

Meeting	SPA Resources Committee
Date	12 November 2020
Location	Video Conference
Title of Paper	Q2 Financial Monitoring Report
Presented By	Chris Brown, Strategic Financial Planning and Budgeting Lead
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Quarter Two 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 two (six months ending 30 September 2020) of the financial year 2020/21, as well as forecasting the full outturn to 31 March 2021.

Members are invited to discuss the content of this paper.

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

- In June 2020 Finance presented a COVID-19 top down financial forecast to the CFPB and SPA Resources Committee which identified a potential net cost specifically related to COVID-19 of up to £15m.
- This report also identified a number of immediate actions that could be taken to secure and bank the savings identified as well as controlling costs. This resulted in the implementation, following approval by the Force Executive, of targeted actions across recruitment and travel in order to limit this overspend.
- With these actions, the Q2 forecast **net cost of COVID-19 is contained at £10.0m**, with no compensating funding from the Scottish Government. When combined with £11.2m in-year benefits across estates (NDR rebates and recovery of mast income) and ICT, a £1.0m pressure related to COP26 recruitment and other costs £1.4m, the full year operating deficit at Q2 remains at £1.0m over budget in line with the Q1 forecast.
- The underlying deficit position would be significantly greater than £1.0m over budget if not for **management actions** taken to mitigate the impact of COVID-19 and the **one-off in-year benefits**.
- A number of other threats (impact of a no-deal Brexit and any further operational impact of COVID-19) and opportunities are being monitored, some of which may crystallise in the second half of the financial year.

Capital

- The capital forecast at Q2 is £52.4m, £0.7m 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 £1.3m (with a further £1.3m expected) has been incurred as a result of the COVID-19 response.
- Grant awards of £0.3m have been received post budget allocation from the Scottish Government through the Autumn Budget Review (ABR) for Drug Driving and Virtual Courts investment with another £0.4m of grant awards expected to be received at the Spring Budget Review (SBR) for other capital projects.
- The year to date position is £1.7m under budget and is primarily due to timing/slippage on DDICT and estates transformation offset by the costs associated with the COVID-19 response.
- As a result of the year to date and full-year forecast position, the Capital Investment Group at its October meeting recommends the reallocation of £2.0m investment across other capital projects.

Reform

- The reform forecast at Q2 is £25.5m, £0.5m above the budget position of £25.0m. This forecast overspend is compensated by additional forecast grant-in-aid funding from the Scottish Government expected to be received at SBR.
- The year to date position is £0.6m under budget is primarily due to timing/slippage on Transforming Corporate Support Services, Core Operating Solutions and estates transformation.
- As a result of the year to date position and lower forecast costs associated with SPRM appeals, the Capital Investment Group at its October meeting recommends the reallocation of £0.6m investment across other reform projects.

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 implications associated with this paper.

5. LEGAL IMPLICATIONS

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

6. REPUTATIONAL IMPLICATIONS

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

7. SOCIAL IMPLICATIONS

7.1 There are no direct 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 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.



**POLICE
SCOTLAND**
POILEAS ALBA

**SCOTTISH POLICE
AUTHORITY**

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

Quarter 2 2020/21



Finance dashboard

Q2 2020/21

Year to Sep 2020

Revenue

R	R	A
Jul	Aug	Q2

- YTD £5.3m under budget
- FY Q2 forecast £1.2m over budget (deficit £1.0m over)

Capital

A	A	A
Jul	Aug	Q2

- YTD £1.7m under budget
- FY Q2 forecast £0.7m over budget (fully funded)

Reform

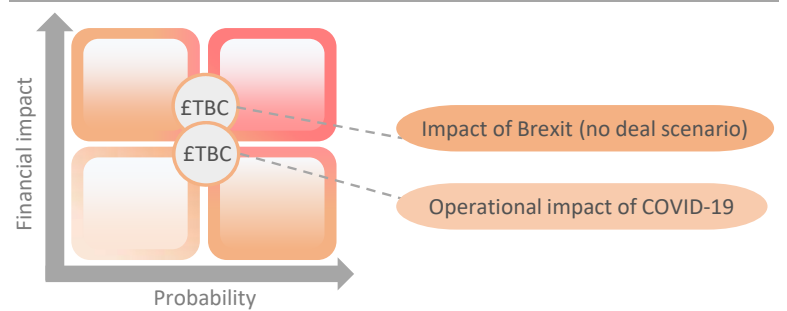
G	G	G
Jul	Aug	Q2

- YTD £0.6m under budget
- FY Q2 forecast £0.5m over budget (fully funded)

