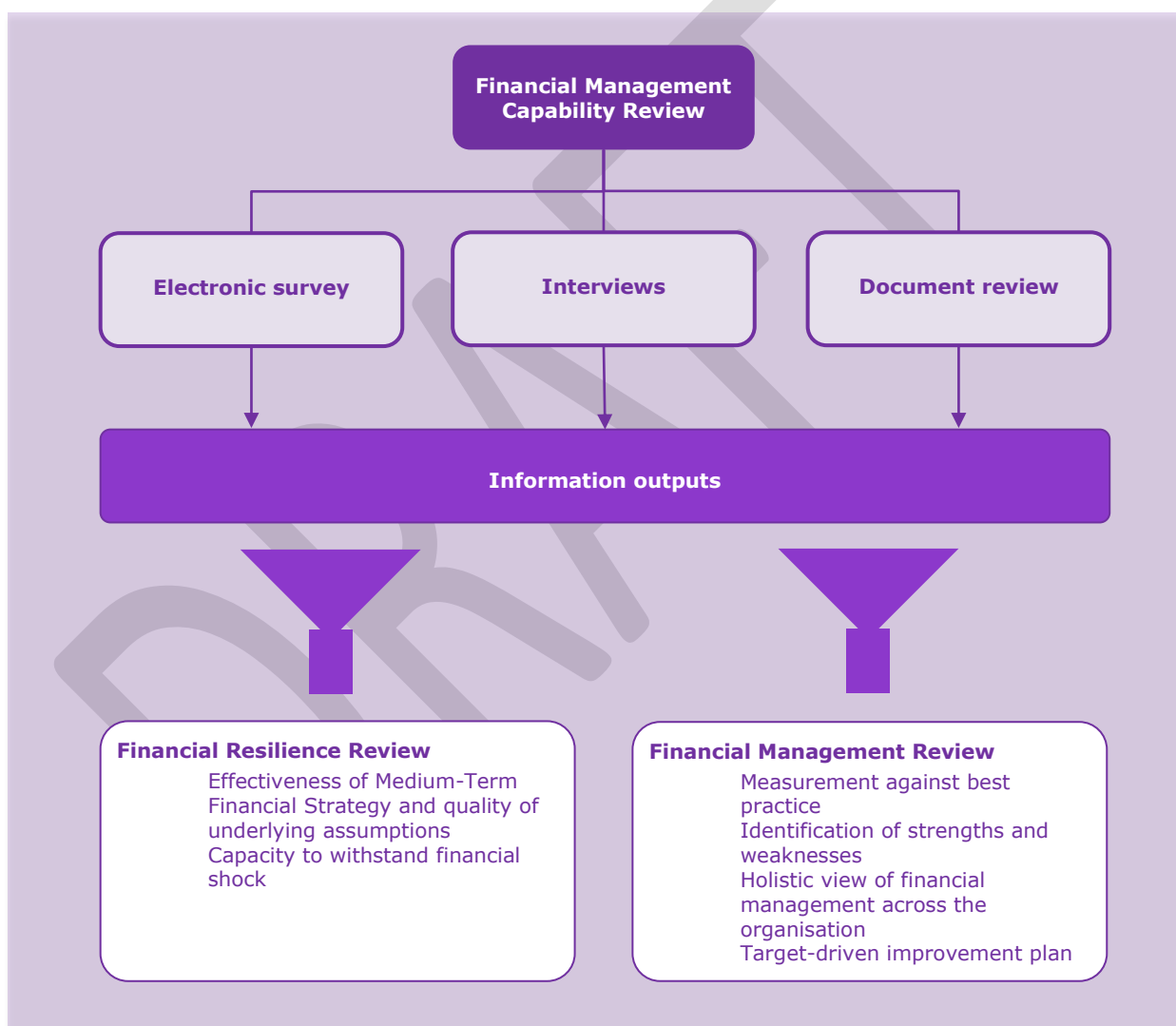
Further information about the FMCR approach is set out in the next section.

Financial Capability Review Approach

How is the FMCR conducted?

As explained by the diagram below, the FMCR consists of two elements:

- **A financial resilience review** – an assessment of the financial sustainability of an organisation and its ability to withstand financial shock
- **A financial management review** – an assessment against best practice and other organisations who have also been reviewed using the CIPFA FIVE Star Financial Management Model (FM model) to identify issues and create an improvement plan that can be tracked



Financial Resilience Review

Key Findings

The review of Police Scotland’s Financial Resilience encompassed three key areas:

- Deficit financing
- Robustness of the Medium-Term Financial Strategy (MTFS)
- Transformational change and efficiency savings

Police Scotland faces significant financial resilience challenges ahead including the need to bridge a continuing structural deficit in the face of emerging operational pressures but our review of Financial Management capability suggests that Police Scotland has high level leadership and financial expertise appropriate for the tasks that lie ahead. Each of these areas is explored in more detail further on, however the key findings are summarised below:

Summary	Key points
Deficit financing funding v activity	<p style="text-align: center;"><i>Deficit financing</i></p>
	<ul style="list-style-type: none"> • Police Scotland has a continuing underlying structural deficit that is not going to be eliminated through current activity levels • There are risks to organisational effectiveness if funding is disrupted • There is an in-depth understanding of the causal issues and cost drivers underpinning the structural deficit • The underlying largely incremental budget setting processes are unlikely to drive significant efficiency savings although in-year financial tracking of financial performance is highly effective
Modelling Projected deficits Sensitivity analysis	<p style="text-align: center;"><i>Robustness of the MTFS</i></p>
	<ul style="list-style-type: none"> • Strategic financial modelling is comprehensive, core assumptions used and sensitivity testing is regarded as robust • The modelling demonstrates an advanced understanding of relevant cost drivers and operational environment –developed understanding on impact of underfunding on operational capabilities and drag on transformational change capability • Foundational contributing strategies need further maturity and depth
<p><i>Transformational change and efficiency savings</i></p>	

**Efficiency
savings and
transformational
change**

- Change programme – low levels of CapEx/Reform funding are limiting transformational change capability and could negatively impact operational outcomes
 - Project approval process – strong evidence of sound governance around Capital Investment Group approval framework
 - Gap funding strategies are dependent on aspirational efficiency savings some - being delivered at some risk
-

Deficit financing

Acceptance of underfunding

Whilst the creation of the single national force has 'over delivered' on expected outline business case (OBC) savings, with the actual forecasted savings to 2026 being approximately £2.2 billion, there has been an acknowledgment by the Scottish Government that year on year funding is insufficient to enable Police Scotland to achieve a break even position to be sustained in the face of with naturally emerging cost pressures. These pressures that core to the service include:

- Pay Awards and increments
- National insurance contracting out provisions
- Deterioration in Local Authority funding for related Police activity
- Apprentice levy
- Pension auto enrolment

Overall revenue expenditure analysis highlights that only 13% of the revenue budget is used for non-pay costs compared with a UK police average of 22%, Police Scotland is significantly exposed to the impact of higher pay settlements.

Whilst it is understood that since 2016/17 Police Scotland's revenue budget has been protected in real terms, increasing in line with Gross Domestic Product (GDP) inflators, the extent of the above factors, in addition to the changing nature of Policing and constraints on CapEx investment, has led to a real and sustained year-on-year structural deficit. Indeed, since the creation of the national force, it is estimated that Police Scotland budgets have been reduced by approximately 20% in real terms with significant budget reductions occurring across the first three years of the new force¹.

¹ Spending Review – Submission – Page 4 October 2019

On CapEx investment, Police Scotland and the SPA have had comparatively lower than average CapEx investment levels in % terms across the Scottish Justice community of organisations and 5th lowest in the UK per capita across UK forces²:

Capital % of Revenue Funding	2016/17	2017/18	2018/19	2019/20		
				Revenue £m	Capital £m	%
Scottish Budget	13.1%	14.1%	16.1%	28,620.6	5,105.9	17.8%
Total Justice	2.5%	3.1%	2.5%	2,442.1	144.0	5.9%
Total Health	4.2%	3.2%	2.7%	13,588.1	346.0	2.5%
Scottish Courts & Tribunal Service	16.2%	15.9%	30.5%	77.0	18.3	23.8%
Scottish Prison Service	2.8%	4.6%	5.2%	312.2	47.5	15.2%
Scottish Fire & Rescue Service	3.8%	11.4%	12.3%	270.0	32.5	12.0%
Scottish Funding Council	3.9%	6.3%	9.6%	1,668.3	140.6	8.4%
Scottish Environment Protection Agency	3.4%	6.4%	5.1%	29.8	2.0	6.7%
Crown Office & Procreator Fiscal Service	3.3%	1.2%	3.3%	113.4	3.6	3.2%
Scottish Police Authority	1.5%	1.9%	2.2%	1,095.1	35.0	3.2%

The level of CapEx in comparison with other UK forces is markedly low. Internal financial strategy documents reveal that operational capability and compliance (HMICS etc.) is being potentially compromised by a failure to keep up with required levels of investment that help optimise existing assets such as Estates and Fleet as well as operational capability on ICT to combat cybercrime and GDPR compliance. Additionally, exposure to litigation is likely to increase as a consequence of underinvesting in assets that directly contribute to operational capability failure. Given the sustained nature of cost pressures and operational demands facing the service, the propensity to eliminate such a structural deficit appears to be remote even with additional efficiency savings being delivered. This has been acknowledged within the financial planning process.

