

<b>Meeting</b>	<b>SPA Resources Committee</b>
<b>Date</b>	<b>6 August 2020</b>
<b>Location</b>	<b>MS Teams</b>
<b>Title of Paper</b>	<b>Q1 Financial Monitoring Report</b>
<b>Presented By</b>	<b>Chris Brown, Strategic Financial Planning and Budgeting Lead</b>
<b>Recommendation to Members</b>	<b>For Discussion</b>
<b>Appendix Attached</b>	<b>Yes</b>  <b>Appendix A – Quarter One Finance Report</b>

**PURPOSE**

The purpose of this report is to provide Members with an update on the financial position of the SPA and Police Scotland for quarter one (three months ending 30 June 2020) of the financial year 2020/21, as well as forecasting the full outturn to 31 March 2021.

Members are invite to discuss the content of this report.

## **1. BACKGROUND**

- 1.1 The SPA Board approved the revenue and capital budget for 2020/21 on 25 March 2020. The revenue budget was set with a revenue deficit of £44m inclusive of an initial ~£8m net income reduction due to COVID-19.
- 1.2 Budget setting was largely carried out prior to the impact of COVID-19 on Scotland and the budget paper acknowledged that the operational and financial impact of COVID-19 was highly uncertain and largely unquantifiable at that point but will be monitored and reported on throughout the year.

## **2. FURTHER DETAIL ON THE REPORT TOPIC**

- 2.1 Appendix A provides the detailed finance report.

### **Revenue**

- Prior to July's Strategic Leadership Board (SLB), the draft quarter one forecast submissions highlighted a potential £8m overspend versus budget. However, as a result of specific management actions agreed by SLB (see below) the revenue core operating deficit of £45.0m at quarter one is restricted to a £1.0m overspend against budget.
  - Police Officers: balance probationer intakes against the number of leavers;
  - Police Staff recruitment: adopt a "one in, one out" approach to mitigate the impact of lower staff attrition on budgeted vacancy/turnover savings; and
  - Travel: reducing where possible non-essential travel by promoting video conferences rather than traditional face to face meetings.
- The quarter one forecast net cost of COVID-19 is a pressure of £4.7m, with no compensating funding from the Scottish Government. When combined with £4.7m of one-off in-year benefits and a £1.0m pressure related to COP26 recruitment, the overall quarter one forecast is £1.0m over budget.
- The delivery of the income forecast is the single biggest risk to the quarter one forecast position.
- The year to date actual position versus budget is an underspend of £1.8m.

### **Capital**

- The capital forecast at quarter one is £52.0m, £0.3m above the budget position of £51.7m. This forecast overspend is compensated by additional forecast grant-in-aid funding from the Scottish Government.
- Unbudgeted spend of £1.1m (with a further £0.8m expected) has been incurred as a result of the COVID-19 response.
- Grant awards of £0.3m have been received post budget allocation for Drug Driving and Virtual Courts investment.
- This overspend has resulted in the overall slippage increasing from £3.3m to £5.1m. This slippage will be managed over the remainder of the financial year.
- The quarter one year to date position is £5.2m against a budget position of £5.3m. Whilst the overall position is in line with expectations there are compensating variances within budget areas.

### **Reform**

- The reform forecast at quarter one is £25.3m, £0.3m above the budget position of £25.0m. This forecast overspend is compensated by additional forecast grant-in-aid funding from the Scottish Government.
- The quarter one reform forecast has resulted in the reduction of the FY slippage of £0.8m, bringing the total slippage down to £1.7m.
- The quarter one year to date position is £3.0m against a budget of £3.5m resulting in underspend of £0.5m against expected results.

## **3. FINANCIAL IMPLICATIONS**

3.1 The financial implications are set out in detail within the report.

## **4. PERSONNEL IMPLICATIONS**

4.1 There are no direct personnel implication associated with this paper.

## **5. LEGAL IMPLICATIONS**

5.1 There are no direct legal implication associated with this paper.

**6. REPUTATIONAL IMPLICATIONS**

6.1 There are no direct reputational implication associated with this paper.

**7. SOCIAL IMPLICATIONS**

7.1 There are no direct social implication 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 direct equality implications associated with this paper.

**10. ENVIRONMENT IMPLICATIONS**

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

**RECOMMENDATIONS**

Members are invited to discuss the year to date and forecast financial position for the SPA and Police Scotland.

