

<b>Meeting</b>	<b>SPA Resources Committee</b>
<b>Date</b>	<b>9 February 2020</b>
<b>Location</b>	<b>Video Conference</b>
<b>Title of Paper</b>	<b>Q3 Financial Monitoring Report</b>
<b>Presented By</b>	<b>James Gray, Chief Financial Officer</b>
<b>Recommendation to Members</b>	<b>For Discussion</b>
<b>Appendix Attached</b>	<b>Yes</b>  <b>Appendix A – Quarter Three 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 three (nine months ending 31 December 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 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**

- The full year operating deficit of £36m at quarter three is £8m under budget which is £9m improved since Q2 forecast mainly due to:
  - additional funding received from the Scottish Government (£8.2m) to compensate the Police Authority for the impact of COVID-19 and
  - costs previously included in the Q2 forecast from accelerated recruitment for COP26 in March 2020 (£1.0m) now confirmed as funded by HM Government.
- The underlying deficit position would be significantly greater than £36m if not for management actions taken to mitigate the impact of COVID-19 together with the one-off in-year benefits and additional funding from the Scottish Government.
- The Q3 net expenditure forecast is £2.7m over budget. This forecast overspend is compensated by additional grant-in-aid funding from other Scottish Government departments to support initiatives and programmes. The forecast overspend consists of net cost of COVID-19 at £8.9m compensated by in-year benefits £10.8m across estates (NDR rebates and recovery of mast income) and ICT, other costs £2.1m and cost of funded initiatives £2.5m.
- A number of other threats (impact of legal and other claims and any further operational impact of COVID-19) and opportunities are being monitored, some of which may crystallise in the last quarter of the financial year.

### **Capital**

- The capital forecast at Q3 is £51.2m, £0.5m under the budget position of £51.7m. The capital forecast is in line with funding available.
- Unbudgeted spend of £1.9m (with a further £0.6m expected) has been incurred as a result of the COVID-19 response.
- Grant awards of £0.4m have been received post budget allocation from the Scottish Government through the Autumn Budget Review (ABR) for Drug Driving and Virtual Courts investment.
- The year to date position is £4.4m under budget and is primarily due to timing/slippage on DDICT, estates BAU and transformation, and ICT offset by the costs associated with the COVID-19 response.

### **Reform**

- The reform forecast at Q3 is £22.5m, £2.5m under the budget position of £25.0m.
- The forecast underspend is mainly driven by lower costs associated with SPRM appeals.
- The year to date position is £2.5m under budget is primarily due to timing/slippage on Transforming Corporate Support Services, Core Operating Solutions and estates transformation.

## **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 3 2020/21





# Finance dashboard

Q3 2020/21  
Year to Dec 2020

**Revenue**

A	A	A
Oct	Nov	Q3

- YTD £11.8m under budget
- FY Q3 forecast £2.7m over budget (fully funded)

**Capital**

A	A	A
Oct	Nov	Q3

- YTD £1.7m under budget
- FY Q3 forecast £0.5m under budget in line with funding

**Reform**

G	G	R
Oct	Nov	Q3

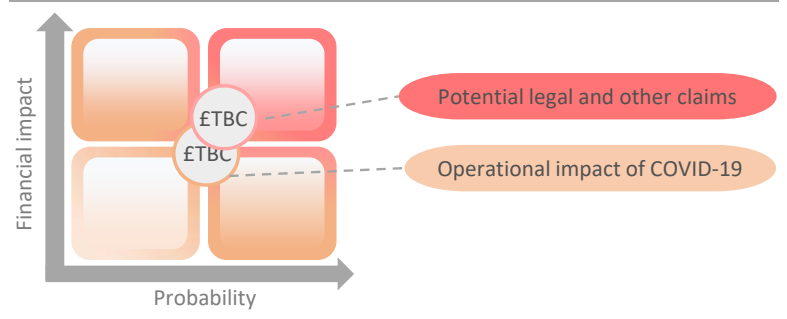
- YTD £0.6m under budget
- FY Q3 forecast £2.5m under budget