Outturn and year on year budgetary positions

Despite various funding submissions designed to illuminate additional underlying cost pressures there has been an obvious acquiescence/acceptance at Scottish Government level of an underlying structural deficit even after the introduction of specific 'ring fenced' activity funding. Actual outturn deficits since 2015/16 were as follows although in context the 2018/19 deficit equates to some 3.2% of Revenue DEL:

² Spending Review – Submission – Page 5 October 2019

Year	Deficit
2015/16	£18 million
2016/17	£30 million
2017/18	£35 million
2018/19	£36 million

Removing specific additional activity funding we understand that the 2015/16 deficit of £18 million masked a structural deficit of some £63 million. The actual £35.6 million 2018/19 outturn position against initial and final budgets continues this underfunding progression is produced in more detail below³:

Performance	Initial budget £m	Final budget £m	Outturn £m	Over (under) spend £m
Revenue DEL	1,039.780	1,080.056	1,115.511	35.455
Revenue Reform Funding	25.000	25.000	25.011	0.011
Total Revenue Outturn	1,064.780	1,105.056	1,140.522	35.466
Capital DEL	23.000	23.940	24.039	0.099
Capital Reform Funding	4.600	4.600	4.600	0.000
Total Capital Outturn	27.600	28.540	28.639	0.099
Total Resource	1,092.380	1,133.596	1,169.161	35.565

Budget setting

A core component of the overall budget is the maintenance of an optimal structure of uniformed personnel that is appropriate for Policing. Police Officer costs equate to approximately 71.6% of overall revenue expenditure⁴. That level of uniformed officers has been set as 17,234 although it is far from clear how this figure has been formulated although it is understood that this figure has some acceptance across key stakeholders including the Scottish Government. The 2019/20 Police Scotland/SPA Budget breakdown is outlined below against the 2018/19 equivalent⁵:

³ 2018/19 Scottish Police Authority Annual Report and Accounts 2018/19 Page 13

⁴ Scottish Police Authority Budget 2019/20 Page 8

⁵ Scottish Police Authority Budget 2019/20 Page 5

		2018/19 Budget £m	2019/20 Budget £m	Movement £m	Movement %
Police Scotland	Police Officer Costs - Core	786.6	801.1	14.5	1.8%
	Police Officer Costs Brexit	0.0	17.0	17.0	-
	Police Staff Costs	177.0	181.6	4.6	2.6%
	Non-pay Costs	142.7	143.0	0.3	0.2%
	Income	-40.6	-40.7	-0.1	0.2%
	Net Expenditure	1,065.7	1,102.0	36.3	3.4%
SPA	Forensic Services	30.6	30.2	-0.4	-1.3%
	SPA Corporate	4.1	4.5	0.4	9.8%
	Net Expenditure	34.7	34.7	0.0	0.0%
Total Revenue Budget		1,100.4	1,136.7	36.3	3.3%
<u>Funded by:</u>					
	Grant-in-Aid	1,064.8	1,095.1	30.3	2.8%
	Operating Deficit – Core	35.6	24.6	-11.0	-30.9%
	Operating Deficit – Brexit	0.0	17.0	17.0	-
Total Funding		1,100.4	1,136.7	36.3	3.3%

Whilst a planned reduction on deficit from £35.6 million achieved in 2018/19 to £24.6 million for 2019/20 is a positive improvement on the 2018/19 position, based on the core assumption of 17,234 officers the underlying operating budget deficit of £24.6m in itself demonstrates that a break even position cannot be achieved within current funding levels that deliver existing operational capability requirements as set out by the Chief Constable.

The 2019/20 Income line of £40.7 million only accounts for some 3.6% of gross revenue expenditure and has moved only 0.2% from 2018/19. This relatively small amount in context masks a significant volume change in activities that are required to be Policed – a changing mix of recurring and non-recurring events. Fiscal retrenchment has negatively impacted traditional external funding sources such as local authorities and Police Scotland have found it harder to achieve a break even position on policing sizeable public events.

A growing element of activity is providing a form of protection for vulnerable citizens that cannot be provided when relevant NHS and Local Government services are withdrawn as a result of evening/weekend and public holiday service 'shut-downs'. This is becoming more apparent where vulnerable people with cognitive impairment such as Alzheimer's and Dementia cannot access out of hours help and need to be kept safe for their own

wellbeing/protection. There is currently no funding mechanism for this out of hour's service provided that would compensate Police Scotland for activities which would naturally be provided by NHS Scotland during core working hours.

As will be outlined within our Financial Management Capability assessment component, budget setting at Police Scotland is highly traditional and incrementally based although there is now increasing application of zero basing and hybrid approaches. Outwith the transformational change planning process it is highly unlikely that such traditional approaches will yield up significant savings – certainly not of the magnitude that will come close to eliminating projected levels of deficits. Notwithstanding this position, our evidence strongly suggests that underlying budget setting processes provide a sound basis for budget construction at a basic level.

Projected future deficits

Excluding any additional funding and planned transformational programmes, there is an estimated structural deficit of £41.6 million in 2019/20 increasing to £48.7 million in 20/21, £48.5 million in 2021/22 and £58.5 million in 2022/23⁶ assuming the current establishment structure of 17,234 officers is maintained and higher staffing awards and pension costs are applied⁷. The Scottish Government budget allocation for 2020/21 introduced a further £17 million of funding although this effective brought the forecasted deficit down to approximately £49 million. An additional 2020/21 Capital expenditure allocation increasing investment to £44.6 million is significantly below the CapEx submission of projects and asset replacement/enhancement of £74 million which were deemed necessary to deliver required force capability.

Robustness of the MTFP 2019/20 to 2022/23

Projected deficits

The SPA in 2017 published a long term strategy for policing in Scotland – 'Policing 2026 – serving a changing Scotland'. This strategy sets out how policing will require to adapt to emerging societal changes/needs and projected level of demands including associated transformational change requirements over the next decade. This overarching 'serving a changing Scotland' strategy has not been underpinned by a foundational financial strategy that fully finances service priorities and ambition. However, the current financial strategy developed within a Medium Term Financial Plan and longer 3 – 10 year Longer Term Financial Plan has been developed in more detail as linked to a number of key enabling strategies including the Corporate Support Business Plan 2018/2019. The financial strategy as outlined within the Medium Term Financial Plan attempts to bring together the level of investment required to deliver the objectives 'serving a changing Scotland' as detailed within the key enabling strategies. This includes service improvements, strategic aims and efficiencies required to deliver a balanced budget.

⁶ Police Scotland/PSA Medium term financial planning scenarios September 2019 P12 2019/20-2022/23

⁷ Spending Review – Submission – Page 8 October 2019

Some of the enabling 'foundational' strategies have not yet been fully completed or are in the process of being updated. The strategic workforce plan including has arguably the biggest impact on the overall direction of financial strategy and is a vital enabling strategy which should be founded on workforce analytics including the impact of advanced ICT. Core to financial strategy is the production of a 3 year rolling Medium Term Financial Plan including scenario flexing and a broad 3 – 10 year Long Term Financial Plan. The planning modelling with key assumptions to 2022/23 is outlined below:

Forecast deficit	Current financial planning period					Key assumptions						
	2018/19	2019/20	2020/21	2021/22	2022/23	Officer Reductions	Funding	Pay award				
May 2018 (medium term financial plan)	£35.6m	£15.9m	Balanced	-	-	750 reduced by 2019/20	Real terms protection + balance of £100m	Previous PSPP				
May 2018 (long term financial plan)	-	-	-	£7.5m	£11.5m			Current equivalent to PSPP				
November 2018 (revised medium term financial plan)	£35.6m	£22.1m	£3.7m	-	-	750 delayed by Brexit	Increase with pay	PSPP + higher staff award				
September 2019 – current scenarios												
Scenario one: central option	-	£41.6m	£35.3m	£10.7m	£14.7m				None	RTP + £70m		
Scenario one: most financially beneficial option	-	£41.6m	£35.3m	£6.2m	£5.5m							
Scenario two: most financially beneficial option	-	£41.6m	£24.3m	£(1.4)m	£(1.2)m							

The current 2019/20 – 2022/23 Medium Term Financial Plan⁸ is constructed on expected high level (BAU) business as usual assumptions that predict forecasted deficits on a central option scenario basis formulated as at September 2019 (including additional funding which did not in effect materialise) of £41.6 million in 2019/20, £35.3 million in 2020/21, £10.7 million in 2021/22 and £14.7 million in 2022/23.