# £1.0m

FY Forecast revenue overspend vs. budget

£1.8m year to date underspend vs. budget

Budget deliverability status

Revenue



Capital



Reform

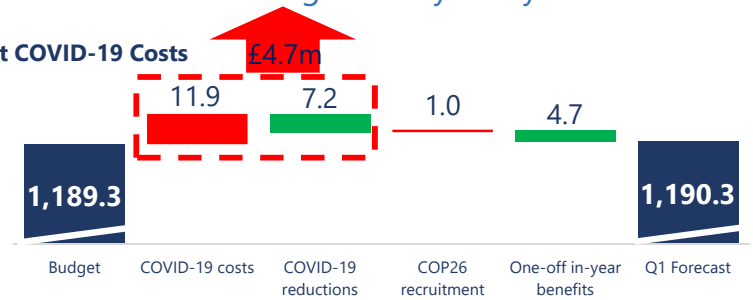


## Quarter 1 2020/21 Finance Dashboard

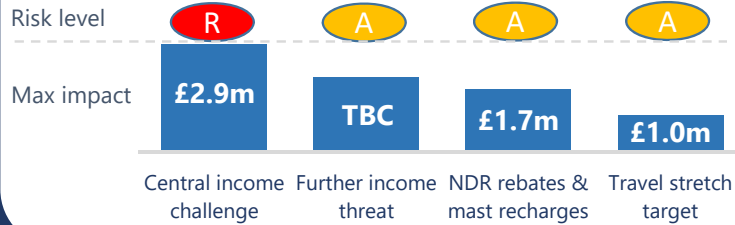
Year to June 2020

Impact of COVID-19 mitigated in-year by one-off benefits

Net COVID-19 Costs

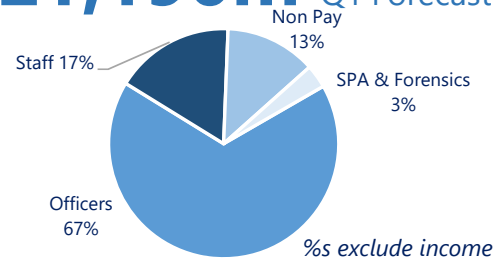


A number of material threats may impact delivery of the forecast

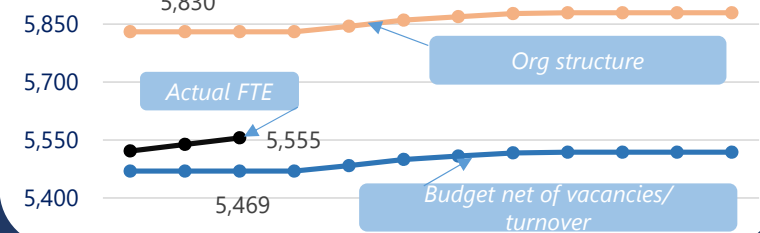


# £1,190m

Q1 Forecast



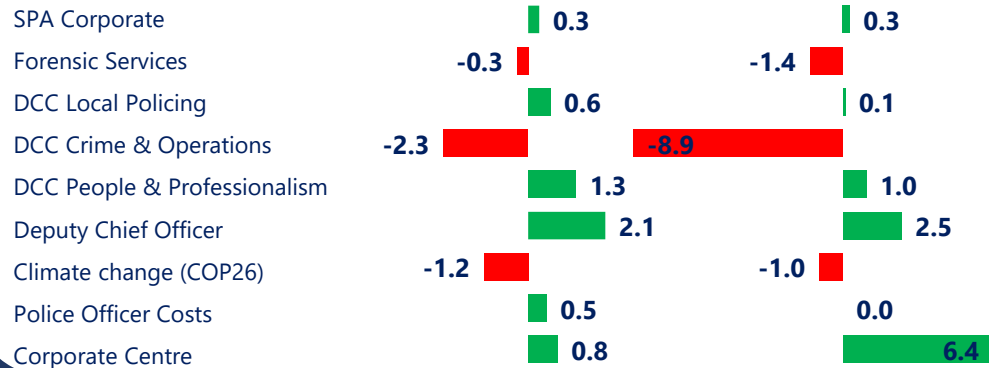
Growing staff headcount pressure due to fewer leavers – steps underway to contain



