

Meeting	SPA Resources Committee
Date	6 February 2020
Location	Pacific Quay, Glasgow
Title of Paper	Financial Monitoring Report Q3
Item Number	6.1
Presented By	James Gray
Recommendation to Members	For Discussion
Appendix Attached	Appendix A – Quarter Three Finance Report

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 three (nine months ending 31 December 2019) of the financial year 2019/20, as well as forecasting the full outturn to 31 March 2020.

Members are invited to discuss the content of this report.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2019/20 on 28 March 2019. The revenue budget was set with an underlying operating deficit of £24.6m which, while materially in line with the Authority's 3 Year Financial Plan, included unsolved challenges for both costs (£4.8m) and income (£2.0m). Furthermore, it was assumed that an additional 400 officers required for Brexit related operations would not be the subject of additional funding, resulting in potential deficit of up to £41.6m.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed finance report.

Revenue

- The full year operating deficit of £25.6m at quarter three is £1.0m over budget.
- The increase in operating deficit is driven by cost pressures across Estates, Public Order and staff costs, partly mitigated by additional income and an underspend in pension costs.
- As reported at quarter two, the Scottish Government (SG) will fund EU exit-related policing costs of up to £17m, as confirmed by SG Police Division to the Accountable Officer on 21 June 2019. As a result the budgeted Brexit operating deficit of £17.0m is now forecast at £nil. Additionally, a further £2.5m of funding from other SG departments has been confirmed.
- The budget was set with a £4.8m central cost challenge and a £2.0m income challenge. These challenges have now been resolved.
- The year to date actual position versus budget is an underspend of £1.5m which is primarily driven by savings across ICT (£3.4m), greater than expected income (£1.8m), underspends in ill health pension costs (£1.0m) offset by overspends in police staff salary costs (£2.2m), transport related costs (£0.9m), estates costs (£0.7m) and other costs (£0.9m).

Capital

- The capital forecast at quarter three is £2.5m above budget but offset by compensating funding, primarily from property disposals and successful bids to the SG Justice Transformation fund.
- The year to date position is £3.8m under budget, due to a combination of slippage and budget phasing across Core Operational Solutions, Specialist Policing Equipment and Weaponry business as usual spend.

- Across both BAU and Transformation, spending plans within the business will be subject to continuous review and challenge throughout quarter four to ensure spending targets and forecasts are fully delivered.

Reform

- The reform forecast at quarter three is £1.0m under budget due to grant-in-aid funding being reduced from £25.0m to £24.0m, reflecting the cost to the Scottish Government of its overall package of Brexit-related measures.
- The year to date position is £3.7m under budget, due to a combination of slippage and budget phasing across Core Operating Solutions, Transforming Corporate Support Services, Mobile working and Contact Assessment Model.
- The portfolio will be closely monitored and managed throughout quarter four to ensure spending targets and forecasts are fully delivered.

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.