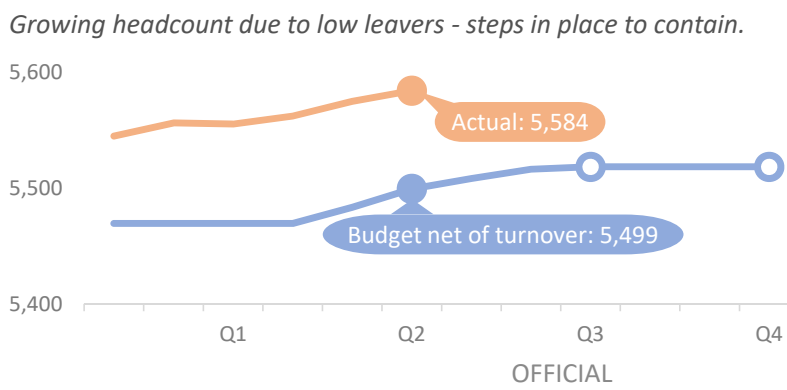
Revenue variance (£m)

	YTD actual v budget	FY Q2 FC v Budget
Police Scotland	5.0	-0.4
Forensic Services	-0.2	-1.1
SPA corporate	0.5	0.3
Total	5.3	-1.2

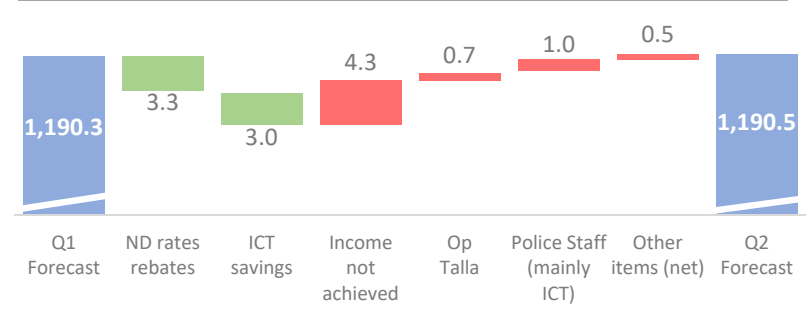
Threats



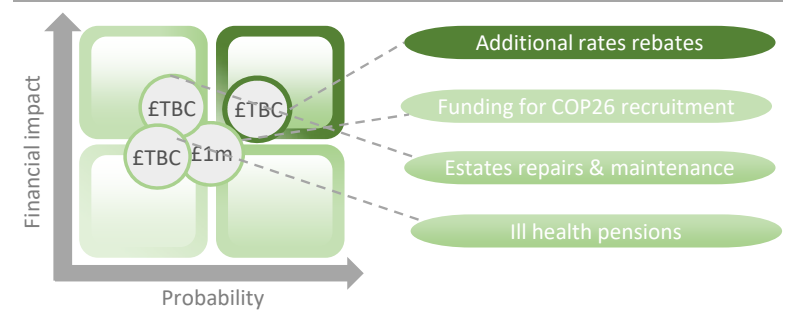
Police staff numbers (FTE)



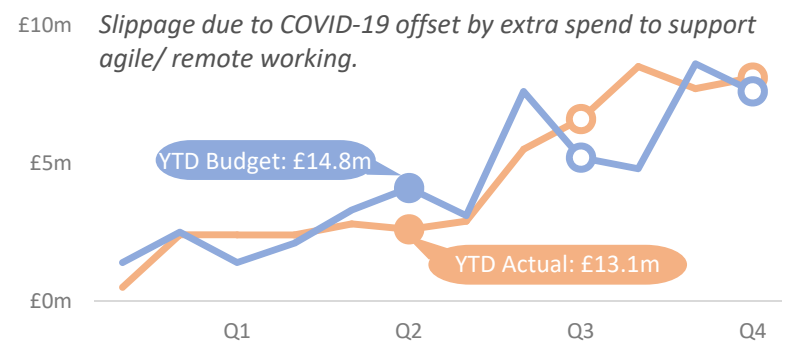
Revenue: full year costs in line with Q1 FC



Opportunities



Capital (£m)