Variance

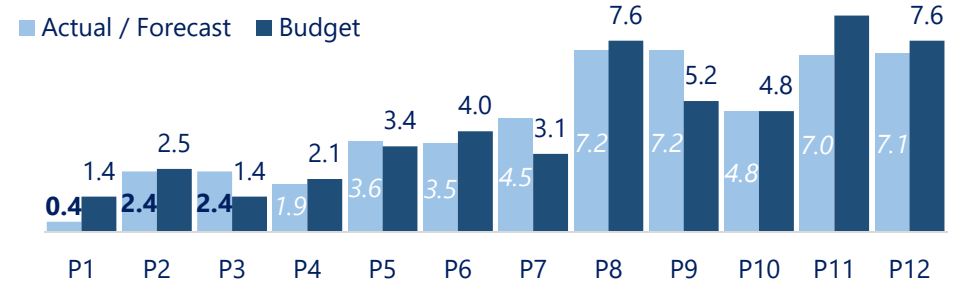
YTD actual £1.8m under budget

FY Q1 Forecast £1.0m over budget



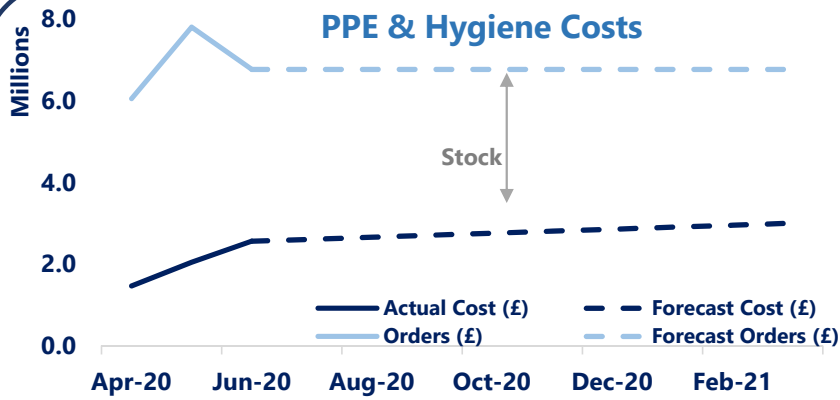
Capital expenditure **£0.1m** under with budget YTD

Full year Q1 Forecast £0.3m over budget **but fully funded**



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# Operation Talla (Policing of COVID-19)

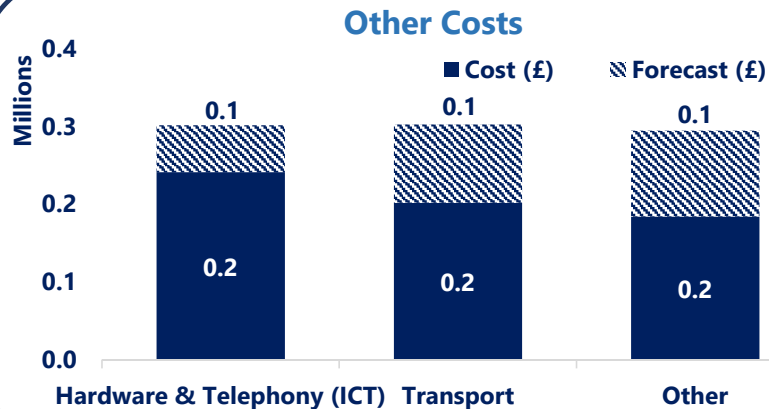
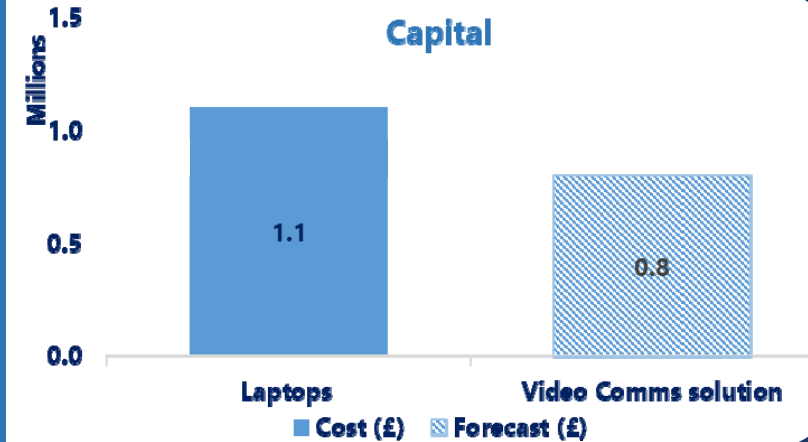


## Period 3 2020/21

Total cost of the operation to date  
**£6.3m** (£1.2m Capital/£5.1m Revenue)

Total 20/21 year to date cost  
**£4.9m** (£1.1m Capital/£3.8m Revenue)

20/21 Forecast out-turn cost  
**£7.2m** (£1.9m Capital/£5.3m Revenue)