Robustness of modelling

A core component is the maintenance of an optimal structure of uniformed personnel that is determined to be appropriate for Policing in accordance with operational priorities. That level has been set as 17,234 officers although it is far from clear how that has been arrived at but it appears to be the working base for current operational needs as properly directed by the Chief Constable.

It is estimated that payroll accounts for some 87% of overall revenue costs. Initial projections for a balanced budget outlined in the May 2018 MTFP for 2020/2021 included some £31.7 million of unallocated savings which included a reduction of some 350 officers. Significant changes to the medium term projections in November 2018 included for some 750 of an officer reduction that would, including separately scheduled efficiency savings initiatives and some additional funding, deliver a revised projected deficit of £3.7 million.

⁸ Police Scotland/PSA Medium term financial planning scenarios September 2019 2019/20-2022/23

The modeling behind the latest MTFP position offered two scenarios which include additional funding as well as workforce reduction:

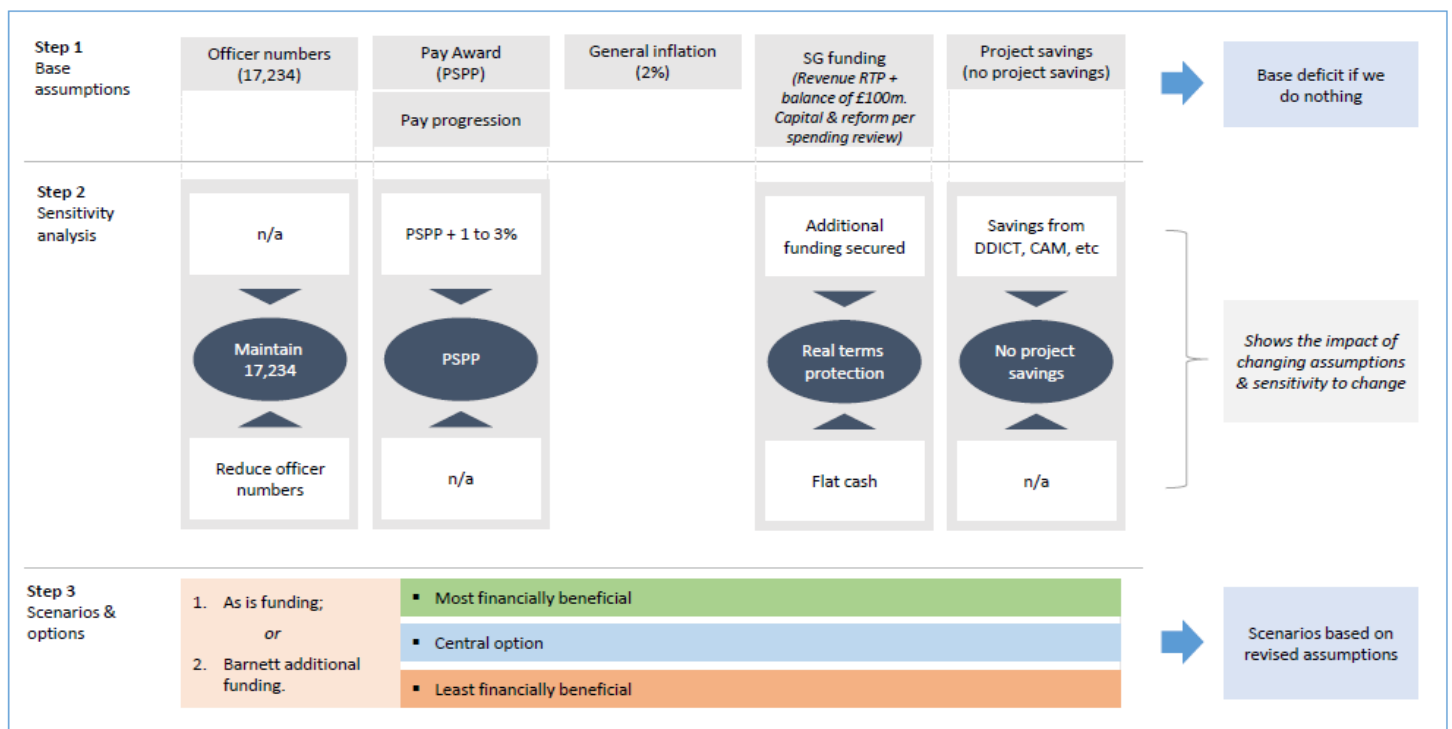
- Reduce the workforce to eliminate the deficit
- Secure additional funding & maintain officer numbers

Sensitivity analysis

The modelling included for sensitivity analysis and covers chosen scenarios and covers a three stepped approach:

- Step 1 - Base assumptions - deficit produced from doing nothing
- Step 2 - Sensitivity analysis – applied flexing of core assumptions
- Step 3 - Scenarios and options - bringing together two fundamental scenarios with options showing combinations of different assumptions:

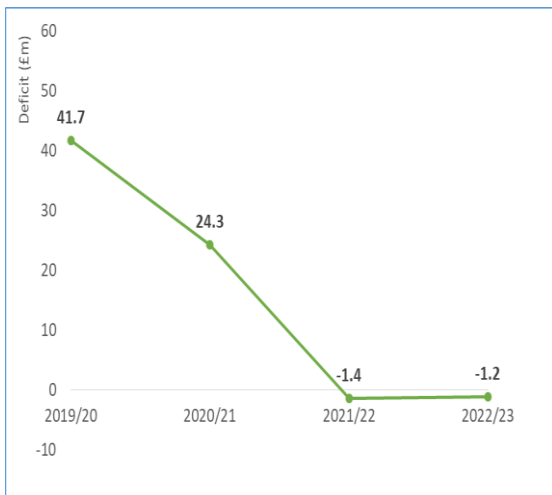
These steps are reproduced below⁹:



Given additional cost pressures including pay award pressures, an approximate break even position was deemed to be deliverable with funding equivalent to the loss of 750 officers or 4.4% of the operating front line establishment (equating to a cost of some £31.5 million) along with two further components of funding outlined below producing a margin surplus position of £1.4 million and £1.2 million in 2021/22 and 2022/23 respectively¹⁰:-

⁹ Police Scotland/PSA Medium term financial planning scenarios September 2019 Page 11 2019/20-2022/23

¹⁰ Police Scotland/PSA Medium term financial planning scenarios September 2019 Page 6 figures 2019/20-2022/23



	Cost £m
Recurring funding for the 750 officers that are not currently funded by Scottish Government Grant in Aid to policing	31.5
Recurring funding for the 300 officers that are currently funded by external bodies such as Local Authorities which currently form a component of the 17,234 establishment	13.6
Recurring funding to make the non-pay expenditure base sustainable	25.0
TOTAL annual additional funding	70.1

Given the likely impact of operational challenges such as Brexit, it was decided to delay any 750 reduction in officer numbers. Significant work has recently taken place on workforce planning and it has been suggested that the previous forecasted reduction capability of 350 officers would not negatively impact front line productive hour capability.

However that may not take account of emerging challenges for UK Police forces. The core assumptions behind the modelling and the 'flexed' scenarios within the sensitivity analysis approach are comprehensive and cover a combination of changes to officer numbers and pay award. We are advised that the high level workforce strategy will incorporate the operational impacts of Brexit and COP 26 (an international climate change conference scheduled to be held in Glasgow in 2020 bringing together the Heads of State for some 200+ countries and attending security considerations). Overall, it would be our considered view that the Medium Term Financial Planning (as well as the Longer Term Plan) modelling is extremely robust although inevitably the modelling could benefit further with better integration with more granular and mature foundational strategies such as :

- Advanced workforce planning,
- Fleet,
- Asset Management,
- Procurement and;
- Digital Data & IT Strategies

We are led to understand that these foundational strategies are in the course of being further developed. In summary the MTFP and longer term modelling are considered to be a highly effective platform for strategic financial planning incorporating sound core scenario planning and assumptions that can be suitably flexed across a range of operational and funding positions. However there is much more to do in Workforce Planning in a way that provides further granularity to an already robust modelling approach.