£1.5m

Year to date revenue underspend vs. budget

Budget deliverability status

Revenue



Capital

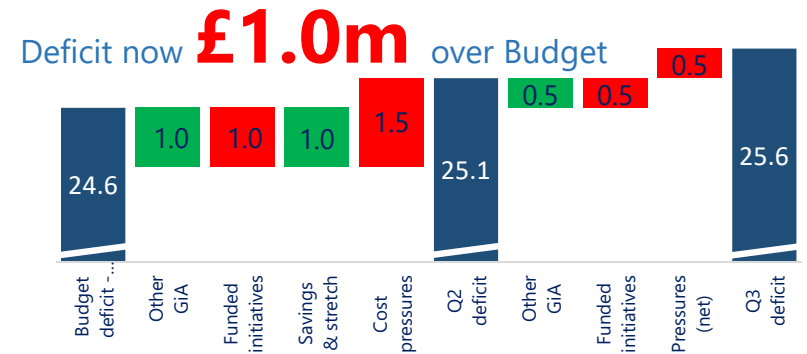


Reform

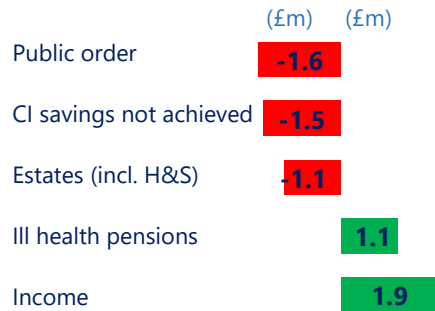


Quarter 3 2019/20 Finance Dashboard

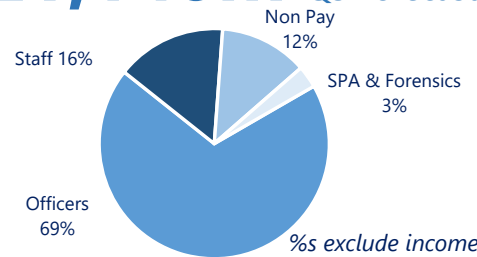
Year to December 2019 and Q3 Forecast



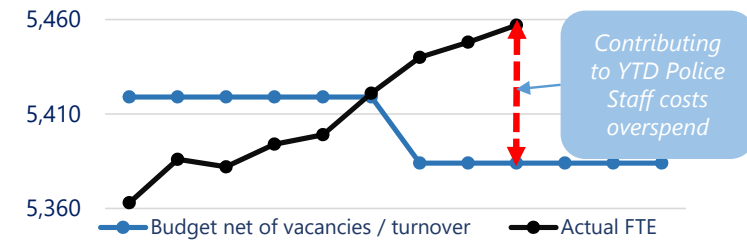
Material pressures contributing to **£1m** deficit increase



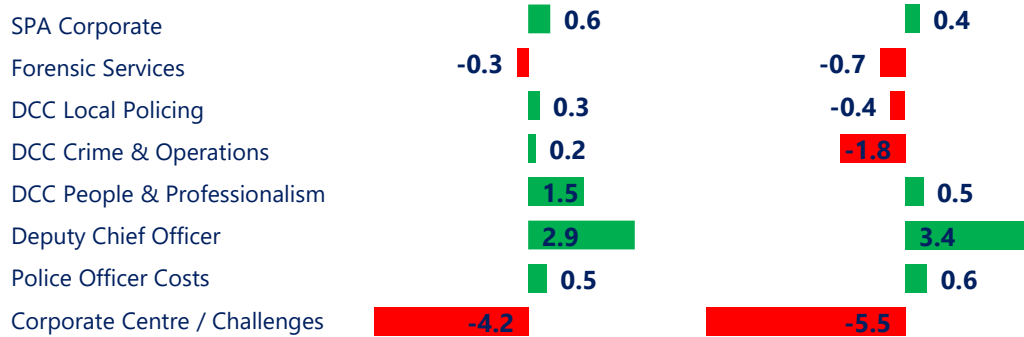
£1,140m Q3 Forecast



Headcount increasing over budget assumption

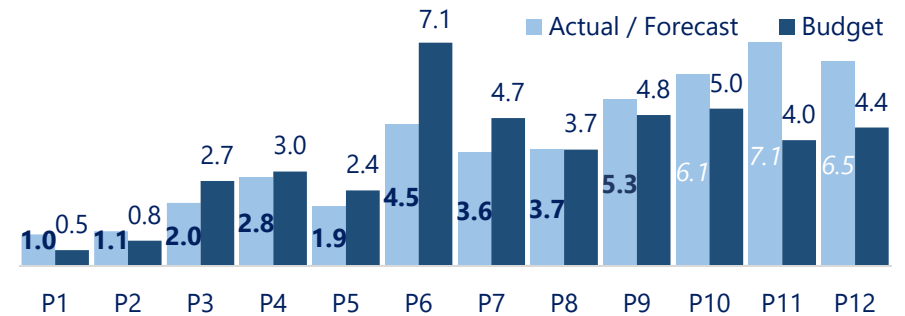


Variance



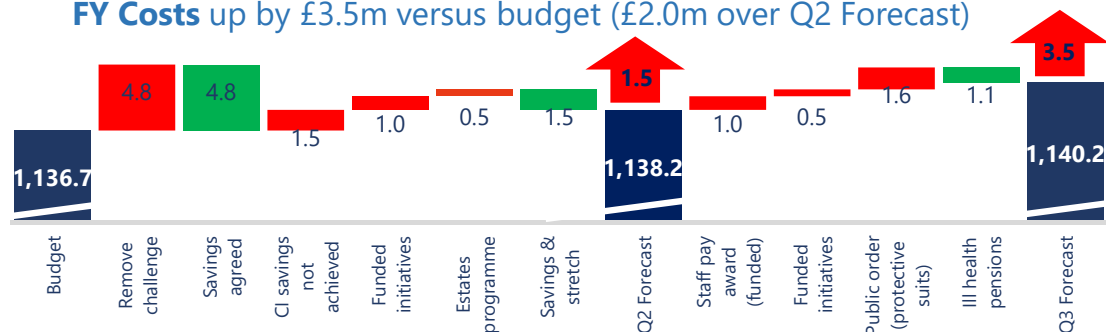
Capital expenditure **£3.8m** under budget YTD