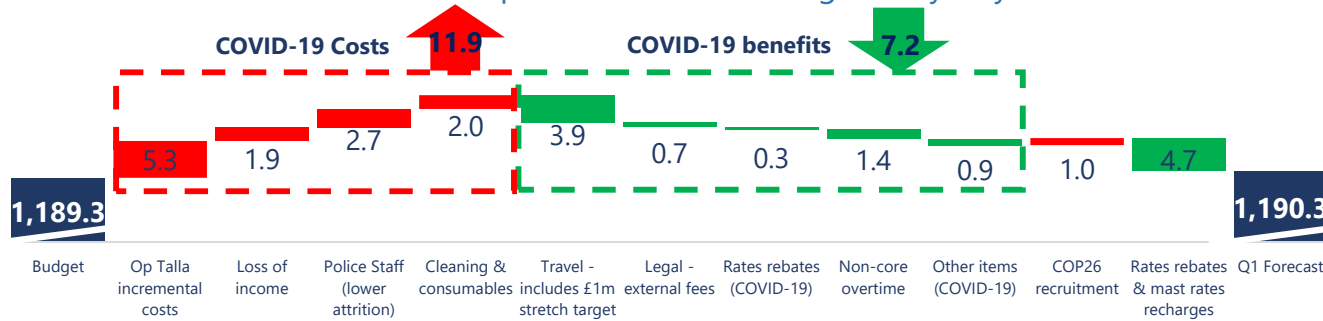
	20/21 YTD	20/21 Forecast
Revenue	£3.8	£5.3
PPE & Hygiene	£4.0	£3.0
Stock Adj.	(£1.9)	-
Overtime	£1.0	£1.4
Other	£0.6	£0.9



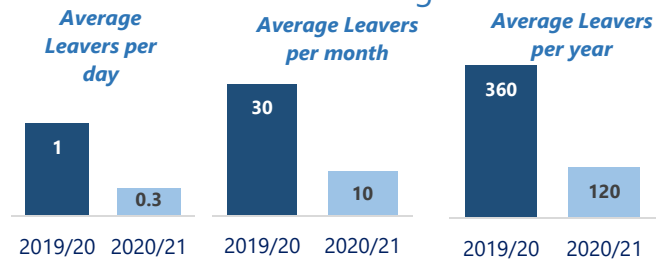
# Revenue summary

Budget deliverability status has changed to **red** due to the impact of COVID-19.

Q1 forecast demonstrates net impact of COVID-19 mitigated by in-year one-off benefits



Lower staff turnover drives erosion of turnover savings



	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Police Scotland	287.2	285.4	1.8	1,150.6	1,150.5	0.1
Forensic Services	8.8	9.1	-0.3	34.2	35.6	-1.4
SPA Corporate	1.3	1.0	0.3	4.5	4.2	0.3
<b>Total</b>	<b>297.3</b>	<b>295.5</b>	<b>1.8</b>	<b>1,189.3</b>	<b>1,190.3</b>	<b>-1.0</b>
<b>Funding:</b>						
Grant in aid				1,145.3	1,145.3	0.0
Operating deficit - core				44.0	45.0	-1.0
<b>Total</b>				<b>1,189.3</b>	<b>1,190.3</b>	<b>-1.0</b>

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## Headlines

- Q1 revenue forecast contained to £1m over budget **but with a high risk of additional overspends**
- Full-year net COVID-19 impact £4.7m with no additional funding from Scottish Government
- In-year impact of COVID-19 mitigated by one-off benefits
- Lower staff attrition results in cost pressure from non-achievement of budgeted turnover "savings"
- Management actions on recruitment and travel are being implemented in order to achieve forecast
- £1.0m in-year impact from accelerated recruitment for COP26 in March 2020
- Delivery of the income forecast is the largest remaining risk

# Revenue performance by spend type ( FY forecast v budget )

	Year to date			Full year		
	Budget	Actual	Variance	Budget	Q1 Forecast	Variance
	£m	£m	£m	£m	£m	£m
Police Officers	202.1	203.5	-1.4	817.8	818.7	-0.9
Police staff	58.8	59.7	-0.9	235.8	238.5	-2.7
Non-pay	43.0	38.4	4.6	168.2	163.7	4.5
Income	-6.6	-6.1	-0.5	-32.5	-30.6	-1.9
<b>Total</b>	<b>297.3</b>	<b>295.5</b>	<b>1.8</b>	<b>1,189.3</b>	<b>1,190.3</b>	<b>-1.0</b>

## £4.5m Non-pay (2.7%)

### £7.5m Other non-pay costs (4.5%)



- Estates costs (£3.0m) - property rates rebates and mast rates recharges for current and previous years (£5.0m) offset by increase in COVID-19 cleaning and consumables (£2.0m).
- Transport costs (£2.9m) - underspend as a result of BP offering free fuel for emergency services (£0.6m), a reduction in fuel usage and non-essential travel due to COVID-19 restrictions (£3.0m, including a stretch target of £1.0m) offset by increase in service and maintenance costs (£0.7m).
- Other costs (£1.6m) – external legal costs (£0.7m), loan charge interest (£0.5m) and other net underspends (£0.4m).