Transformational change and efficiency savings

Savings target expectations arising from the original outline business case (OBC) for the creation of a single national force have been significantly overachieved. Savings for the first three years and beyond were calculated as follows:

Target/Actuals	First 3 Years	To 2026
Target savings (OBC)	£109m	£1.1bn
Target savings (OBC) incl. Optimism Bias	£62m	£0.6bn
Actual / forecast savings	£167m	£2.2bn

Within Spending Review submissions¹¹ it has been suggested that Police Scotland/SPA will have achieved savings of around £200 million to date from the 2012 annual cost base which is apparently the equivalent of the combined budgets of some four legacy forces. To 2026, expectations are that cumulative savings of at least £1.9 billion will be achieved although this may rise to £2.2 billion. Despite over achieving on OBC savings expectations, an underlying structural deficit on revenue activity has been the consistent theme since the formation of the national force. In this time of transition Police Scotland has required to address the following challenges:

- Legacy system assimilation
- Delivering consistency in policing practices across Scotland
- Reacting to emerging and complex front line policing challenges and priorities¹²
- Adapting to significantly increased volumes of criminal law, evidence and criminal law process legislation (together with developments in case law/jurisprudence) – some changes such as Domestic Abuse legislation are inherently complex to Police
- The requirement for transformational change and delivery of year-on-year efficiencies has taken on another dimension.

Transformational changes that enhance operational capability including asset enhancement has required investment.

Investment

In relation to capital expenditure (CapEx), as already illustrated above, the force has the 5th lowest level of capital investment in UK policing in relation to its size and receives proportionately less funding compared with other Scottish Government bodies involved in the administration of justice. As a Non Departmental Public Body of the Scottish Government (NDPB), Police Scotland/SPA, unlike other UK forces (specifically in England

¹¹ Spending Review 2020 Briefing – October 2019 – page 4

¹² Policing 2026 – Serving a Changing Scotland

and Wales), cannot borrow or hold reserves or have borrowing options to finance capital expenditure. Investment decisions for such forces are typically guided by CIPFA's Prudential Borrowing Code¹³ which provides a structure for informing such decisions on a determination of affordability. As an NDPB construct, Police Scotland/SPA does not have the same level of discretion that most other UK forces have enjoyed in the determination of their investment programmes as capital funding is determined directly by the Scottish Government. Additionally, should capital receipts that form a component of required capital funding not crystallise, Police Scotland are required to automatically recalibrate expenditure to match capital expenditure levels. Within such parameters it is clear that the force and the authority do not have discretionary capability to fully shape prevailing investment needs. As a consequence, the ability to adapt and drive transformational change requirements in line with expectations on priorities outlined within Policing 2026 – Serving a Changing Scotland is fettered by such CapEx funding controls.

In practice, the Deputy Chief Officer provides the Scottish Government with comprehensive proposals for programme and project funding requirements within a prescribed funding bidding exercise. Capital Planning cycles typically cover an 18 month period with significant technical critical path scrutiny and challenge. Whilst the majority of capital spend has been focused on asset replacement associated with business as usual activities, there is an element of Reform funding that is directed at transformational change activities. Since 2013/14 the Police Change Fund (Reform) has been set out to fund the integration of legacy forces although it has to be said that the nature of reform expenditure up to 2017/18 is aligned more with BAU than transformational change. BAU activity follows investment in six areas of core asset replacement/enhancement:

- Forensic Services
- Fleet
- Estates (significant comparative disparity on investment)
- ICT
- Specialist Policing Equipment
- Weaponry

Internally, business leads are encouraged to bid for CapEx in relation to these areas and such bids are consolidated by the Deputy Chief Officer. Business Case formulation is subject to robust scrutiny through an effective Investment Governance framework. There are typically three levels to the structured business case construction including 'Green Book'¹⁴ guidance based templates. Our evidence suggests that the consensus amongst budget holders is that CapEx funding and allocation barely covers the requirements to maintain operational capabilities and at worst may compromise actual policing outcomes. We understand that a total Capital Expenditure (CapEx) outturn of £35.2 million in 2018/19 was delivered and funded as follows:

¹³ Prudential Code for Capital Finance in Local Authorities (the Prudential Code) - CIPFA

¹⁴ HM Treasury guidance on how to appraise and evaluate policies, projects and programmes

Type	2018/19 Budget £m	2018/19 Actual £m
BAU CapEx	22.3	22.8
Transformation Programme	19.4	12.4
Totals	41.7	35.2
Funded by		
Grant	23.0	24.0
Receipts	14.0	6.4
Reform funding	4.6	4.6
Capital Grant Income		0.2
Totals	41.7	35.2

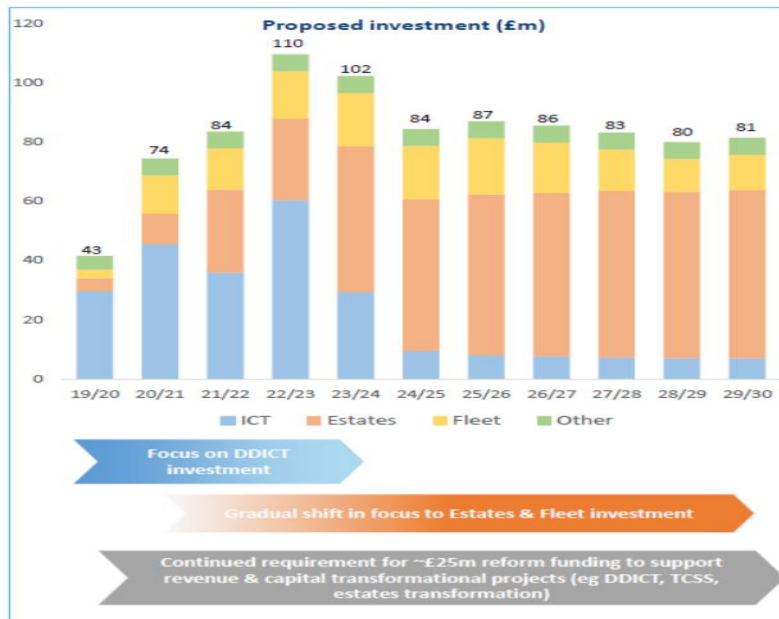
During 2018/19 the pace of CapEx suffered from elements of project slippage but constraints arising from lower Capital receipts effectively required Police Scotland to slow associated tied expenditure. To date within 2019/20 we are unsighted on expected and actual outturns but the in-year forecasting available to us at the end of quarter 2 highlighted a £3 million slippage position on straight Capital and approximately £2 million slippage on Reform investment. We would submit that the Capital Planning Policy and the prevailing Investment Governance Framework at Police Scotland provide sound controls over 'front end' investment initiation but there appears to be some challenges in managing programme slippage.

As part of the spending review process Police Scotland prepare a submission of CapEx funding requirements (following on from internally led Business Case formulation, testing and refinement) it needs to deliver its transformation change programme. This would incorporate significant investment in technology infrastructure, data Management and Fleet. The capital funding requested for 2019/20 was £99.3m against a post-budget allocation of £43.1 million. This is a sizeable gap notwithstanding the prevailing extent of transformational change ambition and a growing demand for asset replacement and enhancement. Indeed, within the internal bidding process it is understood that the Capital Investment Group (CIG) received bids of some £109 million from business leads and specialist governance groups within Police Scotland.