Full year Q3 Forecast £2.5m over budget **but fully funded**

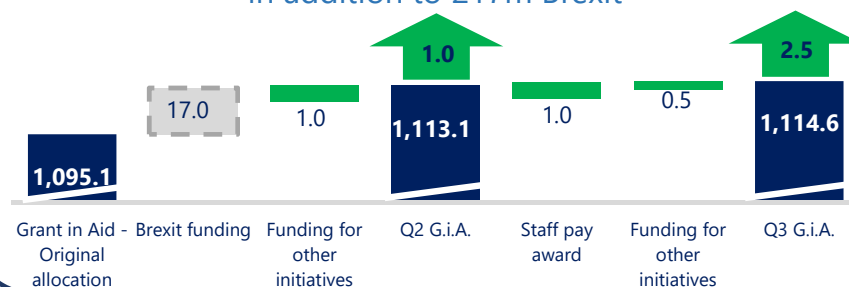


Revenue summary

FY Costs up by £3.5m versus budget (£2.0m over Q2 Forecast)



Funding has increased by £2.5m (£1.5m over Q2 Forecast) - in addition to £17m Brexit



	Year to date			Full year			
	Budget	Actual	Var.	Budget	Q3 FC	Var.	Q2 v Q3 FC
	£m	£m	£m	£m	£m	£m	£m
Police Scotland	830.8	829.6	1.2	1,107.4	1,110.6	-3.2	-1.5
Forensic Services	24.2	24.5	-0.3	32.1	32.8	-0.7	-0.6
SPA Corporate	3.5	2.9	0.6	4.5	4.1	0.4	0.1
SPRM (reform funded)	-5.5	-5.5	0.0	-7.3	-7.3	0.0	0.0
Total	853.0	851.5	1.5	1,136.7	1,140.2	-3.5	-2.0
Funding:							
Grant in aid				1,095.1	1,114.6	-19.5	-1.5
Operating deficit - core				24.6	25.6	-1.0	-0.5
Operating deficit - Brexit				17.0	0.0	17.0	0.0
Total				1,136.7	1,140.2	-3.5	-2.0

Headlines

- Q3 revenue forecast shows a further increase in deficit against budget, now £1.0m over and £0.5m greater than Q2.
- £3.5m overall cost increase versus budget, comprising fully funded initiatives (£1.5m), police staff pay award (£1.0m) and net additional cost pressures (£1.0m).
- Additional G.i.A. funding provided for Brexit (£17m), police staff pay award (£1m) and other initiatives as above (£1.5m).
- £4.8m central cost challenge, £2m income challenge and further Q2 income stretch target (£1m) now resolved.
- A number of the previously highlighted material threats have either crystallised in the Q3 forecast or have been mitigated.
- Budget deliverability status is now **red**

Revenue performance by spend type (actual v budget)

	Year to date			Full year		
	Budget	Actual	Variance	Budget	Q3 Forecast	Variance
	£m	£m	£m	£m	£m	£m
Police Officers	613.1	613.0	0.1	818.1	817.7	0.4
Police staff	162.6	164.1	-1.5	216.7	218.9	-2.2
Non-pay	115.1	114.0	1.1	150.9	154.5	-3.6
Income	-32.3	-34.1	1.8	-41.7	-43.6	1.9
Total (pre SPRM)	858.5	857.0	1.5	1,144.0	1,147.5	-3.5
Less: SPRM implementation (reform funded)	-5.5	-5.5	0.0	-7.3	-7.3	0.0
Total	853.0	851.5	1.5	1,136.7	1,140.2	-3.5

Pay



£0.1m Police Officers (0.0%)

Underspend in ill health pensions (£1.0m) offset by overspends in injury pensions (£0.4m) and police officer overtime (£0.7m, timing variance only).



-£1.5m Police Staff (-0.9%)

Overspend in staff salary costs due to increased pay award (£0.8m, fully funded), innovation savings shortfall (£0.7m), increasing pace of recruitment (£0.4m), and under capitalisation of ICT staff (£0.3m) offset by Staff overtime underspends (£0.7m).