Operation Talla

(policing response to COVID-19)

2020/21 year to date:

- Revenue: £5.3m
- Capital: £1.3m
- Total: £6.6m

2020/21 Q2 forecast:

- Revenue: £6.0m
- Capital: £2.6m
- Total: £8.6m

Revenue forecast (£m)

	Year to date £m	Q2 FC £m
PPE & hygiene	5.8	3.4
Stock adjustment	-2.7	
Overtime	1.4	1.6
Other	0.8	1.0
Total	5.3	6.0

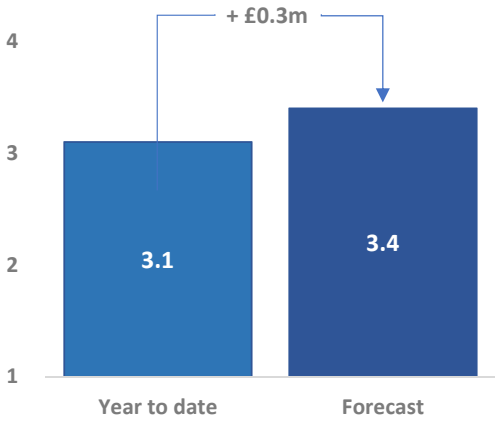
Capital forecast (£m)

	Year to date £m	Q2 FC £m
Laptops	1.3	2.0
Video comms solution	0.0	0.6
Total	1.3	2.6

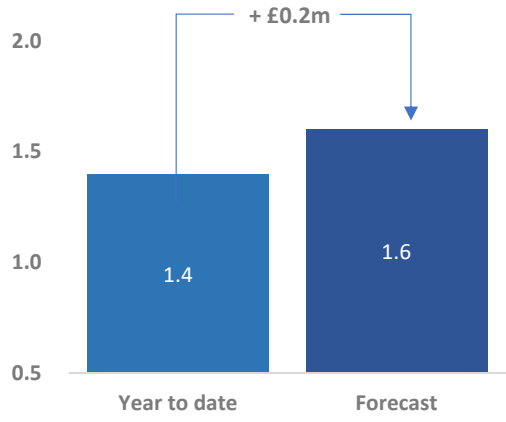
2019/20 & 2020/21 costs (£m)

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21 – YTD	5.3	1.3
Total	6.6	1.4
2019/20	1.3	0.1
2020/21 – forecast	6.0	2.6
Total	7.3	2.7

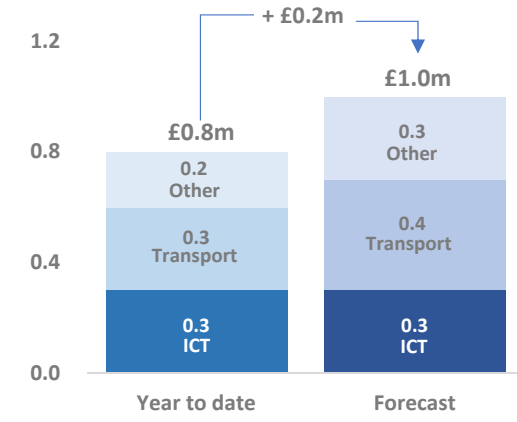
Revenue: PPE & hygiene (£m)



Revenue: overtime (£m)



Revenue: other costs (£m)



Revenue (service area)