In terms of Reform related investment needs bids totaling some £60.1 million were put forward yet only an allocation of £25.0 million was received. However such is need to invest in ICT that it is estimated that in relation to the multi-year ICT strategy, extant business case approvals would produce a capital cost envelope of some £244 million plus £54 million of reform funded costs over nine years.¹⁵ In terms of ambition the proposed levels of investment by category are reproduced below¹⁶:

¹⁵ Scottish Police Authority Budget Paper 2019/20 – Page 4

¹⁶ Spending Review – Staff Association briefing – October 2019 – Page 14



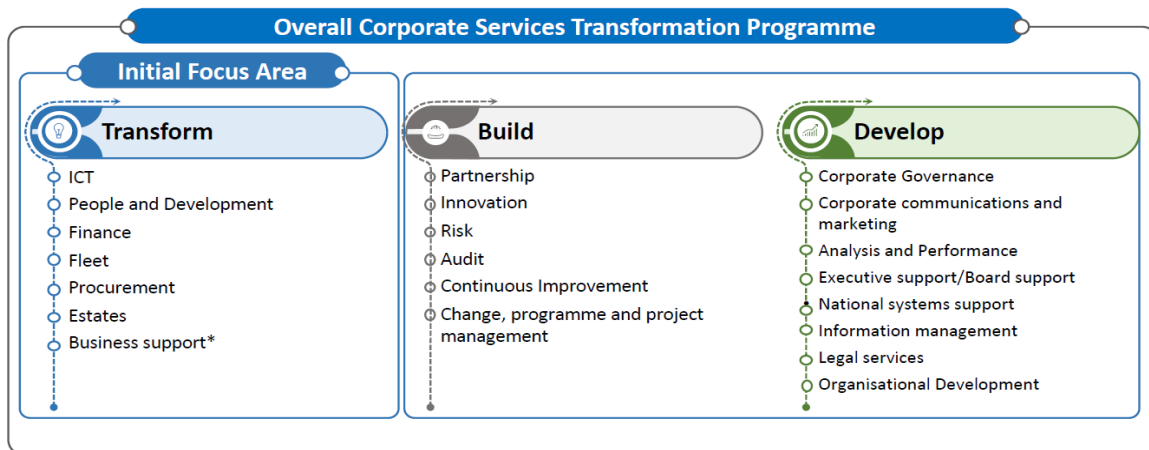
Transforming Corporate Support Services (TCSS)

Central support services have been significantly reshaped in terms of the underlying cost base and staffing numbers relative to functionality since the appointment of the Deputy Chief Officer in 2016. The Corporate Support Business Plan 2018/19 sets out clear priorities that are linked to the overarching 2026 Police strategy and co-ordinate a number of key strands by which Corporate Services can improve overall capability through a cross cutting approach across the organisation. These strands highlight the following initiatives:

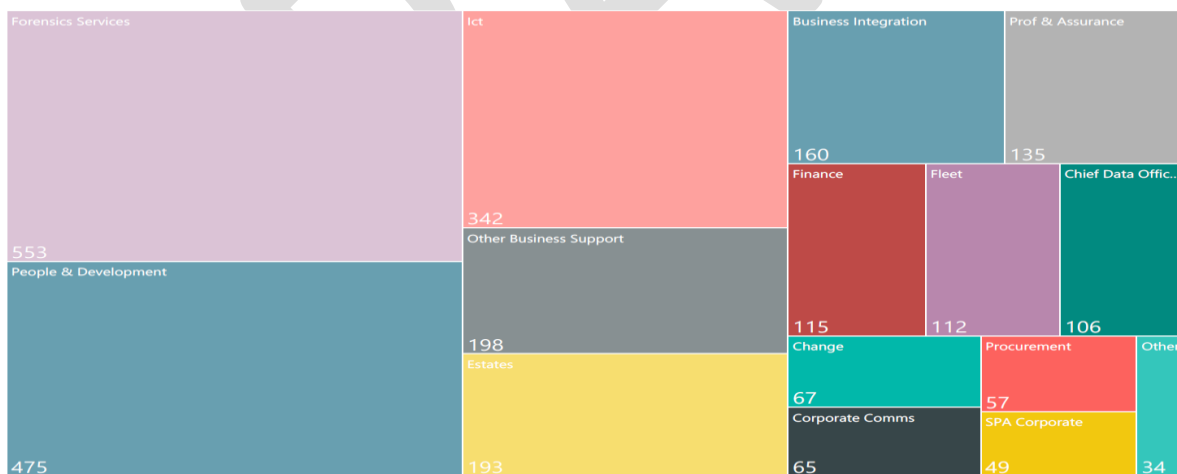
- Involved and empowered people -implementation plan 2018-19
- Transformed and integrated services -implementation plan 2018-19
- High quality, innovative and agile - implementation plan 2018-19
- Good governance
- Value for Money Implementation Plan

The Corporate Support Business Plan attempts to improve integration of activities that drive key operational improvements. In this respect we would commend this level of corporate planning and would like to see an updated version that maintains this level of focus. The transformation programme is comprised of three phases which incrementally build on an initial Transform phase impacting various functions that are likely to be directly benefited from core corporate services improvement. These phases are represented below¹⁷:

¹⁷ Corporate Support Business Plan 2018-20 – Page 16 – Figure 3



Since 2016 consolidation and rationalisation of support services has taken place in parallel with a consolidation and assimilation of legacy systems. On-going pressure to optimize 'front line' resources has placed added pressure on corporate support to deliver on-going efficiencies. Indeed within the budget setting process for Corporate Support services there is a requirement for resourcing bids that would be needed to finance known cost pressure increases to be matched by 'aggressive' management of structures and vacancy management. Performance on the achievement of allocated and unallocated savings is closely tracked by the Corporate Services Management Board. Corporate Support Services full time equivalent staffing numbers are represented below¹⁸:



It is understood that Policing Staff Costs represents some 15.9% of overall expenditure¹⁹. Year on year budget movements point to relatively modest change²⁰:

¹⁸ Strategic Finance Paper – 12 November 2019 – Page 21
¹⁹ Scottish Police Authority Budget Paper 2019/20 – Page 10
²⁰ Scottish Police Authority Budget Paper 2019/20 – Page 10

	2018/19 Budget £m	2019/20 Budget £m	Movement £m
Police Staff Pay	160.6	164.8	4.2
VR VER Saving	0.0	0.0	0.0
Overtime	2.0	2.5	0.5
Allowances	13.6	13.9	0.3
Special Constables	0.8	0.4	-0.4
Total	177.0	181.6	4.6

However, despite the modest overall budget movements we are advised that there is a number of compensating budget movements as structures are being continually refined with tensions applied between changing work practices largely driven by ICT initiatives and the maintenance of corporate support standards and growing service requirements. For example, there are still significant system legacy issues and localised differentials in working practices that require support services to provide a bespoke approach.

Given the level of significant change in reshaping support services, the potential for extracting further efficiency savings is regarded as being modest at best. The potential for more marked stepped changes in overall support services efficiency is inevitably influenced by available levels of investment funding. Overall, that has not been forthcoming and is well illustrated in the allocation of reform resources where transforming Corporate Support Services received a £1 million allocation (from a proposed £17.1 million bid) against the total of £25 million outlined in our comments on Investment above²¹ within the 2019/20 process:

²¹ Scottish Police Authority Budget Paper 2019/20 – Page 23

Revenue Reform	2019/20 Nov 18 3 year plan £m	2019/20 Budget Allocation £m
Transformation Resource	8.7	6.3
<u>Committed Expenditure</u>		
Payroll	0.0	0.1
Commercial Excellence	0.0	0.5
National Network	2.0	1.5
SPRM Implementation and Pay Protection ¹	9.8	9.8
Demand, Productivity and Performance	0.0	0.3
Mobility	1.6	0.9
Core Operating Solutions	0.7	2.2
Digital ICCS	0.0	0.2
Workflow Management	0.2	0.0
<u>Planned Expenditure</u>		
Professional Services	4.0	0.0
Purchase-to-pay	0.0	0.3
Contact Assessment Model	0.0	1.3
Transforming Corporate Support Services	17.1	1.0
Operational Policing Transformation	0.1	0.1
Cyber Capability	0.0	0.3
Voluntary Early Retirement / Redundancy	4.0	1.0
Technical Surveillance 21 st Century	0.0	0.2
Cyber Resilience	0.0	0.2
Other	2.0	0.1
Total Committed & Planned Expenditure	50.2	26.2
Slippage Management	0.0	-1.2
Total Committed & Planned Expenditure	50.2	25.0

The pace of Corporate Services transformational change appears to have been heavily impacted by downward pressures on investment allocation. Such low levels of investment are unlikely to yield a significant level of transformational change savings despite an effective framework of governance around the change process being in place.