Non-pay



£3.4m ICT (3.0%)

Due to COS savings and slippage (£0.9m), the timing of Microsoft price increases (£0.3m), ANPR savings (£0.3m), core refresh (£0.5m) and other savings (£1.4m). *COS, Microsoft and ANPR all contributed to solving the central cost challenge.*



-£2.3m Other non-pay costs (-2.0%)

Overspends in legal liability claims (£1.0m), transport related costs (£0.9m), third party payments (£0.8m, fully funded), estate costs (£0.5m) offset by an underspend in external solicitors fees (£0.9m).

Income & SPRM



£1.8m Income (5.6%)

An initial central income challenge (£2.0m for the full year) was set. As part of the Q2 forecast, a further income stretch of (£1.0m) was included to offset new cost pressures. Both of these challenges have been met.



The costs of SPRM implementation have been devolved and included in individual budgets across the business areas. These costs are funded by reform.

Revenue performance by spend type (FY forecast v budget)

	Year to date			Full year		
	Budget	Actual	Variance	Budget	Q3 Forecast	Variance
	£m	£m	£m	£m	£m	£m
Police Officers	613.1	613.0	0.1	818.1	817.7	0.4
Police staff	162.6	164.1	-1.5	216.7	218.9	-2.2
Non-pay	115.1	114.0	1.1	150.9	154.5	-3.6
Income	-32.3	-34.1	1.8	-41.7	-43.6	1.9
Total (pre SPRM)	858.5	857.0	1.5	1,144.0	1,147.5	-3.5
Less: SPRM implementation (reform funded)	-5.5	-5.5	0.0	-7.3	-7.3	0.0
Total	853.0	851.5	1.5	1,136.7	1,140.2	-3.5

Pay



£0.4m Police Officers (0.0%)

Underspends in ill health pensions (£1.1m) offset by overspend in injury pensions (£1.0m).



-£2.2m Police Staff (-1.0%)

Innovation savings shortfall (£1.5m), additional pay award (£1.0m, fully funded) and police staff salary costs (£0.6m) due to increasing pace of recruitment, offset by police staff overtime underspend (£0.9m).

Non-pay



-£3.6m (-2.4%)

Overspends due to new public order uniforms and equipment (£1.6m), transport related costs (£1.5m), estates costs (£1.1m), fully funded third party payments (£0.9m), legal costs (£0.4m) and other various non-pay costs (£2.7m) offset by underspends in ICT costs (£4.6m - including contribution to central cost challenge).

Income & SPRM



£1.9m Income (4.6%)

Original budget challenge of £2m and additional stretch target of £1m achieved and exceeded.



SPRM implementation

There is no variance to report.

Revenue performance and FTE by function (actual v budget)

Business area	Year to date variance (£m)	Actual FTE at 31 Dec	Vs. Q2 report
Local Policing North (incl C3)	-0.1	1,249.1	-0.2
Local Policing East (incl CJ & Custody)	0.0	1,041.9	-5.9
Local Policing West	-0.1	246.2	-3.0
Part, Prevention & Com Wellbeing	0.1	7.7	+1.7
Overtime Contingency & other	0.4	-	-
Total DCC Local Policing	0.3	2,544.9	-7.4
Specialist Crime & Intel	-0.2	259.6	+0.6
Operational Support	0.8	255.3	+8.4
Crime & Protection	-1.1	78.3	+5.1
Overtime Contingency	0.7	-	-
Other	0.0	9.0	+3.0
Total DCC Crime and Operations	0.2	602.2	+17.1
People & Development	1.3	446.3	-6.3
Professionalism & Assurance	-0.1	131.1	+9.7
Chief Data Officer	0.1	108.0	+9.2
Legal	0.1	24.9	-
Corporate Comms	-0.1	64.0	+3.2
External Agencies and Projects	0.2	2.2	-
Total People and Professionalism	1.5	776.5	+15.8
ICT	3.5	303.2	+5.0
Estates	-0.7	186.8	+1.6
Fleet Services	-0.2	105.5	+1.0
Finance	0.4	107.0	-8.0
Procurement	0.0	51.3	-1.0
Business Integration	0.0	151.9	-1.4
Strategy & Change	-0.1	61.6	+3.9
Operational Change & Resilience	0.0	1.0	-4.0
Total Deputy Chief Officer	2.9	968.3	-2.9
Police Officer Costs	0.5	17,255.9	n/a
Non Distributed Costs	-4.2	-	-
Total Police Scotland	1.2	22,147.8	+22.6
Forensic Services	-0.3	529.0	+12.0
SPA Corporate	0.6	35.8	+1.0
Total Police Authority	1.5	22,712.6	+35.6

1 Police officer FTE per last externally reported quarter end 30 September 2019

DCC Local Policing

Additional income from various sources (£1.1m) and underspend in police staff overtime (£0.4m) offset by overspends in police officer overtime (£0.7m) and travel related costs (£0.4m).