Budget deliverability status changed to amber

Q2 net expenditure forecast £1.2m over FY budget

FY deficit remains £1.0m over budget

Revenue deficit contained to £1.0m over budget

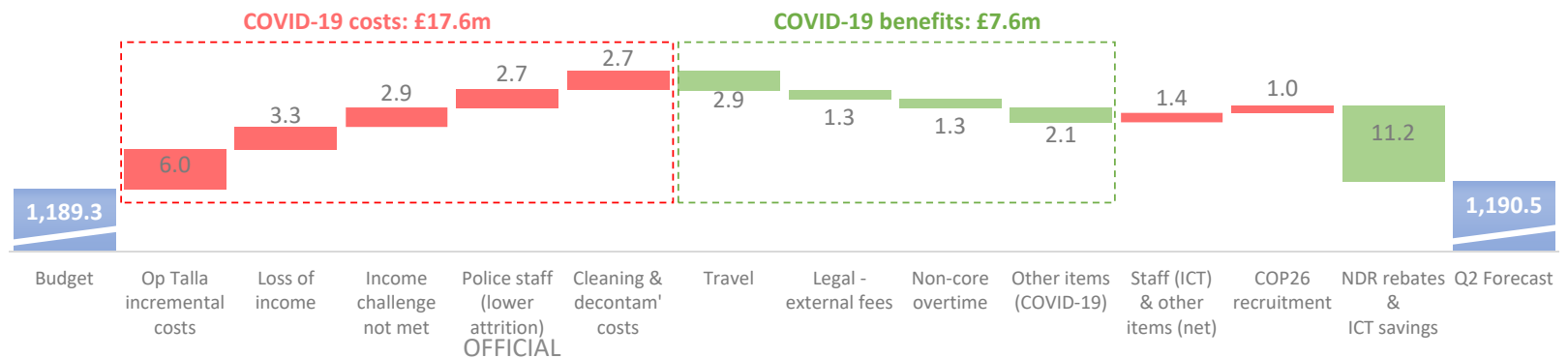
- Q2 revenue core deficit in line with Q1 forecast.
- Full-year net COVID-19 impact now £10.0m (£17.6m cost less £7.6m benefits) with no additional funding from Scottish Government.
- In-year impact of COVID-19 mitigated by one-off benefits and by management actions on recruitment and travel.
- Lower staff attrition results in cost pressure from non-achievement of budgeted turnover “savings”.
- £1.0m in-year impact from accelerated recruitment for COP26 in March 2020.
- Budget deliverability status changed to amber as the high risks anticipated and materialised since Q1 are mitigated by further one-off – and some recurring - benefits (Estates NDR rebates and ICT savings).

Detailed revenue variance (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Police Scotland	575.3	570.3	5.0	1,150.6	1,151.0	-0.4
Forensic Services	17.3	17.5	-0.2	34.2	35.3	-1.1
SPA Corporate	2.3	1.8	0.5	4.5	4.2	0.3
Total	594.9	589.6	5.3	1,189.3	1,190.5	-1.2
Funding						
GIA				1,145.3	1,145.5	-0.2
Core deficit				44.0	45.0	-1.0
Total				1,189.3	1,190.5	-1.2

Detailed budget to FY Q2 forecast (£m)

Q2 forecast demonstrates net impact of COVID-19 mitigated by in-year one-off benefits



Revenue (spend type)

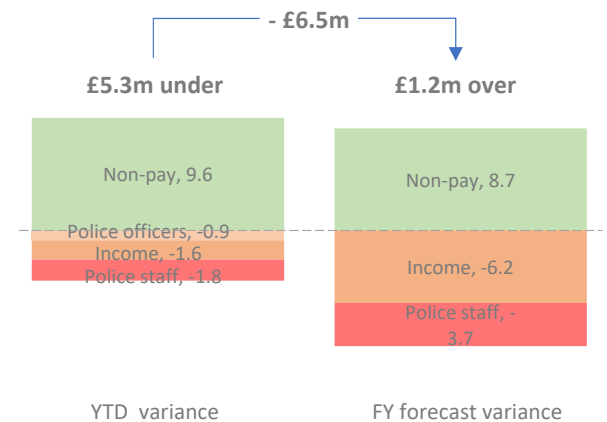
Q2 forecast assumes £6m of direct Operation Talla costs

The wider costs and savings of COVID-19 are shown in the previous page

Revenue variance by spend type - budget v Q2 FC (£m)

	Year to date				Full year			
	Budget £m	Actual £m	Var. £m	%	Budget £m	FC £m	Var. £m	%
Police officers	406.3	407.2	-0.9	-0.2%	817.8	817.8	0.0	0.0%
Police staff	117.8	119.6	-1.8	-1.5%	235.8	239.5	-3.7	-1.6%
Non-pay	85.4	75.8	+9.6	+11.2%	168.2	159.5	+8.7	+5.2%
Income	-14.6	-13.0	-1.6	-11.0%	-32.5	-26.3	-6.2	-19.1%
Total	594.9	589.6	+5.3	+0.9%	1,189.3	1,190.5	-1.2	-0.1%

YTD & FY Q2 FC variance (£m)



Pay

- Police officers - Forecast relates to in-year cost of accelerating the recruitment of 150 probationers in March 2020 in support COP26 (£1.0m), overspend in core overtime (£1.1m), injury pension costs (£0.8m) offset by underspends in non-core overtime (£1.3m) and ill health pension costs (£1.6m).
- Police staff - actual FTE is forecast to be greater than budget by 74 FTE on a full year basis, caused by a reduction in leavers versus budget. The overspend is constrained by managing recruitment to allow for business critical roles only to be filled in line with number of leavers or by the generation of non-pay recurring savings e.g. ICT.

