

Meeting	SPA Resources Committee
Date	10 March 2022
Location	Video Conference
Title of Paper	Finance Transformation Post Implementation Review
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Yes – Finance Transformation Post Implementation Review

PURPOSE

The purpose of this paper is to provide the SPA Resources Committee with a post implementation review of the Police Scotland Finance transformation activities that have been carried out since 2016.

This paper is presented for discussion.

1. BACKGROUND

- 1.1 Police Scotland's finance service has undergone transformation over the past 5 years at a cost approximately £2 million (representing 8% of a single year's reform budget).
- 1.2 The finance transformation activities were implemented in order to address all of the significant issues being faced by the finance service in 2016 including;
- Incomplete accounting records following the merger of the legacy forces;
 - Poor financial monitoring arrangements;
 - Fragmented processes based on the legacy Police force arrangements;
 - Payroll based on legacy arrangements including 20 separate payrolls paying on different dates in different areas of the country;
 - Lack of management capacity in the finance service structure and;
 - Capability gaps in the finance service such as no project finance or financial planning capability.
- 1.3 Appendix A details the key activities undertaken between 2016 and 2019, the benefits realised and the lessons learned.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Following the transformation activities, the Police Scotland finance team is now recognised by external bodies such as CIPFA to be high performing in relation to wider UK public sector in 2022.
- 2.3 The cost of the finance service meets top quartile benchmarks in the public sector – costing less than 0.6% of total expenditure. However, significant change will be required over the coming two to three years to develop new capabilities such as our approach to budgeting, to make better use of data analytics and to improve the customer experience for transactional and reporting activities.
- 2.4 Further cost savings can be realised over the coming two to three years and will fall under the overall Enabling Policing for the Future (EPF) programme and a brief overview can be viewed in Appendix A.

2.5 Appendix B provides an overview of the finance service's post implementation structure.

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 There are no reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There is no community impact 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 asked to discuss and note the contents of this paper.



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Finance

Finance Transformation

(post implementation review)

Resources Committee
10 March 2022



Executive summary

01

The finance service has undergone transformation over the past 5 years at a cost approximately £2 million (representing 8% of a single year's reform budget). This has addressed all of the significant issues being faced in 2016;

02

The Police Scotland finance team is recognised by external bodies such as CIPFA to be high performing in relation to wider UK public sector in 2022;

03

The cost of the finance service meets top quartile benchmarks in the public sector – costing less than 0.6% of total expenditure;

04

However, significant change will be required over the coming two to three years to develop new capabilities such as our approach to budgeting, to make better use of data analytics and to improve the customer experience for transactional and reporting activities;

05

Further cost savings can be realised over this period and will fall under the overall Enabling Policing for the Future (EPF) programme.

Challenges that needed to be addressed with the finance service

The key challenges facing the Police Scotland finance service in 2016 were:

- **Incomplete accounting records** – Following the merger of the legacy forces, the consolidation of financial records into a single format in a single system had not been completed, and there were so gaps in accounting records. This had resulted in poor quality Annual Report and Accounts which had received modified audit opinions from the Auditor in the first 3 years.
- **Poor financial monitoring** arrangements – The quality of the monthly reporting was poor – with a large amount of numerical information which was hard to navigate and a lack of analysis and narrative. This meant it was challenging for stakeholders to get a good sense of the financial position and the robustness of the budget. Revenue, Reform and Capital funding was not accounted for in separate streams, with reform funding being used for business as usual activity meaning there was insufficient funding for genuine transformation.
- There were **fragmented processes** based on the legacy police force arrangements which meant that internal controls were inconsistent and patchy which was regularly highlighted through internal audit reports. In 2017 there were over 100 open audit actions in relation to finance.
- **Payroll** (representing 87% of annual spend) was still based on legacy arrangements, with 20 payrolls, paying on different dates in different parts of the country, using different systems and different delivery models. There was an overall lack of control around payroll and it was costly to administer.
- The **finance service structure** had a lack of management capacity, and an imbalance in the workforce whereby there was a large number of staff engaged in manual processes and relatively few staff members engaged in analysis, insight and reporting.
- There were **capability gaps** – For example there was no project finance capability in the team to support proper business case development to assist with investment decisions. There was no financial planning capability to shine a light on the underlying deficit position within policing and develop a route out of it. There was no business partnering capability to support budget holders effectively in financial decision-making.

The consequences of these challenges were that there was a loss of stakeholder confidence – the Force Executive, the SPA and Scottish Government could not rely on the information being produced by finance, and this confusion allowed a structural deficit to emerge in the policing budget. The issues also led to significant scrutiny from regulatory bodies, parliament and the media resulting in significant negative headlines aimed at policing's competence to manage its budget (See next slide).

POLICE SCOTLAND FINANCE CHALLENGES

www.scotland.police.uk

NEWSPAPER HEADLINES

March 2022

“Scotland’s police facing a £190m black hole following years of financial incompetence”

The Telegraph 2016

“Top police bosses face 'serious questions' over Financial mismanagement”

The Herald 2017

“Aspects of the accounting records and access to information and explanations in the area of property, plant and equipment were of poor quality. In my opinion, therefore, adequate accounting records have not been kept in respect of these areas for the 2015/16 financial year.”

Audit Scotland audit opinion 2015/16

“Police Scotland in crisis amid a £200m funding gap”

The Scotsman 2017

“The first three years of Police Scotland and the SPA had been marked by weak financial leadership”

Auditor General for Scotland 2017

Key activities undertaken between 2016 and 2019



Delivery of a payroll project which consolidated 20 payrolls into 2, on a single platform, paid on the same date and delivered by a unified national payroll team. This project facilitated the implementation of the agreed SPRM pay, terms and conditions for staff, as well as addressed the critical audit risks, and delivered £1m savings per annum.



Identified key capacity and capability gaps and recruited 15 temporary roles to stabilise the finance function. This provided a platform to start improvement activity such as addressing issues in accounting records, resulting in a clean audit opinion on the Annual Report & Accounts in 2017, and the clear identification of a structural deficit



- Process improvement activities across finance processes that saw open audit recommendations fall from over 100 in 2017 to less than 10 by 2019;
- Introduction of a new P2P system that has strengthened controls over purchasing.