## Pay



### -£0.9m Police Officers (-0.1%)

YTD and forecast overspend is mostly confined to the in-year cost of accelerating the recruitment of 150 probationers in March 2020 in support COP26 (£1.0m).



### -£2.7m Police Staff (-1.1%)

Actual FTE at end of June is currently greater than budget by 86FTE, caused by a significant reduction in leavers versus budget. The forecast overspend is constrained by carefully managing recruitment - in line with the number of leavers - across the remainder of the year.



### -£3.0m Operation Talla: COVID-19 (-1.8%)

PPE usage during training and initial distribution / resupply to respond to COVID-19 related incidents; and hygiene supplies (mainly hand sanitiser) to be utilised on the frontline and across the estate.

## Income



### -£1.9m Income (-5.8%)

The income budget included a reduction of £8.0m to capture the initial impact of COVID-19. The forecast anticipates a further reduction in income (£1.9m) and the position may continue to worsen given the ongoing threat to most income sources.



# Revenue performance and FTE by function (FY forecast v budget)

Business area	Forecast variance (£m)	FY Forecast FTE	Vs. FY budget FTE
Local Policing North (incl C3)	-0.2	1,289.9	(48.1)
Local Policing East (incl CJ & Custody)	0.4	1,041.4	4.3
Local Policing West	0.2	243.1	(1.1)
Part, Prevention & Com Wellbeing	-0.9	14.7	2.9
Other	0.6	-	-
<b>Total DCC Local Policing</b>	<b>0.1</b>	<b>2,589.1</b>	<b>(42.0)</b>
Specialist Crime & Intel	-3.6	265.1	(1.1)
Operational Support	-5.7	253.1	(6.8)
Crime & Protection	0.1	80.0	0.8
Other	0.3	-	-
<b>Total DCC Crime and Operations</b>	<b>-8.9</b>	<b>598.2</b>	<b>(7.1)</b>
People & Development	0.2	452.7	(0.7)
Professionalism & Assurance	-0.1	132.2	(3.4)
Chief Data Officer	-0.6	112.8	(2.9)
Legal	0.6	26.7	7.9
Corporate Comms	0.0	63.7	0.6
Other	0.9	2.2	-
<b>Total People and Professionalism</b>	<b>1.0</b>	<b>790.3</b>	<b>1.5</b>
ICT	0.0	315.4	(2.9)
Estates	3.4	187.5	(4.1)
Fleet Services	-1.0	108.5	(4.1)
Finance	-0.1	116.2	(10.0)
Procurement	-0.1	54.3	(1.3)
Business Integration	0.1	160.3	(7.4)
Strategy & Change	0.0	59.6	4.7
Other	0.2	2.0	(1.0)
<b>Total Deputy Chief Officer</b>	<b>2.5</b>	<b>1,003.8</b>	<b>(26.1)</b>
Climate change (COP26)	-1.0	-	-
Police Officer Costs	0.0	<b>17,430.9</b>	n/a
Non Distributed Costs	6.4	34.2	(34.2)
<b>Total Police Scotland</b>	<b>0.1</b>	<b>22,446.5</b>	<b>(107.9)</b>
Forensic Services	-1.4	531.1	(19.9)
SPA Corporate	0.3	35.8	14.8
<b>Total Police Authority</b>	<b>-1.0</b>	<b>23,013.4</b>	<b>(113.0)</b>

**DCC Local Policing** - Underspends in transport costs (£2.0m), and non-core overtime (£1.1m) offset by an under-recovery of income (£2.8m) and an overspend in core overtime (£0.3m).

**DCC Crime & Operational Support** – Overspends specific to Op Talla (COVID-19) related costs (£3.0m, PPE and hygiene supplies), core overtime (£0.9m), public order protective suits (£0.7m) and an under-recovery of income (£5.5m), offset by an underspend in transport costs (£1.3m).

**DCC People and Professionalism** - Underspends in external legal costs (£0.7m), transport costs (£0.2m), clothing & uniforms (£0.3m) and other non-pay costs (£0.5m) offset by an under-recovery of income (£0.8m).

**Deputy Chief Officer** - Primarily due to property rates rebates and mast rates recharges for current and previous years (£5.0m) offset by increases in cleaning and consumables (£2.0m) and fleet service and maintenance costs (£0.7m).