Non-pay

- Estates costs (£6.9m under budget) - property rates rebates and radio mast cost recovery for current and previous years (£8.3m), other premises costs underspends (£0.4m) offset by increase in COVID-19 cleaning and consumables (£1.8m).
- Transport costs (£2.9m under) - 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) offset by increase in service and maintenance costs (£0.7m).
- Other costs (£3.3m under) – ICT savings (£2.9m), external legal costs (£1.3m) and other net underspends (£1.6m) offset by COVID-19 decontamination costs (£0.9m) and the release of central items (£1.6m).
- Op Talla costs (£4.4m over) - PPE usage during training and initial distribution / resupply to respond to COVID-19 related incidents; and hygiene supplies to be utilised on the frontline and across the estate (£3.4m) and other costs (£1.0m).

Income

- Budget included an reduction of £8.0m to capture the initial impact of COVID-19.
- Forecast anticipates a further reduction in income (£6.2m), including the removal of the central challenges, as a result of COVID-19.

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Revenue

(further business area detail)

Overspend within DCC Crime & Op Support mainly reflects Op Talla costs for the service

Underspend in DCC People & Professionalism reflects slow down in court justice system and delays in NHS approvals for ill health pensions

Underspend within Deputy Chief Officer portfolio reflects one-off in-year benefits in estates and ICT

DCC Local Policing

- Under-recovery of income (£3.5m), overspends in police staff costs (£1.1m) and core overtime (£0.5m) offset by underspends in transport costs (£1.8m), non-core overtime (£1.4m) and other non-pay items (£1.0m).

	£m	FTE
Budget	115.7	2,548.1
Q2 Forecast	116.6	2,595.6
FY variance	-0.9	-47.5
<i>YTD variance</i>	<i>0.1</i>	<i>-43.6</i>

Deputy Chief Officer

- Primarily due to property rates rebates and mast rates recovery for current and previous years (£8.3m), ICT savings (£2.6m), underspend in other premises costs (£0.4m) and an over-recovery of income (£0.5m) offset by increases in cleaning and consumables (£1.8m) and fleet service and maintenance costs (£0.7m).

	£m	FTE
Budget	143.6	1,003.8
Q2 Forecast	134.3	1,012.1
FY variance	9.3	-8.3
<i>YTD variance</i>	<i>5.2</i>	<i>-18.2</i>

DCC Crime & Op Support

- Overspends specific to Op Talla (COVID-19) related costs (£3.4m, PPE and hygiene supplies), core overtime (£1.6m) offset by centrally held overtime contingency (£1.3m), public order protective suits (£0.6m), ICT costs (£0.2m) and an under-recovery of income (£1.4m), offset by an underspend in transport costs (£1.1m).

	£m	FTE
Budget	44.4	591.1
Q2 Forecast	49.2	596.7
FY variance	-4.8	-5.6
<i>YTD variance</i>	<i>-3.0</i>	<i>-5.3</i>

Corporate centre

- COP26: cost of accelerating officer probationer recruitment (£1.0m).
- All central income and cost challenges now unwound. Additional costs for injury pension (£0.8m) and compensatory added years (£0.7m).
- Police officers costs – no variance.

	£m	FTE
Budget	793.8	17,234.0
Q2 Forecast	800.9	17,273.0
FY variance	-7.1	-39.0
<i>YTD variance</i>	<i>-0.8</i>	<i>-6.8</i>

DCC People & Professionalism

- Underspends in ill health pensions (£1.6m) due to delays in NHS approvals, external legal costs and liability claims (£1.3m) due to continued slowdown of court justice system, transport costs (£0.3m), police staff costs (£0.2m), other non-pay items (£0.2m) offset by an under-recovery of income (£0.5m).