- Development of new capabilities:
- Project Finance resource allowed for the development of the Investment Governance Framework, and the five case business case model approach;
- Financial planning resources to produce financial plans and information for spending review exercises.



Restructure of the finance team through 2018 and 2019 (see next slide and Appendix B for more information on the new structure. This meant new capabilities could be delivered sustainably and that there was the right mix of staff between transactional and those working on insight and analysis.

Our structure

- Investment decision support
- Manage capital & reform investment
- Business case development & governance
- Benefits realisation support

- Control framework
- Devise and review process controls
- Governance
- Internal & external audit liaison
- Risk Management

- Month end analysis & reporting
- Variance drivers, trends & insight
- Financial Modelling
- Enable budget setting
- Support annual accounts



CFO portfolio support team

Operational & corporate support business areas

- Finance partner to budget holders
- Provide insight and guidance
- Opportunity development
- Business issue resolution
- Cost recovery & income generation

- Board & Scottish Government reporting
- Annual budgeting
- Long term financial planning

- Annual report & accounts
- Technical accounting matters
- Pensions & tax
- Balance sheet & general ledger

- Payroll
- Procurement & payables
- Receivables
- Cash & banking

Benefits realised

1. ARA – Accounts now produced to a high standard and praised by auditors. During the pandemic the accounts were one of the few to still be delivered on time in Scotland
2. Additional funding & extra investment – the finance team has supported the organisation to successfully make the case for £150m of additional recurring funding between 2020/21 and 2022/23 which has eliminated the deficit. Capital funding has doubled over the past 4 years.
3. Quality of reporting – CIPFA has commented that Police Scotland/SPA monthly financial reports and financial planning documents are the most accessible that they have seen across the UK public sector and point other bodies towards ours as an exemplar
4. Quality of specialist teams – strong capability in areas such as project finance, supporting the organisation in its business case development.
5. A national finance team that is recognised by CIPFA as being 3* with strong potential to reach 4* - which would make it into a handful of public bodies in the UK to achieve this
6. Trusted partner of senior officers – Business Partners have a greater recognition as being a support/enabler rather than a hindrance across the organisation – leading to better decisions
7. A finance service that is cheaper in real terms that it was in 2016, whilst providing a far higher level of quality, and is in the top quartile for cost efficiency when benchmarked against other bodies
8. Supported the organisation through its improvement work to bring the series of Section 22 reports to an end in 2021/22.

Lessons learnt

- The finance change programme would have benefitted from formal programme structure and governance including the development of a business case. There were business cases for Payroll, P2P and the team restructure, but no overarching business case.
- This meant that it is not possible to measure outcomes to the benefits set out formally at the start of the journey to those delivered, and to monitor spend against agreed budget.
- This was a consequence of the that the programme of work commenced, which was before the development of the Investment Governance Framework or the establishment of the Change Function. This situation would no longer be able to arise again.
- The total cost of the finance transformation work cost c.£2m. Given the confidence in the finance service with government, which supported the increase in recurring funding for policing of £150m over 3 financial years, there has been a strong return for the investment.

Future plans under EPF

The Enabling Policing for the Future (EPF) programme will present an Outline/Initial Business Case to the SPA Resources Committee in May 2022, setting out plans to transform corporate services over the next five years.

As part of that business case, there will be further finance initiatives/projects included. The main opportunities for finance are as follows:

- Greater use of technology and improved data management to increase our data analytics capability;
- Joining data points up with other corporate services functions to provide a greater level of insight – such as finance and HR data, or finance and estates data;
- Increasing the use of self service to allow service users to access activities such as travel and expenses through an app to improve the experience;
- Moving on from Zero Based budgeting to Priority Based budgeting, which will provide a far higher level of insight into how money is spent on activities and what outcomes are achieved. This should be a powerful tool in supporting workforce prioritisation decisions as part of the wider workforce planning arrangements.



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Finance Transformation

March 2020

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change

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1. The case for change

To complete the finance reorganisation that began in 2017 and continue the Finance Service's improvement journey.

Successes to date include:

- two consecutive year's of unqualified audit opinions;
- the number of finance outstanding audit recommendations reduced from 120 to 10; and
- increased financial credibility with both internal and external stakeholders.

Objectives of the new structure



Collaboration

Improve the quality of engagement across the organisation making Finance more accessible.

Enhancing the quality of finance partnering support to internal and external stakeholders.



Staff

Create an agreed establishment for the Finance service which removes the reliance on temporary posts and temporary / agency staff, thereby providing certainty to the team.

Well supported and engaged workforce to deliver a high quality service.



Optimisation

Optimise Finance to support current and evolving organisation requirements, including supporting the change programme, external regulatory change and managing ongoing budgetary constraints.



Best Value

Deliver best value with a budget for the Finance Service of no more than 0.5% of the overall expenditure budget, in line with best practice benchmarks.