**Climate change (COP26)** - Due to the cost of accelerating the recruitment of police officer probationers in support of the originally planned November 2020 date for COP26 (£1.0m). The conference has been deferred to November 2021.

**Police Officer Costs** – no variance to report.

**Non Distributable Costs (corporate centre)** – Budgeted income adjustment (£6.8m). The full year budgeted income adjustment was adjusted centrally and will be offset by the under-recovery of income within the divisions.

**Forensic Services** – Due to overspends in police staff costs (£1.5m) offset by underspend in non-pay costs (£0.1m).

**SPA Corporate** - Due to unfilled vacancies (£0.2m) and income recovery (£0.1m).

1 Police officer FTE per last externally reported quarter end 31 March 2020

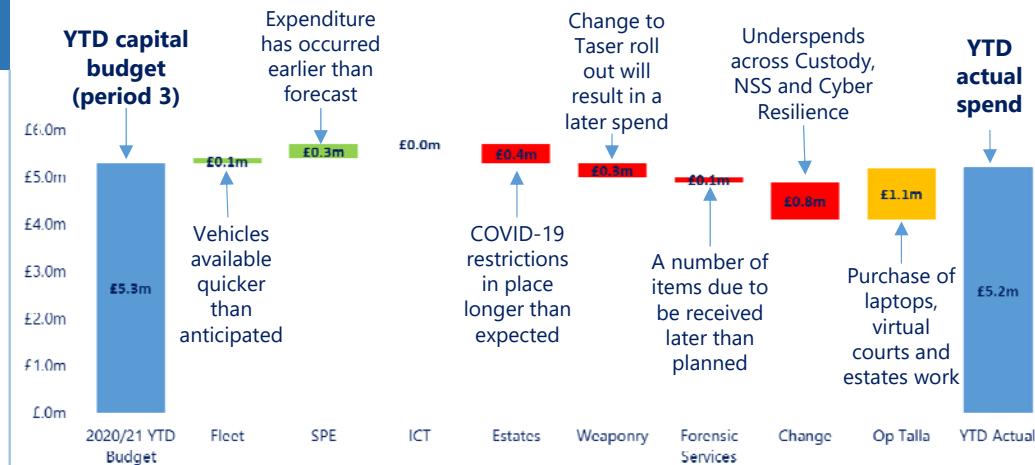
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# Capital

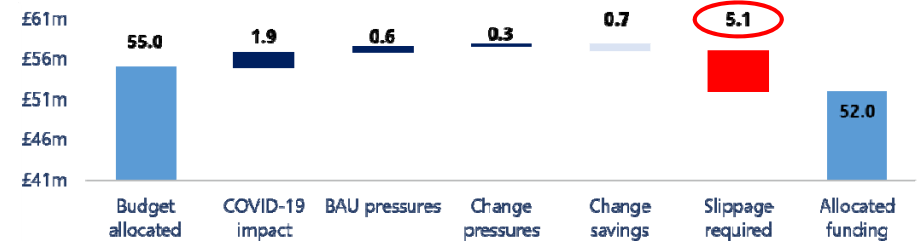
Budget deliverability status has changed to **amber** due to the impact of COVID-19.

	Year to date			Full year		
	Budget	Actual	Variance	Budget	Q1 FC	Variance
	£m	£m	£m	£m	£m	£m
Estates	0.4	0.0	0.4	11.2	11.2	0.0
Fleet (rolling replacement)	0.1	0.2	-0.1	3.3	3.4	-0.1
Fleet (green)	0.4	0.4	0.0	5.0	5.0	0.0
ICT	0.1	0.1	0.0	6.7	6.7	0.0
Specialist policing equipment	0.1	0.4	-0.3	2.8	3.3	-0.5
Weaponry	0.5	0.2	0.3	3.0	3.0	0.0
Forensic Services	0.2	0.1	0.1	2.3	2.3	0.0
Operation Talla	0.0	1.1	-1.1	0.0	1.9	-1.9
<i>Change: legislative &amp; inflight only</i>						
DDICT: core operating solutions	1.1	1.0	0.1	6.3	6.3	0.0
DDICT: unified comms & ICSS	0.2	0.3	-0.1	2.8	2.8	0.0
DDICT: other items	0.4	0.0	0.4	1.9	1.8	0.1
Criminal justice - remodelling	0.8	0.5	0.3	3.9	4.0	-0.1
Estates (NESC / Haddington)	0.2	0.0	0.2	4.0	3.6	0.4
ESMCP resilience	0.9	0.6	0.3	1.0	0.8	0.2
Other change	0.2	0.3	-0.1	0.8	1.0	-0.2
Slippage management	-0.3	0.0	-0.3	-3.3	-5.1	1.8
<b>Total capital</b>	<b>5.3</b>	<b>5.2</b>	<b>0.1</b>	<b>51.7</b>	<b>52.0</b>	<b>-0.3</b>
Core grant in aid				35.0	35.3	0.3
Estates grant				5.0	5.0	0.0
Green grant				5.0	5.0	0.0
Reform funding				4.6	4.6	0.0
Capital receipts				2.1	2.1	0.0
<b>Total funding</b>				<b>51.7</b>	<b>52.0</b>	<b>0.3</b>