2 ① excludes COP26 costs

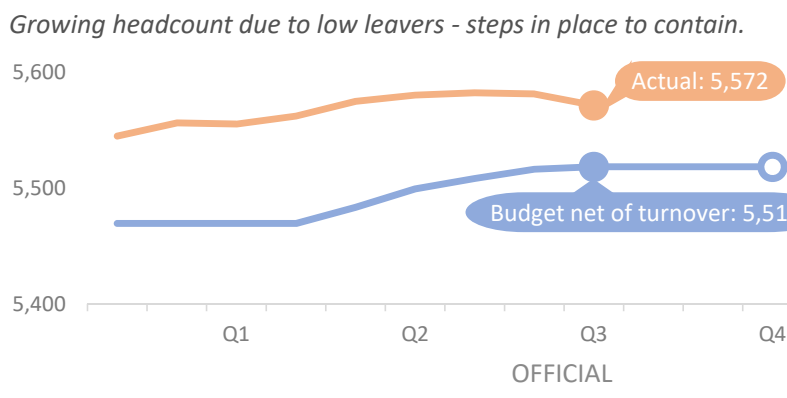
## Revenue variance (£m)

	YTD actual v budget	FY Q3 FC v Budget
Police Scotland	11.6	-2.1
Forensic Services	-0.5	-1.2
SPA corporate	0.7	0.6
<b>Total</b>	<b>11.8</b>	<b>-2.7</b>

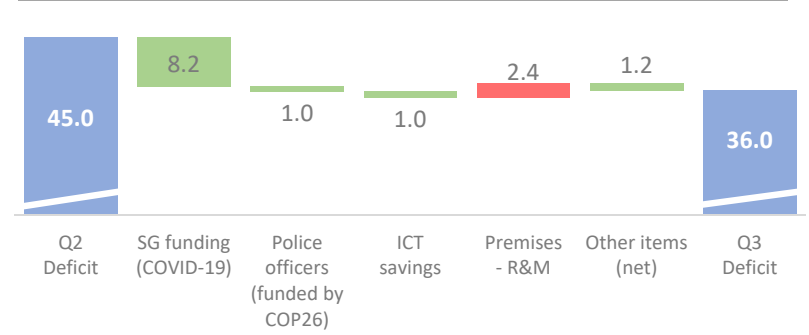
## Threats



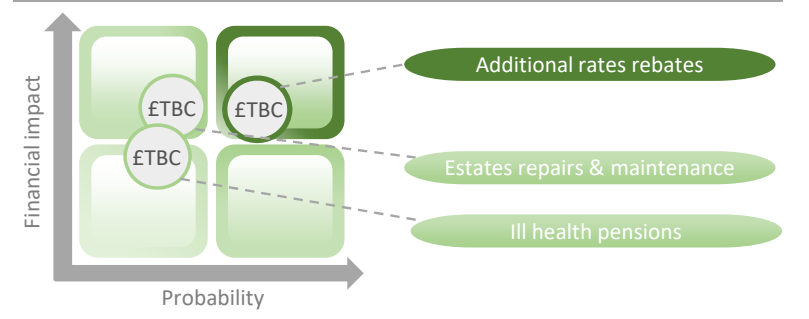
## Staff numbers (FTE)



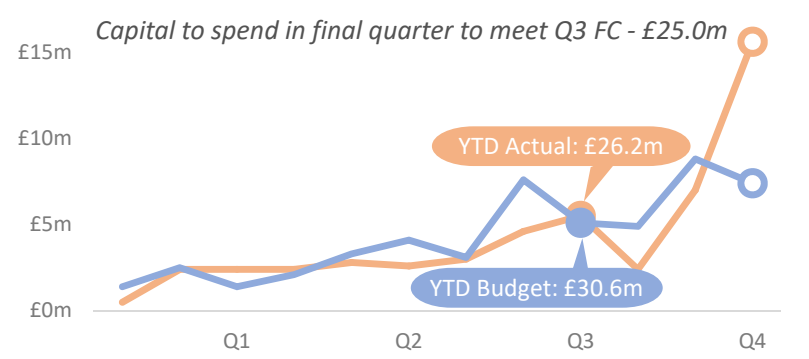
## Revenue: FY Q3 deficit £9m better than Q2 FC