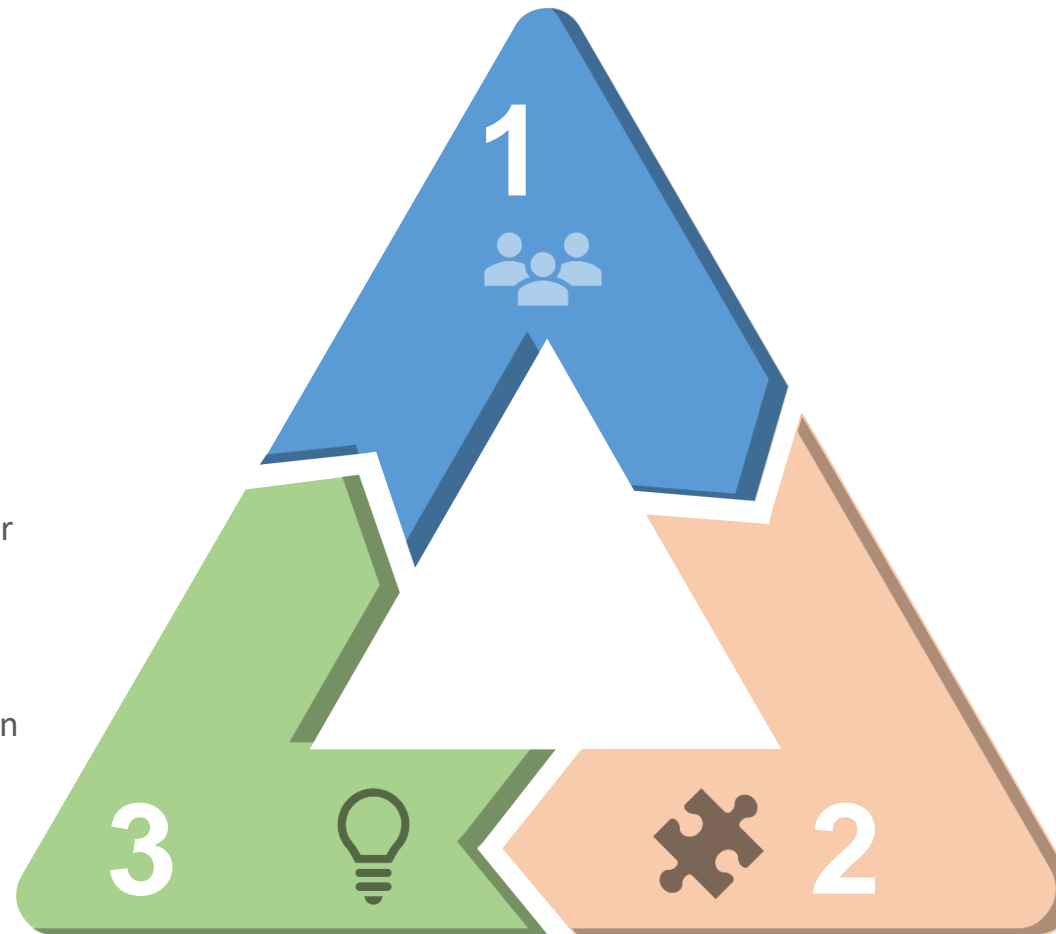
2. Our journey so far.... guiding principles

1. Consultative process

The new operating model for the Finance Service is in line with the principles and targeting operation model agreed as part of the Transforming Corporate Support Services (TCSS) business case.

The process for organisational change was agreed with the staff associations. It was underpinned by a commitment to communicate effectively with all staff and fully consult on any changes that affect our people.

Consultation took place at both collective (via Trade Unions and group consultation) and individual level (individual consultation meetings) and feedback influenced the final structure.



2. Location is not a barrier

The Finance Service will operate from three core hubs in the future,

1. Dalmarnock (Glasgow),
2. Fettes (Edinburgh) and
3. West Bell Street (Dundee).

These locations were selected after consideration of geographical concentration of current staff and the commitment to maintaining a presence across the country. The three hubs will offer proximity to customers, allowing teams to share synergies, knowledge, skills and best practice.

Finance staff who secured a role in the restructure in a location outwith core hub locations are able to undertake their new roles from their current location.

3. Skills and qualifications of roles

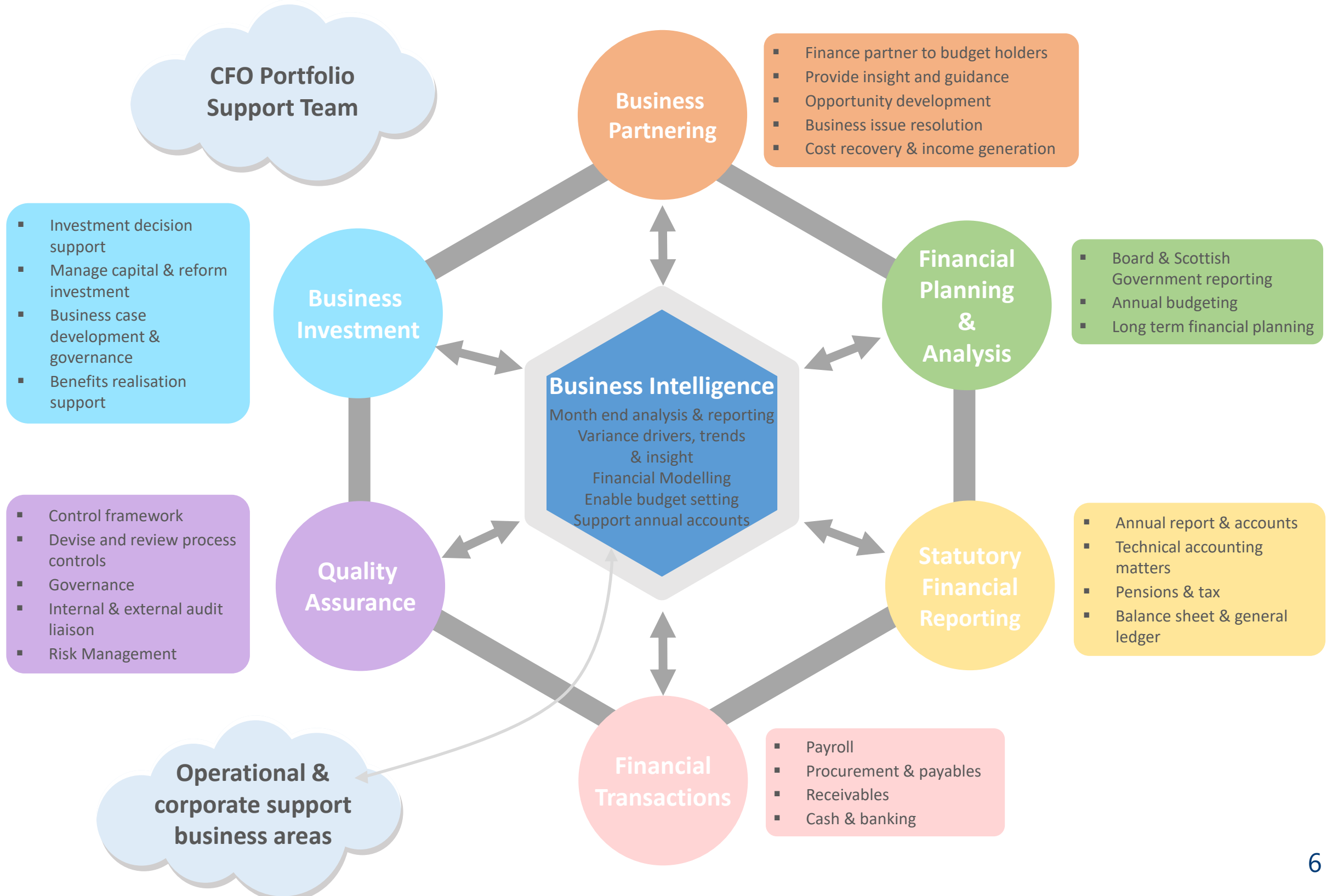
Qualifications and experience levels were defined for all roles in the new structure.