## Capital expenditure year-to-date



## Budget to forecast progression



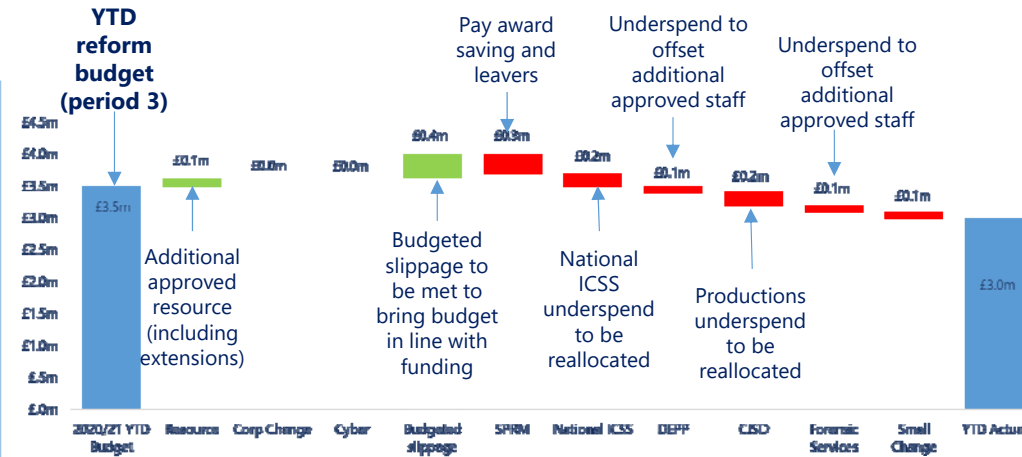
Capital expenditure to support agile working (laptops, video comms etc) has increased the level of slippage required to meet budget.

# Reform

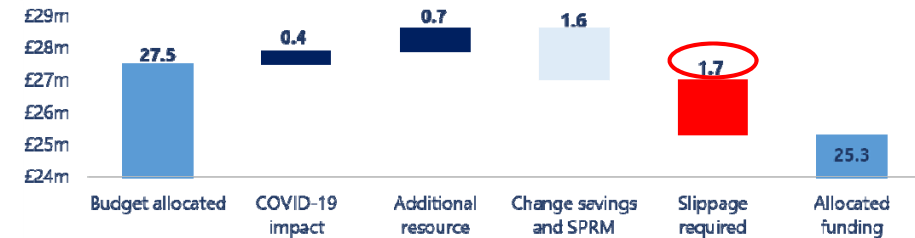
Budget deliverability status remains at **green**.

	Year to date			Full year		
	Budget £m	Actual £m	Variance £m	Budget £m	Q1 FC £m	Variance £m
Transformation resource	1.6	1.8	-0.2	6.9	7.6	-0.7
SPRM	0.8	0.5	0.3	10.2	9.8	0.4
National ICSS	0.2	0.0	0.2	0.2	0.0	0.2
Core operating solutions	0.1	0.0	0.1	0.6	0.4	0.2
Corporate change (incl TCSS)	0.4	0.4	0.0	3.4	3.4	0.0
Estates transformation	0.1	0.1	0.0	2.2	1.9	0.3
Mobile working	0.0	0.0	0.0	0.1	0.1	0.0
Custody & criminal justice	0.2	0.0	0.2	0.5	0.2	0.3
Cyber & technical surveillance	0.0	0.0	0.0	0.1	0.1	0.0
Forensics analysis - general	0.1	0.0	0.1	0.2	0.0	0.2
Cyber resilience	0.1	0.1	0.0	0.2	0.2	0.0
VR VER	0.0	0.0	0.0	2.1	2.1	0.0
Op Talla (Video Comms solution)	0.0	0.0	0.0	0.0	0.4	-0.4
Small change	0.3	0.1	0.2	0.8	0.8	0.0
Slippage management	-0.4	0.0	-0.4	-2.5	-1.7	-0.8
<b>Total reform expenditure</b>	<b>3.5</b>	<b>3.0</b>	<b>0.5</b>	<b>25.0</b>	<b>25.3</b>	<b>-0.3</b>
Grant in aid				25.0	25.3	0.3
<b>Total funding</b>				<b>25.0</b>	<b>25.3</b>	<b>0.3</b>