## Opportunities



## Capital (£m)



# Operation Talla

(policing response to COVID-19)

**2020/21 year to date:**

- Revenue: £5.6m
- Capital: £1.9m
- Total: £7.5m

**2020/21 forecast:**

- Revenue: £6.7m
- Capital: £2.5m
- Total: £9.2m

**Revenue forecast (£m)**

	Year to date £m	Forecast £m
PPE & hygiene	3.0	3.5
Overtime	1.8	2.0
Other	0.9	1.2
<b>Total</b>	<b>5.6</b>	<b>6.7</b>

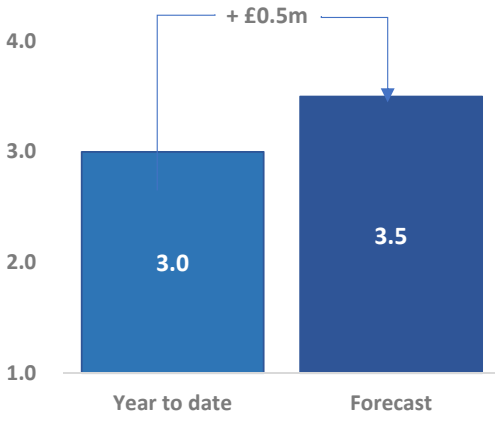
**Capital forecast (£m)**

	Year to date £m	Forecast £m
Laptops	1.9	2.3
Video comms solution	0.0	0.2
<b>Total</b>	<b>1.9</b>	<b>2.5</b>

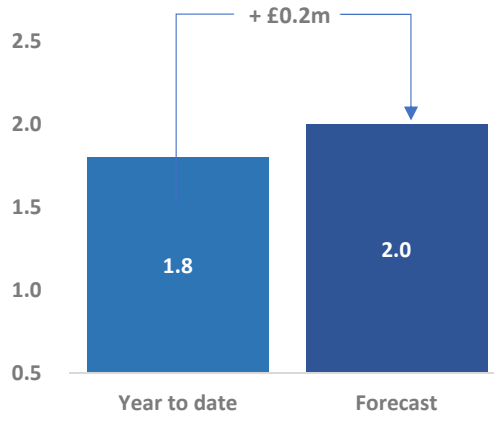
**2019/20 & 2020/21 costs (£m)**

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21 – YTD	5.6	1.9
<b>Total</b>	<b>6.9</b>	<b>2.0</b>
2019/20	1.3	0.1
2020/21 – forecast	6.7	2.5
<b>Total</b>	<b>8.0</b>	<b>2.6</b>

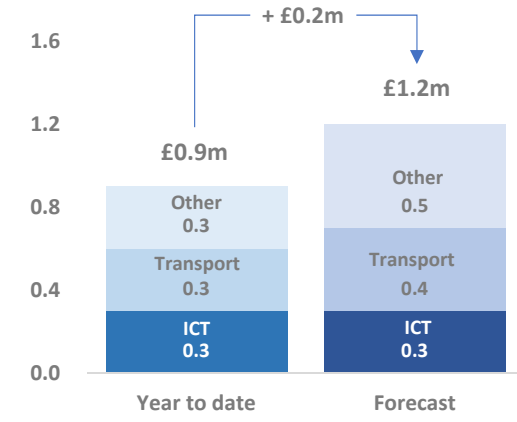
**Revenue: PPE & hygiene (£m)**



**Revenue: overtime (£m)**



**Revenue: other costs (£m)**



# Revenue (service area)

Budget deliverability status remains at amber

FY deficit is now at £36m

Q3 net expenditure forecast £2.7m over FY budget (fully funded)