We recognised the knowledge, and experience of existing staff. Where an existing member of staff did not meet the essential criteria for a role, but had similar or relevant skills and experience, the essential criteria was waived to allow the individual to be considered for the role.

If, after assessment, there was a skills or knowledge gap, specific training and support will be provided where appropriate.

3. New Structure

Our new structure



Finance Business Partnering (FBP)

Applying finance and commercial knowledge and expertise to support the development and delivery of Force strategy, driving measurable economic value.



✓ Customer relationship

- Trusted advisors with a high degree of influence on operational and strategic decisions.
- First point of contact for our stakeholders.

✓ Insight & advice

- Delivering insights from both across the organisation and from best practice elsewhere.

✓ Positive disruption

- Challenging the status quo and striving for continuous improvements in Finance, the business and with the executive members we support.

✓ Business knowledge

- Understanding of the Divisions/Departments we support, contributing to the development of strategies and measuring their execution.

✓ Deficit reduction

- Supporting decision making in relation to cost optimisation, income generation, investment appraisal, capital/funding optimisation and strategic risk appetite.

✓ Business insight

- Delivering analytics (combining financial and non-financial data to enhance insight) and MI when (e.g. proactive) and how (e.g. self-service channels) our stakeholders want it.

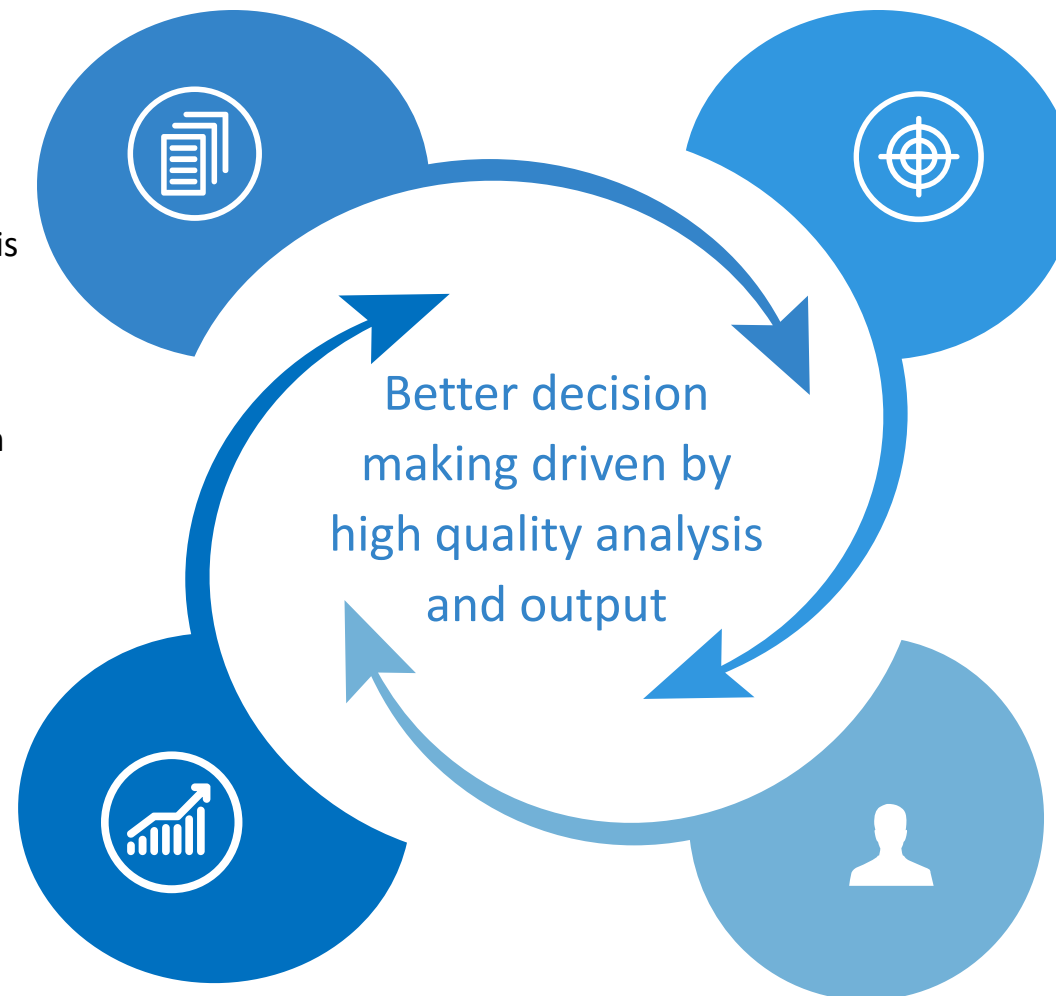
Business Intelligence (BI) – our “engine”

Information provision

- Annual calendar defines standing requirements, with ad hoc requests made through consistent, structured process
- BI staff proactively undertake analysis where opportunities or threats are identified
- Information provided to finance colleagues and to wider organisation directly where appropriate

Continuous improvement

- All team members will be encouraged to identify and share good practice and opportunities to improve the standard processes
- The team will drive faster and more accurate reporting, analysis and management information



Focus on insight

- Provide an evidence base with specific metrics and data to enable strategic decision making
- Focus on key questions and establishing the drivers of the numbers reported to enable management action (positive and corrective)
- Defined time to focus on problem solving and to share learning across different areas of the organisation

Personal development

- Staff will undertake multiple varied tasks each day and month, providing a range of development opportunities
- The team will work closely together, providing peer support and coaching in addition to formal training
- Oversight and support will be provided by two senior managers and the BI lead

Business Investment

The business investment team support the organisation through transformation by providing both strategic advice and practical support for projects from start to finish.

This team steward the capital and reform budgets and will also provide support to rolling capital programme budget holders.