## Revenue reform expenditure year-to-date



## Budget to forecast progression

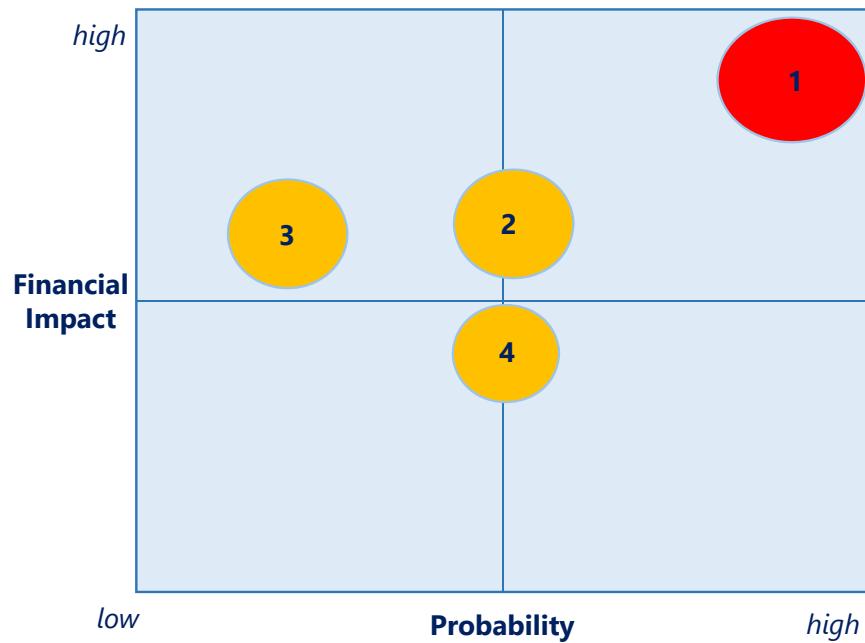


Reform expenditure has seen a number of pressures and savings since budget approval. Budget holders remaining confident on ability to spend, and slippage has already been partly met.

# Threats and opportunities

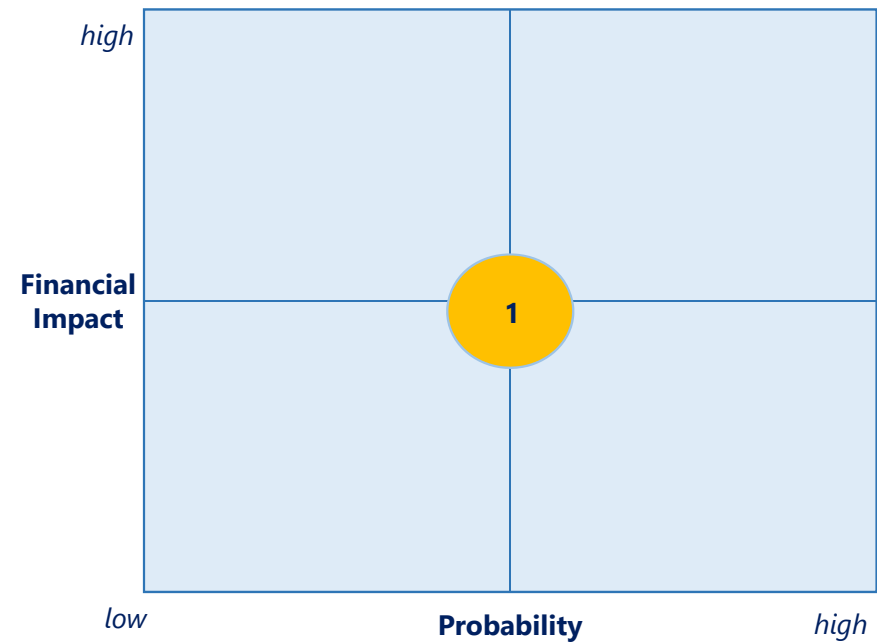
The following charts summarise the key threats and opportunities that could result in a material change to the forecast out-turn. These include any budgeting assumptions where there is a risk that the assumption will materially change from what was approved when the budget was set.

### Threats



1. Central Income challenge £2.9m due to COVID-19
2. COVID-19 impact on remaining services of police income
3. NDR rebates & mast recharges
4. Travel stretch target £1.0m

### Opportunities



1. COP26 funding relating to recruitment in March 2020