DCC Crime & Operational Support

Additional income from various sources (£2.0m) offset by overspends in police staff costs (£0.4m), travel related costs (£0.5m), third party payments (£0.6m) and other non-pay costs (£0.3m)

DCC People and Professionalism

Additional income from various sources (£0.5m), underspends in ill health pensions (£1.0m) and external legal costs (£0.9m) offset by overspend in legal liability claims (£1.1m).

Deputy Chief Officer

Driven by underspends in ICT (£3.2m) of which COS, Microsoft and ANPR totalling (£1.5m) all contributing to the central cost challenge, offset by police staff overspend (£0.3m).

Police Officer Costs - There are no material variances to highlight.

Non Distributable Costs (Corporate Centre)

Due to injury pension payments (£0.4m), pension admin charge (£0.3m), the budgeted income challenge (£1.8m), innovation savings shortfall (£0.7m), bad debts written off (£0.4m) and other costs (£0.6m). The budgeted income challenge and income stretch target is held centrally and these have been met by delivery within the divisions.

Forensic Services – Due to police staff costs overspend.

SPA Corporate - Due to unfilled vacancies.

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)	0.1	1,244.4	17.6
Local Policing East (incl CJ & Custody)	-0.4	1,050.1	10.0
Local Policing West	-1.0	247.4	-3.5
Part, Prevention & Com Wellbeing	0.1	5.7	-
Overtime Contingency	0.8	-	-
Total DCC Local Policing	-0.4	2,547.6	24.1
Specialist Crime & Intel	-0.6	258.8	2.2
Operational Support	-1.3	245.2	4.9
Crime & Protection	-1.2	74.0	4.1
Overtime Contingency	1.3	-	-
Other	0.0	6.0	0.6
Total DCC Crime and Operations	-1.8	584.0	7.4
People & Development	0.9	453.6	-0.3
Professionalism & Assurance	-0.3	120.6	3.8
Chief Data Officer	-0.3	98.9	-1.2
Legal	0.1	24.4	-1.7
Corporate Comms	-0.1	57.4	-2.9
External Agencies and Projects	0.2	2.2	-
Total People and Professionalism	0.5	757.1	-2.3
ICT	4.4	300.3	12.2
Estates	-1.2	184.3	-
Fleet Services	-0.4	105.8	-
Finance	0.8	115.7	2.5
Procurement	-0.1	52.8	0.8
Business Integration	0.0	151.9	0.2
Strategy & Change	-0.2	56.9	0.6
Operational Change & Resilience	0.1	1.6	2.1
Total Deputy Chief Officer	3.4	969.3	18.4
Police Officer Costs	0.6	17,255.9	n/a
Non Distributed Costs	-5.5	-	-37.5
Total Police Scotland	-3.2	22,113.9	10.1
Forensic Services	-0.7	513.3	9.3
SPA Corporate	0.4	35.5	14.5
Total Police Authority	-3.5	22,662.7	33.9

DCC Local Policing - Overspends in police officer overtime (£1.2m), transport costs (£0.6m) and newly created discretionary funds (£0.3m), other non-pay costs (£0.2m) offset by underspends in police staff overtime (£0.5m) and additional income from various sources (£1.4m).

DCC Crime & Operational Support - Overspends in police officer overtime (£0.9m), police staff salary costs (£0.5m), public order protective suits (£1.6m), transport costs (£0.7m), third party payments (£0.8m) and other non-pay costs (£1.1m) offset by centrally held overtime contingency (£1.3m) and additional income from various sources (£2.5m).

DCC People and Professionalism - Additional income from various sources (£0.4m), underspends in ill health pensions (£1.1m) and external legal costs (£0.8m) offset by overspends in legal liability claims (£1.1m) and supplies and services (£0.6m).