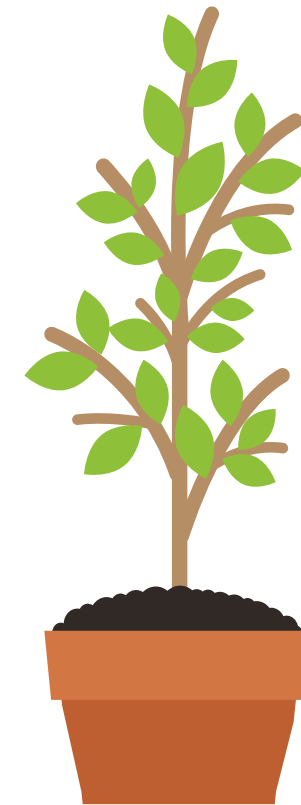
Project Initiation

Providing you with dedicated support to kick start your project, including supporting the development of business cases, financial modelling, options appraisal and potential value for money assessments.



Project Monitoring

Supporting SROs and Project Managers to keep projects on track for successful delivery through more hands-on, dedicated project business partnering, including financial monitoring and reporting.



Project Evaluation

Supporting SROs and Project Managers to track benefits against business case objectives and the ultimate delivery of business benefits and value for money.

Financial Planning and Analysis (FP&A)

Budget setting

- Overarching Force strategy
- Coordinating the overall approach
- Scottish Government liaison

All finance colleagues
People & development
All areas of strategy development



Long term financial planning

- Working with other business areas on strategy development.
- Integrating force wide strategies with financial plans.
- Modelling medium and longer term financial plans.

Forecast & budget monitoring

- Force wide analysis and scrutiny.
- Overarching SPA financial reporting
- Monthly / quarterly budget monitoring and forecasting.



Corporate finance & people board
Strategic leadership board

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SPA resources committee
SPA Board
Chief Executive