	£m	FTE
Budget	53.1	791.8
Q2 Forecast	50.0	784.9
FY variance	3.1	6.9
<i>YTD variance</i>	<i>3.5</i>	<i>3.6</i>

Forensics & SPA corporate

- Forensic Services – Due to overspends in police staff costs (£1.4m) offset by underspend in non-pay costs (£0.3m).
- SPA Corporate - Due to unfilled vacancies (£0.1m) and underspend in non-pay costs (£0.2m).

	£m	FTE
Budget	38.7	561.8
Q2 Forecast	39.5	576.1
FY variance	-0.8	-14.3
<i>YTD variance</i>	<i>0.3</i>	<i>-13.3</i>

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Police officer FTE per last externally reported quarter end 30 June 2020

Capital

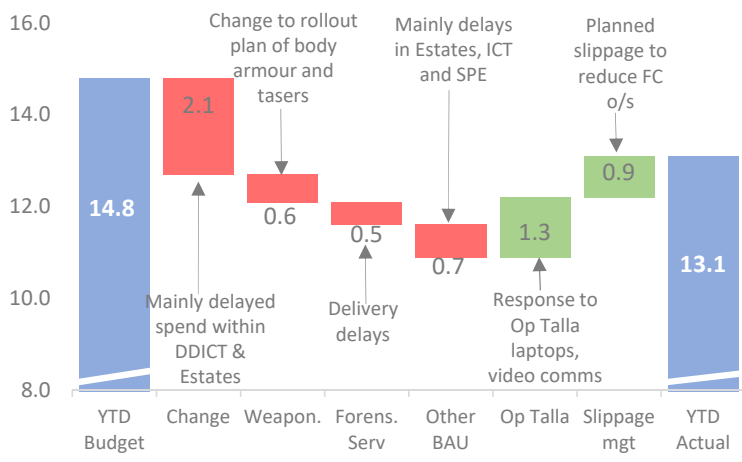
Budget deliverability status remains at amber due to the impact of COVID-19

Year to date under budget by £1.7m

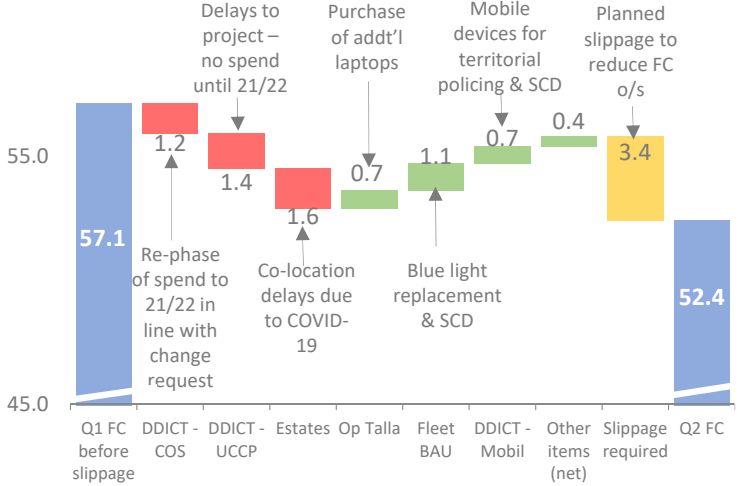
FY forecast requires £3.4m slippage

Capital Investment Group in October recommends the reallocation of £2.0m to:
Fleet (BAU) £1.0m
Mobile working (phase 2) £0.7m
CJ remodel (productions) £0.2m
SPE £0.1m

Year to date: budget to actual (£m)



Forecast: movement Q1 to Q2 (£m)



Capital variance by programme (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Estates	1.8	1.6	0.2	11.2	10.9	0.3
Fleet – BAU	1.8	1.8	0.0	3.3	4.5	-1.2
Fleet – green	0.4	0.4	0.0	5.0	5.0	0.0
ICT	1.0	0.8	0.2	6.7	6.7	0.0
SPE	1.0	0.7	0.3	2.8	3.4	-0.6
Weaponry	1.1	0.5	0.6	3.0	3.0	0.0
Forensics	0.9	0.4	0.5	2.3	2.5	-0.2
Op Talla	0.0	1.3	-1.3	0.0	2.6	-2.6
COP26	0.0	0.0	0.0	0.0	0.1	-0.1
<i>Change: legislative & inflight</i>						
DDICT	3.7	2.5	1.2	11.0	8.6	2.4
CJ remodel	2.0	2.1	-0.1	3.9	4.3	-0.4
Estates	0.8	0.0	0.8	4.0	2.2	1.8
ESMCP	1.0	0.7	0.3	1.0	0.8	0.2
Other change	0.2	0.3	-0.1	0.8	1.2	-0.4
Slippage	-0.9	0.0	-0.9	-3.3	-3.4	0.1
Total	14.8	13.1	1.7	51.7	52.4	-0.7
Funding						
GIA				45.0	45.7	0.7
Reform				4.6	4.6	0.0
Cap receipts				2.1	2.1	0.0
Total				51.7	52.4	0.7