Deputy Chief Officer - Driven by underspends in ICT (£4.5m) of which COS, Microsoft and ANPR totalling (£1.8m) all contributing to the central cost challenge, offset by premises costs (£0.7m) and police staff overspend (£0.3m).

Police Officer Costs - No material variances.

Non Distributable Costs (Corporate Centre) - Due to the innovation savings shortfall (£1.5m), injury pensions (£1.0m), bad debts (£0.8m) and removal of budgeted income challenge (£2.0m) to meet pending cost pressures.

Forensic Services - Due to police staff costs overspend.

SPA Corporate - Due to unfilled vacancies.

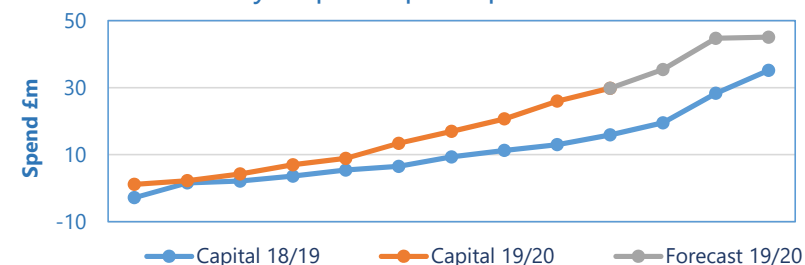
1 FY Budgeted FTE net of vacancy factor versus FY Forecast FTE

2 Police officer FTE per last externally reported quarter end 30 September 2019

Capital

	Year to date			Full year			
	Budget	Actual	Variance	Budget	Q3	Variance	Q2vQ3 FC
	£m	£m	£m	£m	£m	£m	£m
Estates	3.6	3.6	0.0	4.3	4.8	-0.5	-0.2
Fleet	2.5	3.4	-0.9	2.9	5.1	-2.2	-1.4
ICT	2.7	2.2	0.5	6.1	5.7	0.4	-0.1
Specialist Policing Equip	1.9	0.5	1.4	2.8	2.7	0.1	0.1
Weaponry	2.0	0.3	1.7	2.1	1.6	0.5	0.5
Brexit	0.0	0.4	-0.4	0.0	0.7	-0.7	0.7
Total BAU	12.7	10.4	2.3	18.2	20.6	-2.4	-1.0
Mobility	6.6	7.6	-1.0	10.7	9.9	0.8	0.2
COS	4.9	3.0	1.9	5.9	4.4	1.5	1.0
National network	2.6	2.3	0.3	3.3	3.3	0.0	0.0
ADEL	1.2	1.1	0.1	1.3	1.3	0.0	0.0
Digital ICCS	0.6	0.4	0.2	1.5	0.9	0.6	0.0
CTS Programme	0.0	0.0	0.0	1.0	1.0	0.0	0.0
Estates transform.	0.1	0.0	0.1	0.5	0.1	0.4	0.0
Cyber resilience	0.5	0.0	0.5	0.5	0.0	0.5	0.5
ANPR	0.4	0.2	0.2	0.4	0.4	0.0	0.0
Custody Remodelling	0.0	0.0	0.0	0.0	1.1	-1.1	-1.1
Payroll	0.1	0.1	0.0	0.1	0.3	-0.2	0.0
Forensic Services (Multiple)	0.0	0.0	0.0	0.0	0.2	-0.2	0.4
OMU	0.0	0.0	0.0	0.0	0.4	-0.4	0.2
Other projects	0.0	0.0	0.0	0.0	0.1	-0.1	-0.1
Total transformation	17.0	14.7	2.3	25.2	23.4	1.8	1.1
Forensics Services BAU	1.5	0.8	0.7	1.7	1.7	0.0	0.0
Slippage management	-1.5	0.0	-1.5	-2.0	-0.1	-1.9	-0.7
Pipeline projects	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Total capital	29.7	25.9	3.8	43.1	45.6	-2.5	0.4
Grant in aid				35.0	35.9	0.9	-0.3
Capital receipts				3.5	4.8	1.3	-0.1
Reform funding				4.6	4.6	0.0	0.0
Transformational change				0.0	0.3	0.3	0.0
Total funding				43.1	45.6	2.5	-0.4