Expectational/aspirational savings delivered at risk

Previously Audit Scotland have been critical (2017) of unidentified/unallocated savings being integral to budget setting and medium term financial planning with savings being aspirational rather than be designed around definable activities -

*"A three year financial plan, and a long term financial strategy have been developed and include scenario planning, but the detailed savings plans to underpin delivery are not yet in place."*²²

Whilst significant progress has been made from 2016/17 to a point where strategic financial planning and control is almost unrecognisable in 2019/20 in terms of capability,

²² Scottish Police Authority 2016/17 Annual Audit Report – key messages Page 4

there are still some elements of savings that are reliant on 'in-year' management action. This requires a consistent downward pressure on expenditure rather than management actions driving more efficient processes. At worst this can result in stopping or delaying required activity. The opposite scenario being that allocated budgets are spent regardless of need. Part of the latter behavior will inevitably be as a result of residual cultural challenges that will prevail that will place some drag on the delivery of further savings. Actual achievement of even aspirational savings delivery against budget has been demonstrated within the last three years but there will remain a level of vulnerability in an attempt bridge gap funding with expectation savings – some of which will be delivered at various levels of risk.

DRAFT

Financial Management Review

Overall Assessment

Using CIPFA’s five-star rating system, Police Scotland was rated overall as a THREE STAR organisation. Leadership is the strongest management dimensions with “Processes” and “Stakeholders” following on aggregate scoring on the high level matrix of Financial Management styles and Financial Management Dimensions. From our experience the “People” Dimension is typically the weakest of the Management Dimensions across the range of organisations we have worked with and this is also the case at Police Scotland. On Financial Management styles Police Scotland follows a typical progression with “Delivering Accountability” (which is most closely related to the traditional role of finance) being the strongest, Supporting Performance being slightly weaker and consistent with most organisations, “Enabling Transformation” is the weakest. Police Scotland’s Financial Management was assessed against Best Practice and results are shown in the first table below “Current Snapshot”.

CURRENT SNAPSHOT	Management Dimensions			
Financial Management Style	Leadership	People	Processes	Stakeholders
Delivering Accountability	****	**	***	****
Supporting Performance	****	***	***	*
Enabling Transformation	**	**	**	***

Actual scoring positions in numerical format are as follows:

CURRENT SNAPSHOT	Management Dimensions			
Financial Management Style	Leadership	People	Processes	Stakeholders
Delivering Accountability	3.00	2.00	2.50	2.75
Supporting Performance	2.75	2.25	2.25	1.50
Enabling Transformation	2.00	2.00	2.00	2.50

It is envisaged that, in 12-18 months, maintaining the current trajectory of improvement and following a series of improvements (for which recommendations and an Improvement Plan have been provided further on in this report), Police Scotland could attain the results in the table below, denoted "Improvement Target" by star rating and potentially achieve a FOUR STAR rating.

IMPROVEMENT TARGET	Management Dimensions			
Financial Management Style	Leadership	People	Processes	Stakeholders
Delivering Accountability	*****	****	*****	*****
Supporting Performance	****	***	****	****
Enabling Transformation	***	**	***	****

Police Scotland's rating is consistent with the key aspects of CIPFA's Definition of a Three-Star Rating:

Current Snapshot: Overall Star Rating

CIPFA has independently assessed 86 organisations against best practice using its Financial Management Model.

Overall, Police Scotland received a **three-star rating** when compared with these other organisations.

CIPFA's Definition of a Three-Star Rating:

"The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions. There is a medium-term financial strategy and competent investment programme management that ensures that most programmes are implemented. Commercial capabilities exist but are only partially developed."

Police Scotland's scoring by star rating in relation to each of the FM Model statements is set out in Appendix II: FM Model Statement Definitions and Scoring.

Current Snapshot: High Level Assessment

In terms of overall Financial Management capability Police Scotland has some important strengths including strong senior leadership and the ability to recalibrate activity to meet financial targets at a high level. Analysis of the information gathered showed that Police Scotland is:

- Strongest in the "Delivering Accountability" style. This is unsurprising given that it is heavily regulated, influenced by global best practice that is most closely related to the traditional role of finance and the underlying culture of the organisation being a 'command and control' organisational type. These factors help produce centralised control and delivery of Financial Management
- A stepped progression through "Supporting Performance" and "Enabling Transformation" financial management styles with the latter achieving the lowest scoring. This is a typical pattern of scoring and points to challenges in delivering transformational change against the natural "Delivering Accountability" controls. However, at Police Scotland funding issues have impacted change capabilities as well as the natural 'tension' between internal control and change continuum dynamics
- The "Leadership" management dimension clearly delivers the strongest scoring with "Stakeholders" and "Processes" securing second highest joint positioning within the high level matrix. Police Scotland has highly developed consultation arrangements in place that actively help shape financial strategy. Significant improvements achieved across "Processes" including external Financial Reporting, exemplar in-year financial performance tracking, significantly improved transactional financial system capability (successful assimilation of legacy systems) and an improving internal control environment. As a consequence "Stakeholder" confidence has significantly increased

as a result of the positive direction of travel taken within the last two years and that is reflected within the model scoring

- The weakest statement scoring is attributed to the “People” dimension and this is a common feature across most other organisations we assess. Typical issues arising includes a lack of finance competency framework and lower levels of accountability for financial performance at the operational end of the organisation, resulting in high levels of dependency on finance decision support function

From the three key sources of evidence available to us we are able to highlight a number of key strengths and areas requiring further development.

Key Strengths

The remainder of this document is dedicated to highlighting issues identified through the FM review. However, it is important to acknowledge that the review also identified a number of areas in which Police Scotland is particularly effective. Specific strengths identified included:

- **Leadership** – strong strategic leadership and ownership of Financial Management across the Force Executive with highly effective focus and support provided by the Deputy Chief Officer (DCO) and Chief Finance Officer (CFO) - there is a growing recognition of the importance of sound financial management and the need for improvement – particularly across the senior ranked officers
- **Technical** - Police Scotland has significantly strengthened technical finance capability through a considered Finance Team restructuring and recruitment. This has provided the foundation for a highly effective Finance Function to develop. Financial Reporting has been turned from a weakness into an acknowledged strength and the Finance Team have led on Project Business Case formulation and approvals including challenge and onward project performance tracking. This work has had some impact on securing additional funding for, as an example, decarbonising the Police fleet and additional funding to support the Estate strategy which focuses on collaboration with other public sector bodies and greater efficiency. The Team have improving influence and impact on Project Business Case formulation and approvals including challenge and onward project performance tracking. In-year financial performance tracking is extremely strong and an exemplar
- **Financial Strategy** - strong modelling and understanding of cost drivers and operational environment – developed understanding on impact of underfunding on operational capabilities and drag on transformational change capability
- **Agility/reactivity** - In-year financial performance tracking is extremely strong. Reporting is succinct, highly insightful with the correct balance of detail and narrative within a first class reporting format. This has led to advanced recalibration capability

- **Consultation** – Police Scotland is highly receptive to views from stakeholders in the shaping of outcomes and related financial strategy

Development areas

Eleven areas for improvement (some interlinked) were identified arising from statement scoring. These areas are listed below:

- **Financial sustainability** – key strategies - potential lack of high level financial resilience – key foundational strategies need to be further developed in order to provide more granularity and certainty within 3 year and 10 year financial planning modelling challenges in delivering a balanced budget - Financial Strategy not fully linked to key resource planning (e.g. Strategic Workforce Plan, Fleet, Asset Management, Digital Data & ICT and Procurement) and gap funding strategies dependent on aspirational efficiency savings being delivered at some risk
- **Budget Setting** - methodology is traditional and largely incremental although there is some evidence of zero basing/outcomes based. Participation of budget holders in the budget formulation process is not strong. The process is predominately high level top down approach and lacks a 'bottom up' construction. The budgeting processes being highly incremental tends to perpetuate inefficiencies and budgeted savings tend to be small
- **Efficiency Savings** – more clarity around the definition and impact of cashable, non-cashable and counterfactual savings needed. Some efficiency savings have salami sliced attributes, partly aspirational - some take the shape of being the product of stopping activity or cost avoidance rather than direct management intervention or service change – unallocated efficiency savings may be aspirational/expectational rather than delivered through process efficiency, process engineering changes or wider transformational change
- **Limited delegation /lack of diffused FM literacy** – operational budget holder exposure to resource management issues primarily limited to overtime and travel expenditure – absence of understanding on detailed activity costs and undue reliance on finance decision support
- **Accountability for financial performance** – linked to lack of diffused FM Literacy - strong at a strategic level but much weaker at operational budget holder level and inconsistencies in holding to account for financial performance at Chief Superintendent level - there is an over-reliance on the finance function/Business Partnering to 'manage budgets for, and on behalf of, budget holders