In-year impact of COVID-19 mitigated by management actions, one-off benefits and additional funding

Lower staff attrition results in cost pressure from non-achievement of budgeted turnover 'savings'

## Revenue budget deficit £44m reduced by £8m to £36m

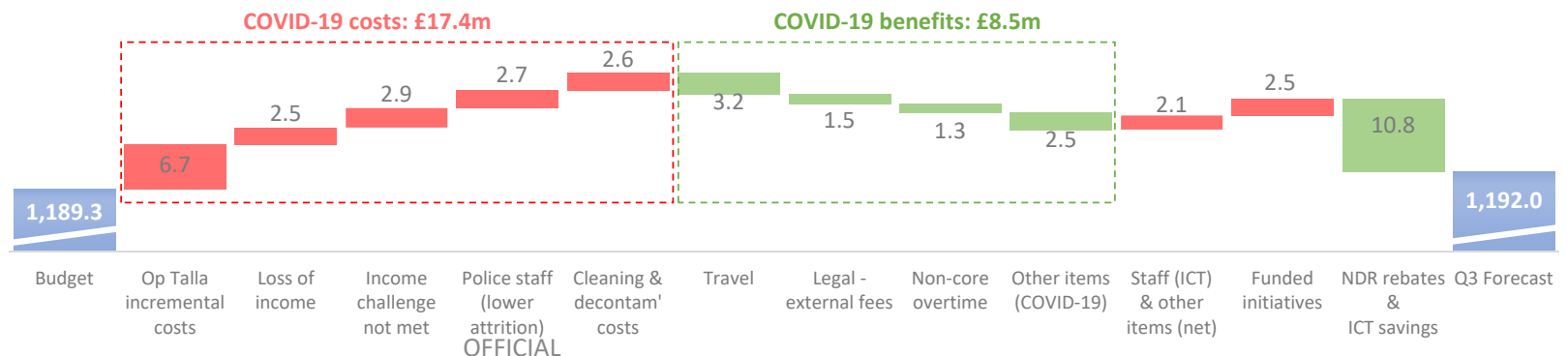
- Q3 revenue core deficit has improved by £9m since the Q2 forecast mainly due to
  - additional funding received from the Scottish Government (£8.2m) to compensate the Police Authority for the impact of COVID-19 and
  - costs included in Q2 forecast from accelerated recruitment for COP26 in March 2020 (£1m) now confirmed as funded by HM Government.
- Q3 net expenditure has increased by £1.5m from Q2 mainly due to cost associated with funded initiatives (£2.3m) offset by removal of COP26 probationer costs (£1.0m).
- Full-year net COVID-19 impact now £8.9m (£17.4m cost less £8.5m benefits).

## Detailed revenue variance (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Police Scotland	865.6	854.0	11.6	1,150.6	1,152.7	-2.1
Forensic Services	25.8	26.3	-0.5	34.2	35.4	-1.2
SPA Corporate	3.3	2.6	0.7	4.5	3.9	0.6
<b>Total</b>	<b>894.7</b>	<b>882.9</b>	<b>11.8</b>	<b>1,189.3</b>	<b>1,192.0</b>	<b>-2.7</b>
<b>Funding</b>						
GIA				1,145.3	1,156.0	-10.7
Core deficit				44.0	36.0	8.0
<b>Total</b>				<b>1,189.3</b>	<b>1,192.0</b>	<b>-2.7</b>

## Detailed budget to FY Q3 forecast (£m)

Q3 forecast demonstrates net impact of COVID-19 mitigated by in-year one-off benefits