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Reform

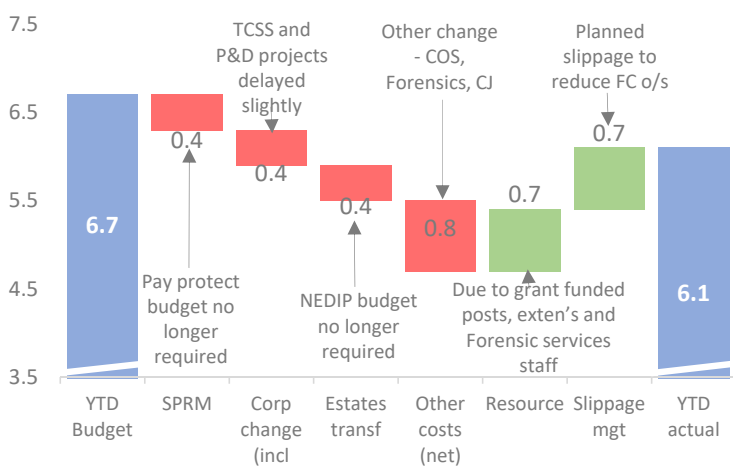
Budget deliverability status remains at green

Budget holders remain confident on ability to spend with slippage almost met

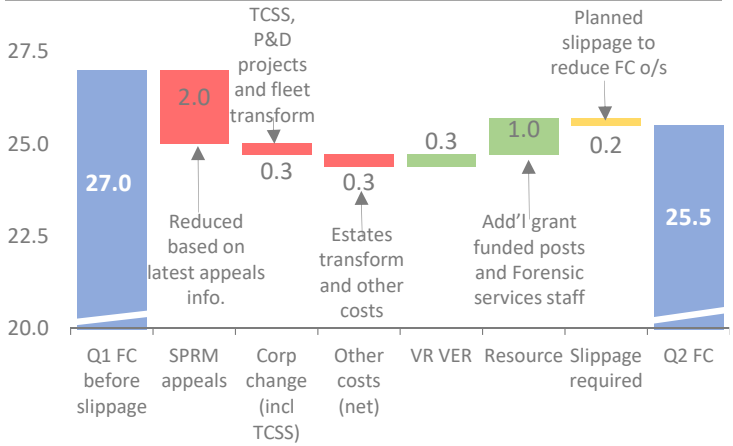
Capital Investment Group in October recommends the reallocation of £0.6m to:

- Transformation resource £0.2m
- Cyber implementation £0.2m
- Environmental strategy £0.2m

Year to date: budget to actual (£m)



Forecast: movement Q1 to Q2 (£m)



Reform variance by work stream (£m)