- **Business Partnering** – it is recognised that Business Partnering is evolving and embedding but Business Partners are currently unable to drive performance improvement or transformational change due to undue level of focus on data construction and budget containment

- **Positioning and influence of Finance** - traditional role – highly effective on BAU but unable to fully drive performance improvement or transformational change due to undue level of focus on budget containment/stewardship

- **Finance Function efficiencies and effectiveness**– the finance function would benefit from a development plan which includes standards and target levels of performance and efficiency – minimisation of undue data manipulation

- **FM Competency Framework and performance framework:** no cohesive framework in place - variable financial management and system skills of budget holders/managers – accountability on financial performance not fully understood – challenge on financial performance requires greater depth

- **Risk Management** - Police Scotland has a defined and developed Risk Management process and a Risk Register – however difficult to evidence ‘risk owners’ - current process are ‘tick box’ in nature and not dynamic - potential lack of effectiveness

- **Value for Money (VfM) approach:** an improving position but VfM is not well understood or consistently applied throughout the organisation – potential lack of rigour/challenge on use of resources - key Procurement improvements are being made but still to be fully embedded – improving commercial capability (from a low base) but evidence of some difficulties in actively/rigorously managing contractor/supplier performance

A defining mark of an improving organisation is where weaknesses can be transformed into strengths. On financial reporting significant achievement has been demonstrated turning around Audit Scotland’s qualified audit opinions and criticism over financial management into unqualified audit opinion and improvement in financial management being acknowledged by the statutory auditor for both 2017/18 and 2018/19. In this respect external Financial Reporting has been turned into a positive attribute and this is testament to the hard work of the Finance Team.

In summary, Police Scotland has important FM capability strengths including strong senior leadership, robust strategic financial strategy modelling, strong in-year performance tracking and an effective ability to recalibrate activity to meet financial targets at a high level. As well as this level of agility there is improving governance and internal control. Whilst there are positive signs of improvement on Value for Money (VfM), it is not yet fully embedded within the ‘DNA’ of the organization. On Financial resilience our evidence

suggests that funding constraints appear to be have a negative impact on the utilisation of key assets with potential consequential impacts on operational outcomes and creating drag on achieving transformational change. Notwithstanding these comments our evidence strongly points to 'seismic' improvement having been achieved over the last two to three years on Financial Management capability. Indeed, our evidence suggests that the organisation may have achieved a ONE star rating in 2016/17. Maintaining this current trajectory of improvement should push our overall rating towards upper THREE STAR and potentially FOUR STAR status within an 18/24 months period.

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Issues and Recommendations

Eleven issues were identified as requiring development during our assessment (some interlinked). The issues outlined below are predominately linked and therefore the accompanying recommendations are interdependent. These recommendations have been translated into a more detailed Improvement Plan which will be agreed with Police Scotland.

Summary	Issues	Recommendation
Financial sustainability		
Financial sustainability – key strategies	Potential lack of high level financial resilience – key foundational strategies need to be further developed in order to provide more granularity and certainty within 3 year and 10 year financial planning modelling challenges in delivering a balanced budget - Financial Strategy not fully linked to key resource planning (e.g. Strategic Workforce Plan, Fleet, Asset Management, Digital Data & ICT and Procurement) and gap funding strategies dependent on aspirational efficiency savings being delivered at some risk	The MTFP would benefit from 'bottom-up' foundational links. Such linkages would include key strategic plans covering Workforce, Estates Management, ICT and Procurement Strategies. Scenario modelling including Best, Worst and Medium level options should be illuminated based on key core assumptions being flexed (sensitivity analysis) and stress tested.
Budget Setting		
Budgeting setting – improving precision and challenge	Budget setting at Police Scotland is traditional and largely incremental although there is some evidence of zero basing/outcomes based. Participation of budget holders in the budget formulation process is not strong. The process is predominately high level top down approach and lacks a 'bottom up' construction. The budgeting processes being highly incremental tends to perpetuate inefficiencies and budgeted savings tend to be small	Use a bottom-up budgeting process incorporating elements of zero based and outcomes-based budgeting (at least intermittently) to encourage more precise modelling and larger-scale efficiency savings. Deliver training on budgeting and forecasting to improve skill levels for both budget holders and staff.
Efficiency savings		
Efficiency savings	More clarity around the definition and impact of cashable, non-cashable and counterfactual savings needed. Some efficiency savings have salami sliced attributes, partly aspirational - some take the shape of being the product of stopping activity or cost avoidance rather than direct management intervention or service change – larger efficiency savings may be aspirational/expectational rather than delivered through process	To be less reliant on unallocated savings and avoidance of a 'cash management' approach to in-year budget stewardship. Budget holders should be incentivised to return unrequired budget early within the financial year and encouraged to formulate more effective work practices. This will inevitably require additional insight from Workforce Planning and related productivity analytics.

efficiency, process engineering changes or wider transformational change

Limited delegation/lack of diffused FM literacy

Limited delegation /lack of diffused FM literacy

Operational budget holder exposure to resource management issues primarily limited to overtime and travel expenditure – absence of understanding on detailed activity costs and undue reliance on finance decision support

Review development needs across the organisation, ideally against the aforementioned competency framework) and provide necessary training programmes to improve financial literacy, budget management and forecasting skills, VFM and contract management, as well as the confidence to use those skills.

Training programmes can also contribute to the changing of attitudes through clear messaging about the importance of budget holders carrying out budget management responsibilities and the evolving strategic role of Finance Decision Support. Ensure that performance appraisal systems for budget holders include financial management responsibilities so as to incentivise proactive behaviours. This should be linked to a competency framework – see below.

Accountability for financial performance

Accountability for financial performance

Linked to lack of diffused FM Literacy - strong at a strategic level but much weaker at operational budget holder level and inconsistencies in holding to account for financial performance at Chief Sup. level - there is an over-reliance on the finance function/Business Partnering to 'manage budgets for, and on behalf of, budget holders

Ensure that performance appraisal systems for budget holders include financial management responsibilities so as to incentivise proactive behaviours. This should be linked to a competency framework – see below.

FM Competency Framework

Financial Management competency framework required to clarify responsibilities and capabilities

There is no cohesive framework in place - variable financial management and system skills of budget holders/managers – accountability on financial performance not fully understood – challenge on financial performance requires greater. There is no cohesive framework in place. There is no clear evidence that financial objectives are routinely set and financial performance management is consistently applied in conjunction with operational performance. There is insufficient emphasis of the importance of financial management in senior operational roles.

Create a Financial Management competency framework to articulate the various accountabilities and responsibilities for financial management across the organisation. This should clarify the budget management expectations of budget holders as well as the more strategic responsibilities of the finance function.

The competency framework should be used as a basis to assess current performance, desired performance and the skills gap.

Business Partnering

Business Partnering	it is recognised that Business Partnering is evolving and embedding but Business Partners are currently unable to drive performance improvement or transformational change due to undue level of focus on data construction and budget containment	Communicate with budget holders to clarify the role and responsibilities of the Joint Finance Team (as Finance Business Partners) versus the rest of the organisation and how they can support the organisation. Change of mind set is required for budget holders. Continue to upskill the Finance Team with the necessary skills to effectively perform the Finance Business Partnering role.
<i>The success of the Finance Business Partnering model depends on a shift of responsibilities towards the self-service budget holder model.</i>		
Decision support/Business Partnering		
Positioning and influence of finance function	Finance currently delivers a traditional role – highly effective on BAU but unable to fully drive performance improvement or transformational change due to undue level of focus on budget containment/stewardship	Key finance staff should be embedded within strategic management groups. As an extension of the influence of Business Partnering this should include supporting operational policy and practice formulation.
Finance function service standards and Service Planning		
Finance Function Standards and Efficiencies – developing decision support service standards	The finance function would benefit from a development plan which includes standards and target levels of performance and efficiency – minimisation of undue data manipulation The core finance would benefit from a development plan which includes standards and target levels of performance and efficiency.	Service performance standards would define the relationship between operational budget holders and wider users with the finance function. In this way the profile and influence of Finance can be raised through enhanced transparency on performance. There are benefits in actively communicating the performance of the Finance function, in terms of meeting targets and/or performance standards and setting expectations around the responsibilities of both budget holders and finance decision support. Create a Finance Service Plan to define responsibilities, ensure that performance of the finance function can be measured, and also resource can be planned and monitored. This will encourage the finance function to focus on strategic tasks.
Delivering Value for Money (VfM) and Efficiencies		
Delivering VfM approach – embedding VfM within the DNA of the organisation	An improving position but VfM is not well understood or consistently applied throughout the organisation – potential lack of rigour/challenge on use of resources - key Procurement improvements are being made but still to be fully embedded – improving commercial capability (from a low base) but	Holders need to focus on managing their costs and reducing inputs to achieve their goals rather than on using up their budgets. For example are additional in year savings the result of efficiency gains rather than budget reductions (e.g. confiscation of unspent budgets)? Budget holders need to be incentivized to offer up in-year budgets that will not be required. Outturn forecasting and

evidence of some difficulties in actively/rigorously managing contractor/supplier performance

re-forecasting should not have primacy over period variance analysis and the development of a detailed understanding of cost drivers.