# Revenue

## (spend type)

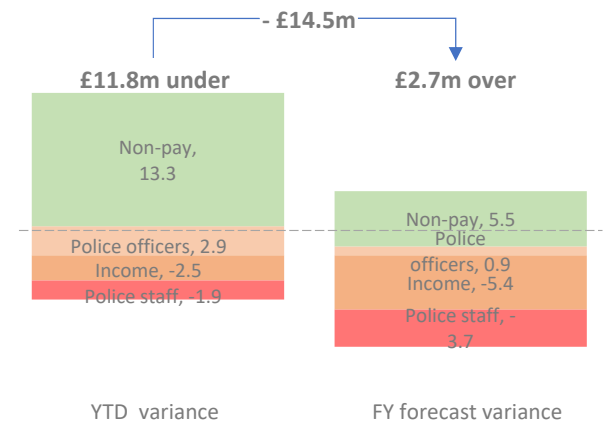
Q3 forecast assumes £6.7m of direct Operation Talla costs

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

### Revenue variance by spend type - budget v Q3 FC (£m)

	Year to date				Full year			
	Budget £m	Actual £m	Var. £m	Var. %	Budget £m	FC £m	Var. £m	Var. %
Police officers	611.9	609.0	+2.9	+0.5%	817.8	816.9	+0.9	0.1%
Police staff	177.4	179.3	-1.9	-1.1%	235.8	239.5	-3.7	-1.6%
Non-pay	129.1	115.8	+13.3	+10.3%	168.2	162.7	+5.5	+3.3%
Income	-23.7	-21.2	-2.5	-10.5%	-32.5	-27.1	-5.4	-16.6%
<b>Total</b>	<b>894.7</b>	<b>882.9</b>	<b>+11.8</b>	<b>+1.3%</b>	<b>1,189.3</b>	<b>1,192.0</b>	<b>-2.7</b>	<b>-0.2%</b>

### YTD & FY Q3 FC variance (£m)



#### Pay

- Police officers - underspends in non-core overtime (£1.3m) and ill health pension costs (£1.7m) offset by overspends in core overtime (£1.3m), injury pension costs (£0.8m).
- Police staff - actual FTE is forecast to be greater than budget by 69 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.

#### Non-pay

- Estates costs (£5.2m under budget) - property rates rebates and radio mast cost recoveries (£6.9m), other premises costs underspends (£2.0m) offset by increase in R&M (£2.4m) and COVID-19 cleaning and consumables (£1.3m).
- Transport costs (£2.7m under) - reduction in fuel usage and non-essential travel due to COVID-19 restrictions (£3.2m), BP free fuel initiative (£0.6m) offset by service and maintenance costs (£0.8m) and accident damage repairs (£0.3m).
- Other costs (£2.3m under) – ICT savings including telecoms (£3.9m), external legal costs (£1.5m), supplies and services (£1.6m) and other net underspends (£1.7m) offset by COVID-19 decontamination costs (£1.3m), the release of central items (£1.6m) and delay in asset disposals (£3.5m).
- Op Talla costs (£4.7m 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 (£3.5m) and other costs (£1.2m).

#### Income

- Budget included a reduction of £8.0m to capture the initial impact of COVID-19.
- Forecast anticipates a further reduction in income (£5.4m), including the removal of the central challenges, as a result of COVID-19.

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# Revenue

## (further business area detail)

Increase in DCC Crime & Op Support reflects Op Talla costs for the service

Reduction in DCC People & Professionalism due to slow down in court justice system and delays in NHS approvals for ill health pensions

Reduction in DCO portfolio due to one-off in-year benefits in estates and ICT

### DCC Local Policing

- Under-recovery of income (£2.7m), overspends in police staff costs (£2.0m) and core overtime (£1.1m) offset by underspends in transport costs (£1.9m), non-core overtime (£1.4m) and other non-pay items (£0.4m).

	£m	FTE
Budget	115.7	2,548.1
Q3 Forecast	117.8	2,595.6
<b>FY variance</b>	<b>-2.1</b>	<b>-47.5</b>
<i>YTD variance</i>	<i>-0.6</i>	<i>-48.5</i>

### Deputy Chief Officer

- Primarily due to property rates rebates and mast rates recovery for current and previous years (£6.9m), ICT savings including telecoms (£3.6m), other premises costs underspends (£2.0m), other items net (£0.4m) offset by increases in repairs and maintenance costs (£2.4m), cleaning and consumables (£1.3m) and fleet service and maintenance costs (£0.9m).