The Scottish Parliament
Pàrlamaid na h-Alba

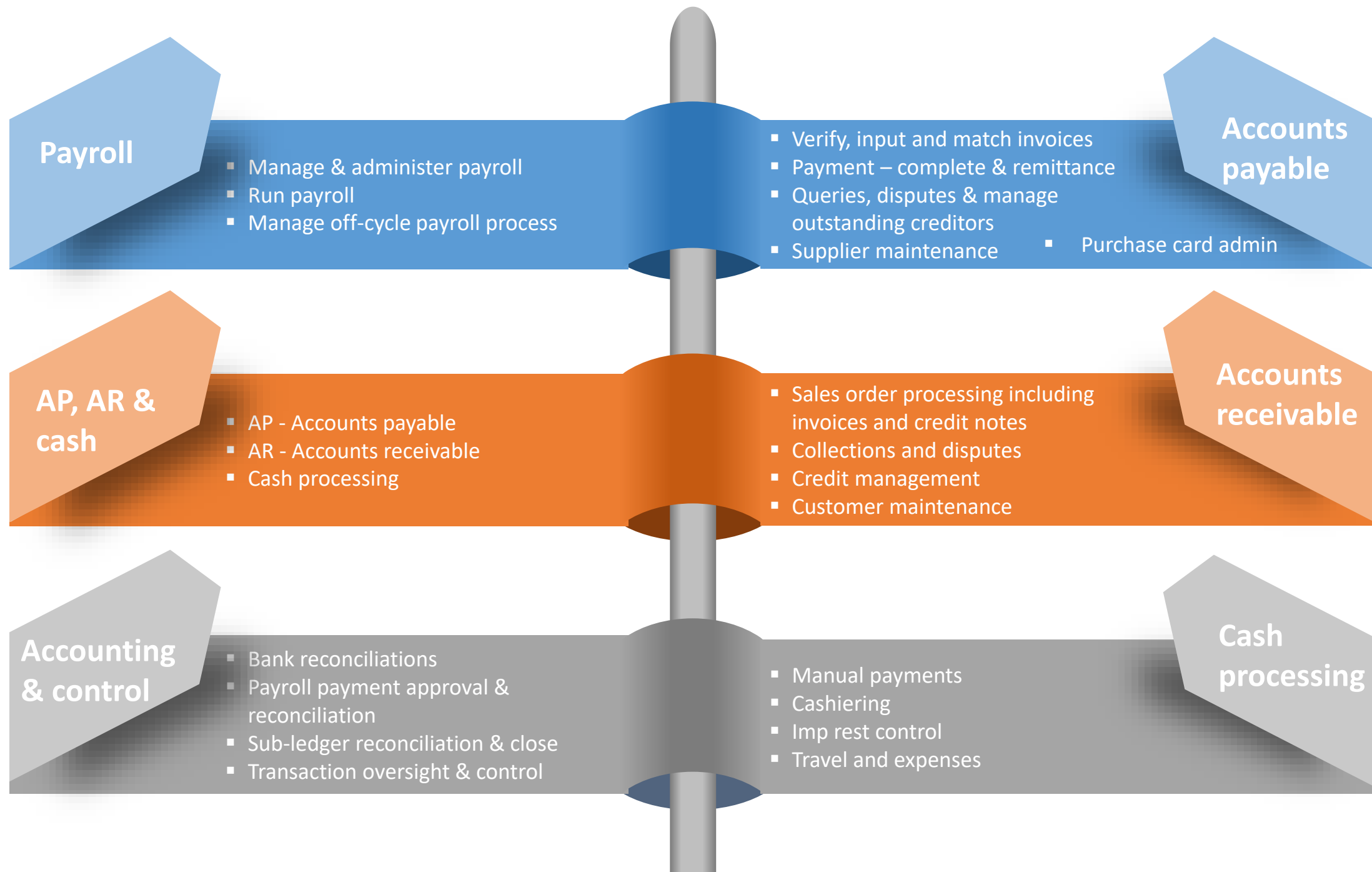
Justice sub-committee on policing



Scottish Government
Riaghaltas na h-Alba
gov.scot

SG justice directorate
SG finance directorate

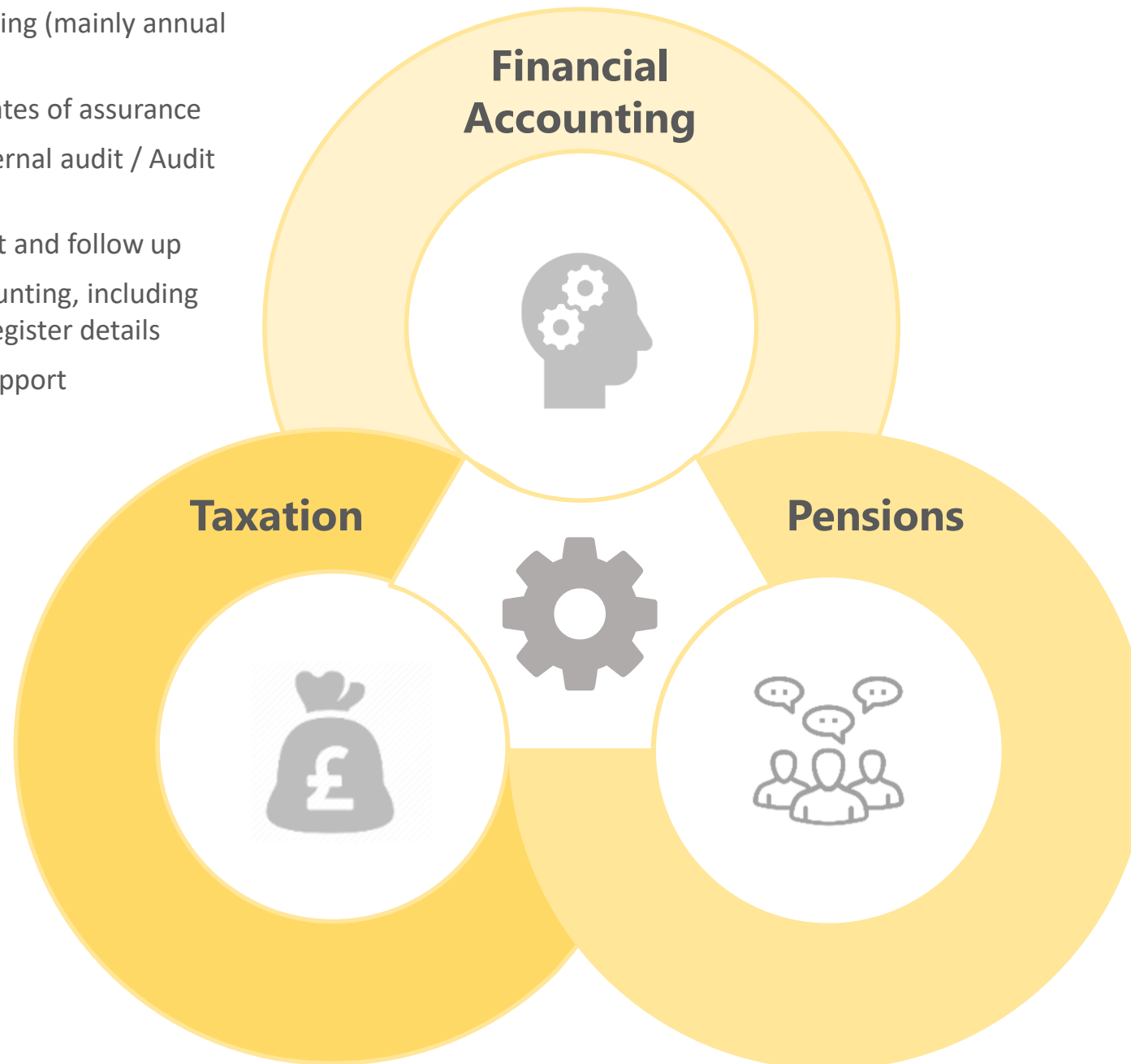
Financial Transactions



Statutory and Financial Reporting

- Annual statutory reporting (mainly annual report & accounts)
- ARA guidance / certificates of assurance
- Point of contact for external audit / Audit Scotland
- Review of balance sheet and follow up
- Non-current asset accounting, including maintenance of asset register details
- Technical accounting support

- VAT return
- Corporation tax return
- P11D / PAYE matters
- Advise on tax implications
- HMRC point of contact
- Tax compliance training



- Strategic and technical pensions guidance
- Ensuring statutory & regulatory guidance
- Working relationship with: scheme advisory board, police pensions board, LGPS, SPPA, SG
- Internal comms on pensions matters to members
- Pensions reporting to Scottish Government
- Support for pensions implications of proposal eg soft FM2

Quality Assurance (QA)