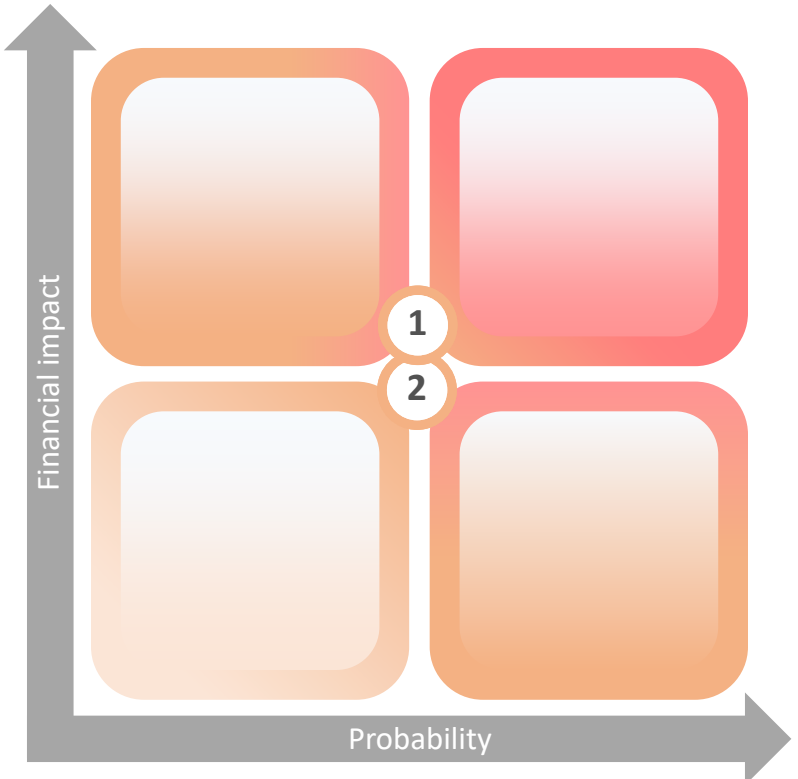
	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Transformation resource	3.2	3.9	-0.7	6.9	8.6	-1.7
SPRM	1.3	0.9	0.4	10.2	7.8	2.4
Corporate change (incl TCSS)	1.1	0.7	0.4	3.4	3.1	0.3
Estates transformation	0.5	0.1	0.4	2.2	1.7	0.5
VR VER	0.0	0.0	0.0	2.1	2.4	-0.3
Op Talla	0.0	0.0	0.0	0.0	0.3	-0.3
Other costs	1.3	0.5	0.8	2.7	1.8	0.9
Slippage mgt	-0.7	0.0	-0.7	-2.5	-0.2	-2.3
Total	6.7	6.1	0.6	25.0	25.5	-0.5
Funding				25.0	25.5	0.5

Risk analysis

Whilst the Q2 net expenditure forecast overspend is £1.2m, the revenue budget is carrying further risks that may materialise.

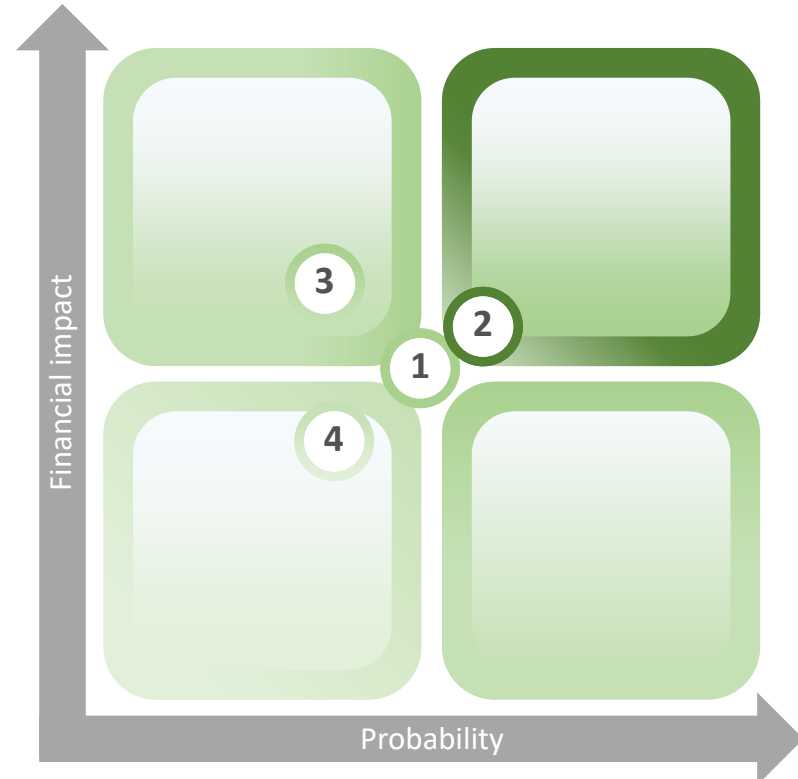
Threats and opportunities risks will continue to be monitored in Q3.

Threats



- 1. Impact of no-deal Brexit
- 2. Operational impact of COVID-19

Opportunities



- 1. COP26 funding £1.0m relating to recruitment in March 2020
- 2. Non-domestic rates rebates - based on success rate of appeals
- 3. Estates repairs & maintenance - possible delays in contractor completing bill of works due to COVID-19 restrictions
- 4. Ill health pensions – possible further delays in NHS approval due to COVID-19 restrictions