	£m	FTE
Budget	143.6	1,003.8
Q3 Forecast	135.3	1,012.1
<b>FY variance</b>	<b>8.3</b>	<b>-8.3</b>
<i>YTD variance</i>	<i>6.9</i>	<i>-10.5</i>

### DCC Crime & Op Support

- Overspends specific to Op Talla (COVID-19) related costs (£3.5m, PPE and hygiene supplies), core overtime (£1.1m) offset by centrally held overtime contingency (£1.3m), public order protective suits (£0.6m) and under-recovery of income (£1.8m), offset by underspends in transport costs (£0.9m) and other costs (£0.3m)

	£m	FTE
Budget	44.4	591.1
Q3 Forecast	48.9	596.7
<b>FY variance</b>	<b>-4.5</b>	<b>-5.6</b>
<i>YTD variance</i>	<i>-2.8</i>	<i>-3.3</i>

### Corporate centre

- All central income and cost challenges now unwound, additional costs of injury pensions included along with impact of delayed asset disposals.
- Police officers costs – no variance.

	£m	FTE
Budget	793.8	17,234.0
Q3 Forecast	803.5 <sup>1</sup>	17,249.0
<b>FY variance</b>	<b>-9.7</b>	<b>-15.0</b>
<i>YTD variance</i>	<i>0.7</i>	<i>0.0</i>

### DCC People & Professionalism

- Mainly due to underspends in ill health pensions due to delays in NHS approvals; external legal costs and liability claims due to continued slowdown of court justice system and further underspends in supplies and services and other non-pay items.

	£m	FTE
Budget	53.1	791.8
Q3 Forecast	47.2	784.9
<b>FY variance</b>	<b>5.9</b>	<b>6.9</b>
<i>YTD variance</i>	<i>7.4</i>	<i>4.7</i>

### Forensics & SPA corporate

- Forensic Services (£1.2m over) – Due mainly to overspends in police staff costs.
- SPA Corporate (£0.6m under) - Due to unfilled vacancies (£0.3m) and underspend in non-pay costs (£0.3m).

	£m	FTE
Budget	38.7	561.8
Q3 Forecast	39.3	576.1
<b>FY variance</b>	<b>-0.6</b>	<b>-14.3</b>
<i>YTD variance</i>	<i>0.2</i>	<i>-11.1</i>

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

# Capital

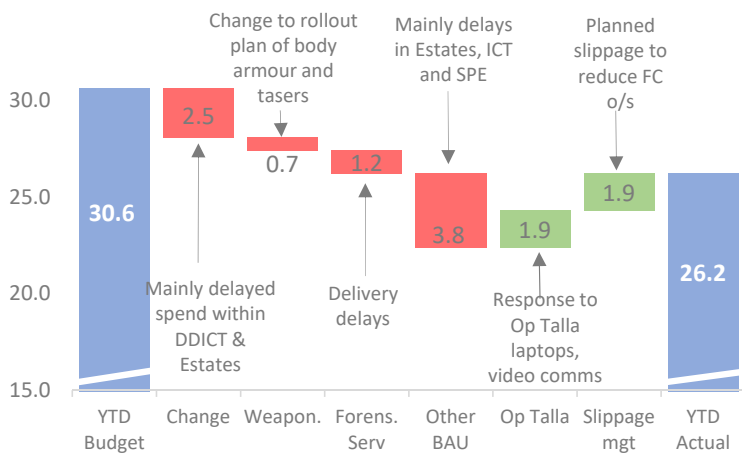
Budget deliverability status remains at amber due to the impact of COVID-19