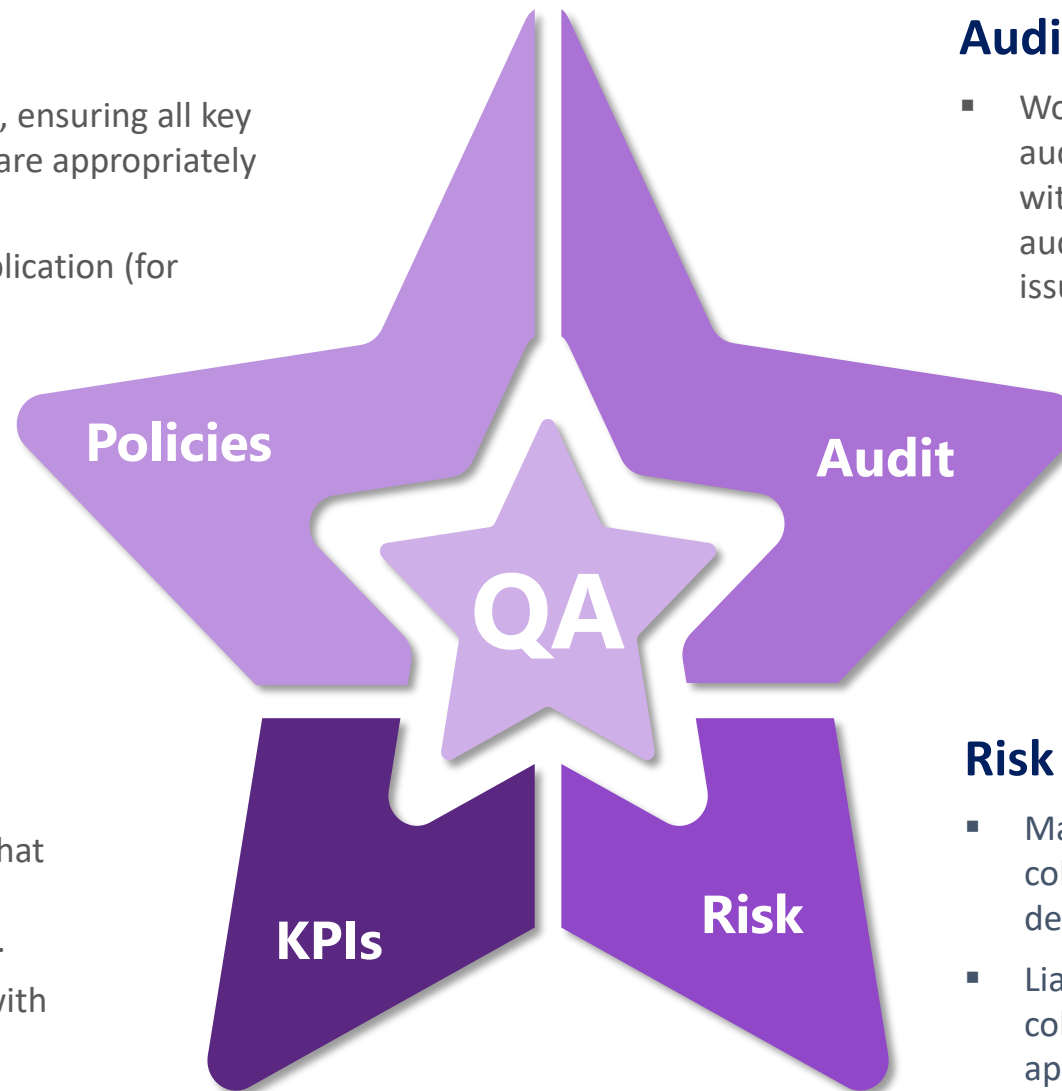
The Quality Assurance team will oversee the processes and outputs of the Finance function, working with colleagues to ensure processes are properly controlled and properly designed in order to produce outputs (and outcomes) of consistently high quality

Policies & procedures

- Maintenance of the suite of documents, ensuring all key policy areas and important procedures are appropriately owned, maintained and communicated
- Development of policies with wider application (for Finance and SPA / PSoS)
- SPA/PSoS Policies – working with colleagues from across both organisations to ensure policies properly reflect Finance and other requirements. Engaging with appropriate experts / owners within the Finance team, as necessary.

Key performance indicators

- Develop a suite of meaningful metrics that together are capable of providing an overview of Finance team performance.
- Measurement and reporting together with insightful analysis on a consistent and regular basis.



Audit

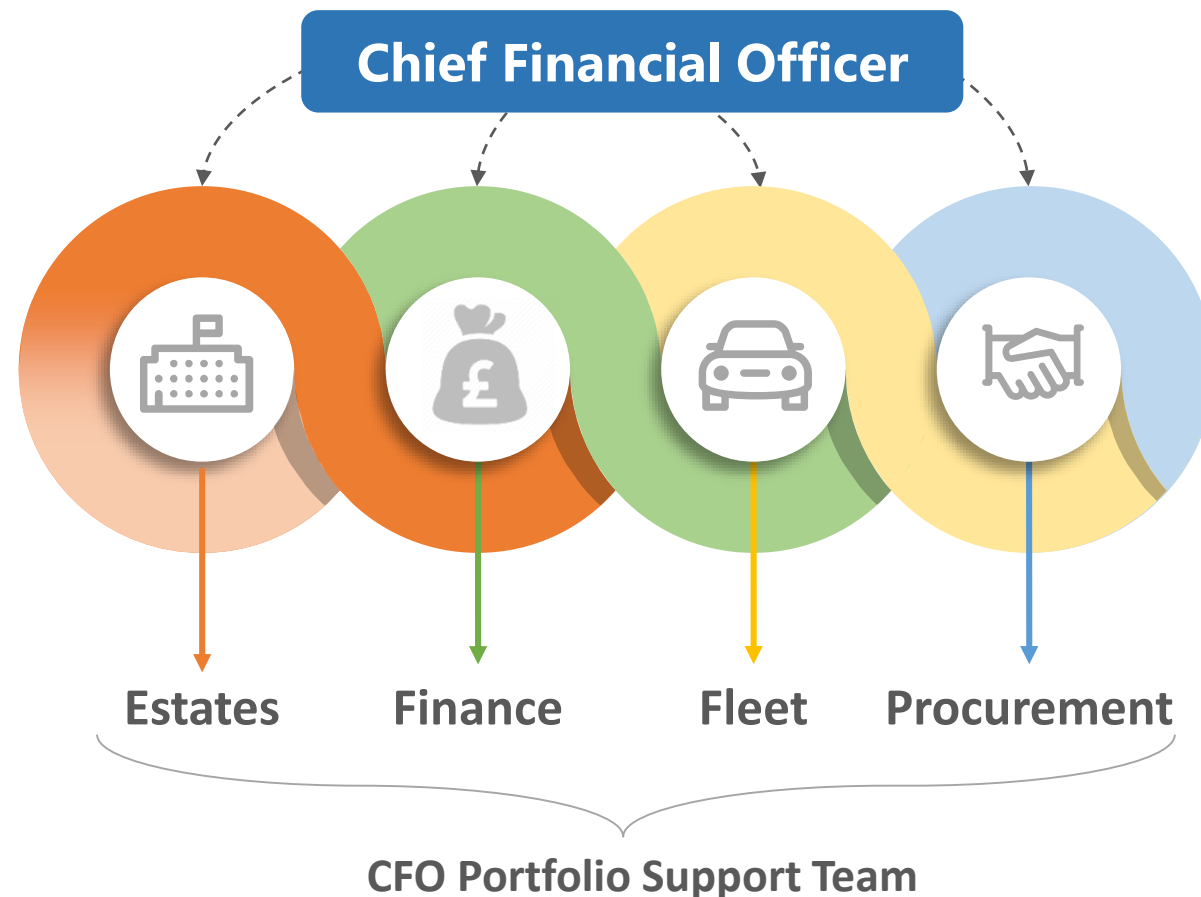
- Working with colleagues to ensure all Finance audit actions are appropriately addressed within the appropriate timeframes, liaising with auditors as necessary to close outstanding issues.