Risk Management

Risk Management

Police Scotland has a defined and developed Risk Management process and a Risk Register – however difficult to evidence ‘risk owners’ - current process are ‘tick box’ in nature and not dynamic - potential lack of effectiveness

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Improvement Plan – this is still to be agreed

The table below details the steps required to implement the recommendations which have been made. These actions have been agreed with Police Scotland, who have also provided information on the “current position” (as at November 2019), as well as the timescales and the appropriate persons to take responsibility.

Actions required	Current position	Lead responsibility	Timescale
<i>Developing a dynamic and robust Three Year Financial Plan</i>			
<i>Budget Setting – Improving precision and challenge</i>			
<i>Finance system – Budget holder access and role responsibilities</i>			
<i>Accountability for Financial Performance - clarity and measurement of responsibilities required for both budget holders and finance function</i>			
<i>Financial Management competency framework required to clarify responsibilities and capabilities</i>			
<i>Lack of diffused financial management literacy – need to provide budget management & forecasting with training to budget holders build skills and confidence and help to improve attitudes to accountability and VfM</i>			
<i>Inability of Finance to deliver advanced decision support options and drive transformational change – need to embed a Finance Business Partnering approach by continuing to upskill the Finance team and promoting the value of</i>			

***their strategic role to
budget holders***

***Finance Function
Standards and Efficiencies
– developing decision
support service standards***

***Delivering VfM and
Efficiencies***

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Appendices

Appendix I: FMCRC Information Sources

Electronic Survey

86 out of 124 contributors surveyed submitted data/evidence; this represents an overall response rate of 69.4%.

The minimum level acceptable as evidence is normally 50% for each survey group and this was surpassed in total and for each survey group. The response rate was excellent particularly amongst operational managers/budget holders. Response rates for each of the survey groups are set out in the table below:

Group	Survey Groups	Invited	Completed
SG1	Strategic/Corporate Finance	20	16
SG2	Operational Finance	76	46
SG4	Operational Managers	28	20
	Total	124	84

List of Interviewees

	Forename	Surname	Job Title
1	Iain	Livingstone	Chief Constable
2	James	Gray	Chief Financial Officer
3	Fiona	Taylor	DCC Professionalism
4	David	Page	Deputy Chief Officer
5	Martin	Low	Director of ICT
6	Jude	Helliker	Director People and Development
7	Neil	Dickson	Director of Transformation Change
8	Elaine	Wilkinson	SPA Board member
9	Gary	Devlin	External Auditor
10	Graham	D'Arcy	Corporate Reporting Specialist
11	Grant	MacRae	SPA Board member
12	Jane	Ryder	SPA Board member
13	Kirsty	Stanners	Finance Business Partnering Lead
14	Phil	Doyle	Finance Transformation Change Specialist
15	Samantha	Wylie	Interim Executive Support Officer
16	Susan	Deacon	SPA Board Chair (CBE)
17	Kenny	MacDonald	ACC Local Policing East / Criminal Justice
18	John	Hawkins	ACC Local Policing North & C3
19	Steve	Johnstone	ACC Local Policing West
20	Alan	Speirs	ACC Professionalism and Assurance
21	Iain	McKie	Interim Head of Procurement
22	Kirsty-Louise	Campbell	Head of Strategy, Innovation and Insight

23	Peter	Blair	Head of Workforce Planning
24	Michael	Steele	Business Investment Lead
25	Chris	Brown	Strategic Financial Planning and Budgeting Lead

List of Documents Reviewed

The documents reviewed by CIPFA included but were not limited to the following:

- Scottish Police Authority Audit of 2018/19 annual report and accounts – Audit Scotland – SPA Reporting
- Scottish Police Authority Audit of 2018/19 annual report and accounts
- Scottish Police Authority - 2017/18 Annual Audit Report – Audit Scotland
- Police Scotland Executive – Monthly Finance Reports
- Corporate Finance & People Board/ SPA Resources Committee– Finance Monitoring Reports
- Police Scotland Procurement Strategy 2017-2020
- Police Scotland - Spending Review 2020/21
- Scottish Police Authority Budget 2019/20 SPA Board 28 March 2019
- Draft Annual Report and Accounts for the Scottish Police Authority for the Year to 31 March 2019
- Police Scotland/PSA Medium term financial planning scenarios September 2019
- Scottish Police Authority Budget Paper 2019/20
- CFPB – Monthly Finance Pack - Quarters 1 & 2 – 2019/20
- SPA – Monthly Finance Pack - Quarters 1 & 2 – 2019/20
- SCoPE Data as at 30th September 2019 v21.01
- Priority Based Budgeting –Corporate Services - Comparative analysis
- Police Scotland - 2019 Assessment Outcome - Tool for Improvement – Procurement
- Procurement Improvement Programme - 5th December 2019
- Procurement Sourcing Strategy - 2019
- SPA/Police Scotland - Three Year Financial Plan and Ten Year - Financial Strategy - May 2018
- Scottish Police Authority Update to the Three Year Financial Plan 2018/19 to 2020/21
- Medium Term Financial Planning Options 2019/20 - 2021/22
- Proposed Re-organisation: Finance Post Consultation Structure
- Fraud and Economic Crime – Standard Operating Procedures
- Police Scotland - Whistleblowing Guidance
- Corporate Support Business Plan 2018/2019

Appendix II: FM Model Statement Definitions and Scoring

Three Financial Management styles:

Delivering Accountability

Emphasis on control, probity, meeting regulatory requirements and accountability.

Supporting Performance

Responsive to customers, efficient and effective, and with a commitment to improving performance.

Enabling Transformation

Strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

Four Management dimensions

Leadership

Strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.

People

Includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.

Processes

Examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.

Stakeholders

Relationships between the organisation and those with an interest in its financial health; customer relationships within the organisation, between finance services and its internal users.

Rating	Qualifying Scoring	
*****	4	World Class
	3.5	Totally evidenced
	3.25	Strong
****	3.24	Strong
	2.75	Highly evident
***	2.74	Evident
	2.25	Mostly
**	2.24	Competent
	2	Basic
*	1.99	Lower than basic
	1.5	Minimal
	1.25	Weak
	1	Weak
	0.75	Inadequate
	0.5	Inadequate
	0	Not at all

	Leadership		Police Scotland
Delivering Accountability	L1	Financial capability is regarded as integral to supporting the delivery of the organisation's objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	3.25
	L2	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	2.75
	L3	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	3.00
Performance	L4	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	2.75
	L5	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	2.75
Transformation	L6	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	2.00

	People		Police Scotland
Delivering Accountability	P1	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	1.00
	P2	The organisation has access to sufficient financial skills to meet its business needs.	3.00
Performance	P3	The organisation manages its finance function to ensure efficiency and effectiveness.	2.00
	P4	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	2.50
	P5	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	2.50
Transformation	P6	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	2.00

	Processes		Police Scotland
Delivering Accountability	PR1	Budgets are accrual-based and robustly calculated	2.50
	PR2	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	2.00
	PR3	The organisation operates and maintains accurate, timely and efficient transactional financial services (eg creditor payments, income collection, payroll, and pensions' administration).	2.50
	PR4	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	Not scored
	PR5	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	3.25
	PR6	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	2.00
	PR7	Management understands and addresses its risk management and internal control governance responsibilities.	2.50
	PR8	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	2.75
		PR9	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.
	Processes (Continued)		Police Scotland
Performance	PR10	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	2.25
	PR11	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	3.00
	PR12	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	1.75
	PR13	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	1.50
Transformation	PR14	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	2.00
	PR15	The organisation's financial management processes support organisational change.	2.00
	Stakeholders		Police Scotland
Delivering Accountability	S1	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance, and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	2.75
Performance	S2	The organisation demonstrates that it achieves value for money in the use of its resources.	1.50
Transformation	S3	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	2.50