Monthly Capital Spend profile 19/20 v 18/19

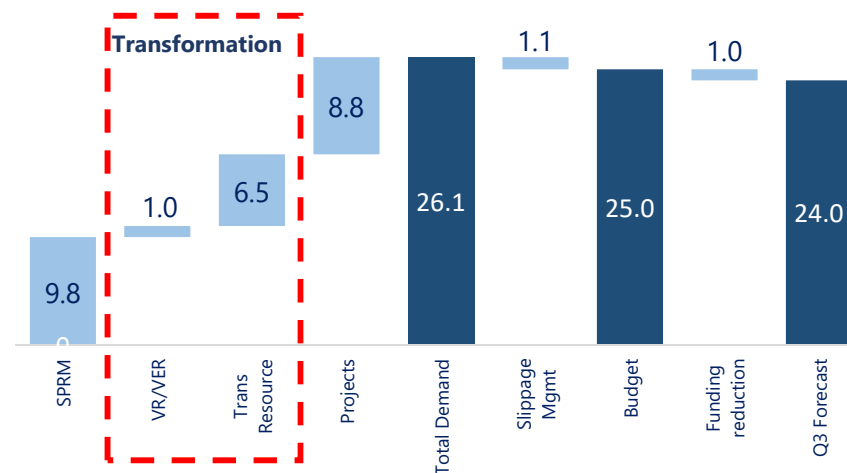


Headlines

- Q3 forecast £2.5m above budget but offset by compensating funding, primarily from property disposals and successful bids to the Justice Transformation fund.
- The graph above shows the capital spend comparison year on year, with £26m being spent in the current year versus £13m at period 9 last year. Overall this is a positive trend.
- Additional Grant in aid funding of £0.9m has been agreed for Justice Transformation Projects, specifically for Forensic Services (Job modelling and Drug Strategy) and Offender Management Unit (OMU).
- Year to date position has fallen significantly behind budget mainly due to timing/phasing and slippage on COS, Specialist Policing Equipment and Weaponry (BAU).
- Across both BAU and Transformation, spending plans within the business will be subject to continuous review and challenge throughout Q4 to ensure spending targets and forecasts are fully delivered.

Reform

	Year to date			Full year			
	Budget	Actual	Variance	Budget	Q3 Forecast	Variance	Q2vQ3 FC
	£m	£m	£m	£m	£m	£m	£m
Transformation resource	4.9	5.0	-0.1	6.5	8.4	-1.9	-1.2
Committed expenditure							
Payroll Interim	0.1	0.0	0.1	0.1	0.1	0.0	0.0
Commercial excellence	0.4	0.3	0.1	0.5	0.9	-0.4	-0.6
National network	1.3	0.7	0.6	1.5	1.1	0.4	0.0
DPP	0.3	0.1	0.2	0.3	0.1	0.2	0.2
Mobile working	0.7	0.3	0.4	0.9	0.5	0.4	0.1
Core operating solutions	1.6	0.6	1.0	2.1	0.9	1.2	0.2
National ICCS	0.0	0.0	0.0	0.2	0.0	0.2	0.0
SPRM implementation	5.5	5.5	0.0	7.3	7.3	0.0	0.0
SPRM pay protection	1.8	1.7	0.1	2.5	2.5	0.0	-0.2
Planned expenditure							
Purchase to pay	0.2	0.0	0.2	0.2	0.1	0.1	0.2
CAM	1.0	0.3	0.7	1.3	0.3	1.0	0.4
TCSS	0.6	0.0	0.6	1.0	0.0	1.0	0.0
CTS programme	0.0	0.0	0.0	0.5	0.2	0.3	-0.1
VR / VER	0.5	0.0	0.5	1.0	0.7	0.3	0.3
Cyber resilience	0.2	0.0	0.2	0.2	0.0	0.2	0.2
Data governance & mgt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement improv. plan	0.0	0.1	-0.1	0.0	0.5	-0.5	0.0
Fleet strategy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NE integration project	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Analytics transformation	0.0	0.0	0.0	0.0	0.2	-0.2	-0.2
Leadership assessment	0.0	0.0	0.0	0.0	0.2	-0.2	-0.2
Other projects	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Slippage management	-0.8	0.0	-0.8	-1.1	0.0	-1.1	0.0
Pipeline projects	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Total reform expenditure	18.3	14.6	3.7	25.0	24.0	1.0	0.0
Grant in aid				25.0	24.0	1.0	0.0
Total funding				25.0	24.0	1.0	0.0