Risk management

- Maintain the Finance risk register, working with colleagues to identify emerging risks and develop mitigations.
- Liaise with enterprise risk management colleagues to ensure finance risks are appropriately reported and incorporated into PSoS documentation

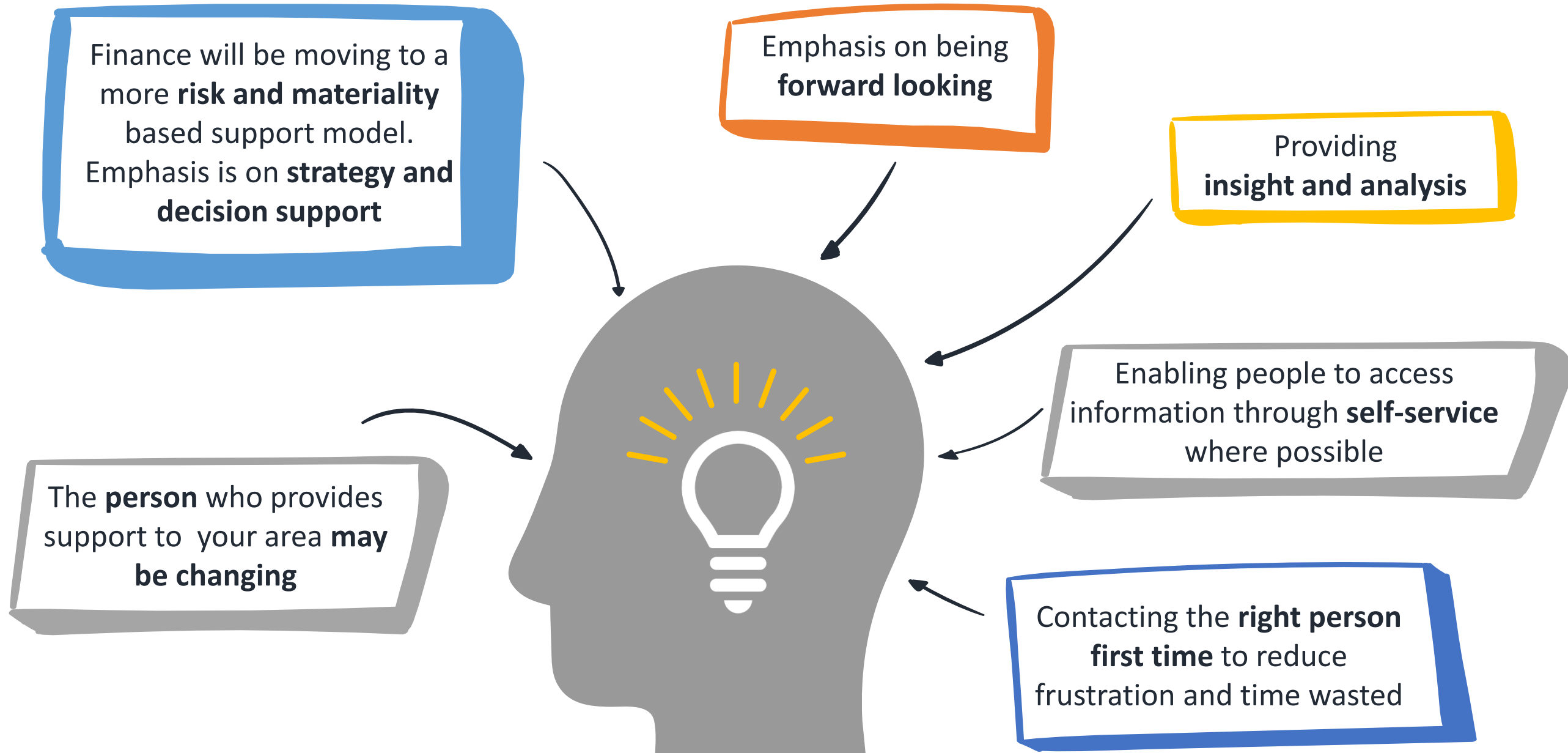
CFO Portfolio Support Team

- Provides **executive support to the CFO**, and the senior management team across the CFO Portfolio (including Estates, Finance, Fleet and Procurement)
- Provides **secretariat function for the CFO portfolio** routing all action updates and papers to internal and external boards and committees
- **Tracks and monitors** all Freedom of Information requests, audit actions and First Minister question responses across the portfolio, ensuring that items are dealt with in an efficient, effective and consistent manner.
- Tracks and monitors portfolio **risks**, and mitigating actions
- Responsible for portfolio wide **communications**



4. What does this mean for our stakeholders?

Changes to ways of working



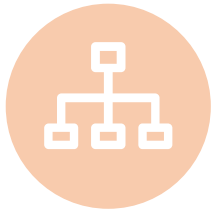
Business Partnering (FBP) - *Who do I contact?*

The main objective of a Finance Business Partner is to provide a more strategic service.

Examples of the types of things that you would contact your Finance Business Partner BP in relation to.



- ✓ Month end, quarter end and year end Financial Performance reporting
- ✓ Revenue Budget demand both next year as well as multiyear view
- ✓ Changes to spend forecast
- ✓ Requests for deep dives
- × Tax queries
- × Cost coding corrections



- ✓ Potential changes to establishment and financial impact thereof
- ✓ Financial impact / planning resulting from functional recruitment plans
- × Recruitment / HR queries
- × Payroll / Procurement queries



- ✓ Early engagement with Finance Business Partner on all papers going to boards and committees for governance
- ✓ Commercial and strategic advice in relation to contract awards and resource papers
- ✓ Detail Financial implications of the proposal along with confirmation of funding.
- ✓ Confirmation that the proposal is consistent with the wider financial strategy and strategic direction of Police Scotland.

5. Transition

Transition Plan

- A risk based approach has been taken to minimise disruption of workload of current staff who have been successful in securing posts in the new structure and focusing on the workload of staff who are exiting the Finance Service.
- Detailed process notes and handover plans have been put in place to protect current service levels to the organisation during the transition.
- Weekly monitoring is carried out to ensure the transition is on track.