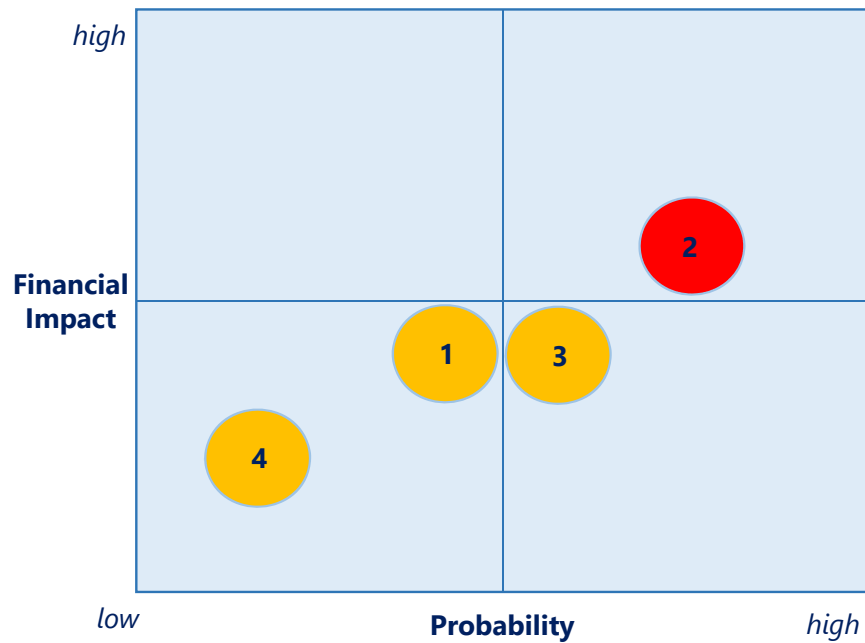
Headlines

- As previously shown in Q2 forecast, funding has been reduced by £1m (to £24m), reflecting the cost to the Scottish Government of its overall package of Brexit-related measures
- Q3 forecast in line overall with funding available. TCSS, COS, CAM and Mobile projected underspends have been re-prioritised to other projects including analytics transformation, NE integration project, leadership assessment and fleet strategy.
- Year to date position is £3.7m under budget. The full year slippage management target of £1.1m has been solved without impacting overall project delivery.
- The portfolio will be closely monitored and managed throughout Q4 to ensure spending targets and forecasts are fully delivered.

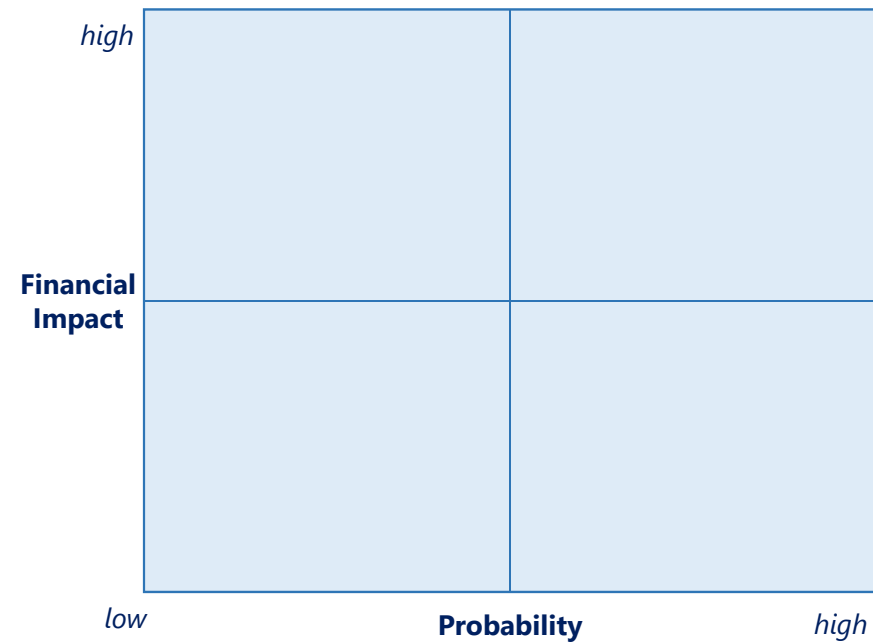
Threats and opportunities

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



Opportunities



1. Potential unbudgeted liability claims not quantified
2. Estates – further health and safety pressures
3. Risk of not achieving TOIL / annual leave savings target
4. Workforce Parking Levy (WPL) – details and timing TBC

No material opportunities identified at this point