Year to date under budget by £4.4m

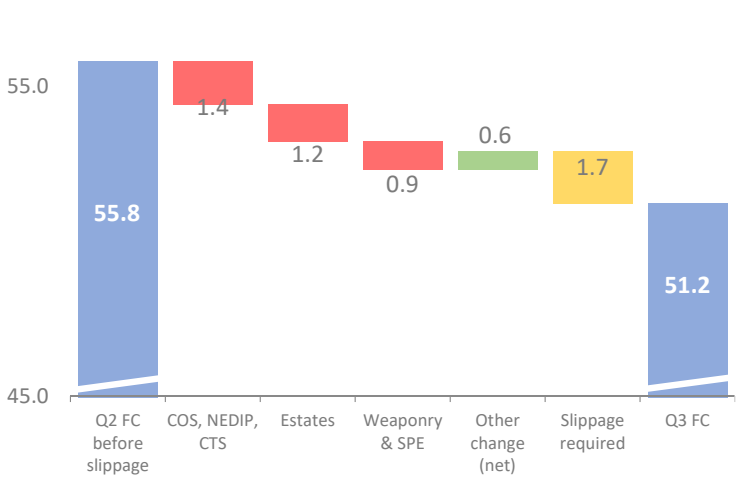
As a result of reduced funding available due to delayed property disposals, FY forecast is reduced to £51.2m (£0.5m under budget)

FY forecast requires £1.7m slippage

## Year to date: budget to actual (£m)



## Forecast: movement Q2 to Q3 (£m)



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## Capital variance by programme (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Estates	5.4	4.1	1.3	11.2	9.7	1.5
Fleet – BAU	3.3	2.3	1.0	3.3	4.4	-1.1
Fleet – green	1.5	3.1	-1.6	5.0	5.0	0.0
ICT	4.6	2.3	2.3	6.7	6.7	0.0
SPE	1.8	1.0	0.8	2.8	3.2	-0.4
Weaponry	1.8	1.1	0.7	3.0	2.4	0.6
Forensics	1.8	0.6	1.2	2.3	2.5	-0.2
Op Talla	0.0	1.9	-1.9	0.0	2.5	-2.5
<i>Change: legislative &amp; inflight</i>						
DDICT	6.2	4.1	2.1	11.0	7.5	3.5
CJ remodel	3.1	3.7	-0.6	3.9	4.5	-0.6
Estates	1.5	0.4	1.1	4.0	1.9	2.1
ESMCP	1.0	0.7	0.3	1.0	0.8	0.2
Other change	0.5	0.9	-0.4	0.8	1.8	-1.0
Slippage	-1.9	0.0	-1.9	-3.3	-1.7	-1.6
<b>Total</b>	<b>30.6</b>	<b>26.2</b>	<b>4.4</b>	<b>51.7</b>	<b>51.2</b>	<b>0.5</b>
<b>Funding</b>						
GIA				45.0	45.4	0.4
Reform				4.6	4.6	0.0
Other grants				0.0	0.1	0.1
Cap receipts				2.1	1.1	-1.0
<b>Total</b>				<b>51.7</b>	<b>51.2</b>	<b>-0.5</b>

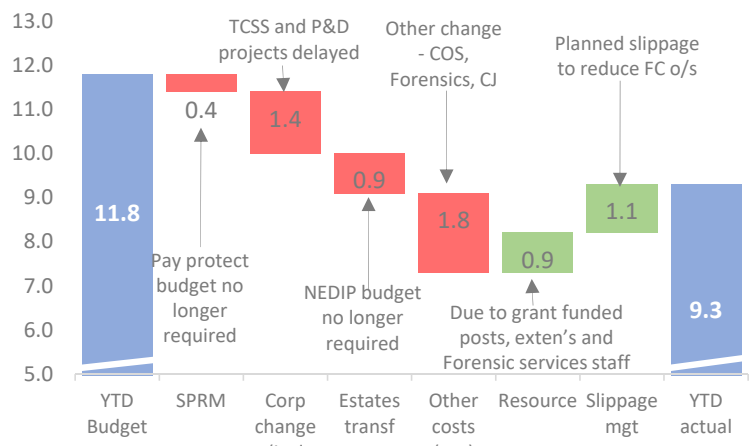
# Reform

Budget deliverability status changed to red

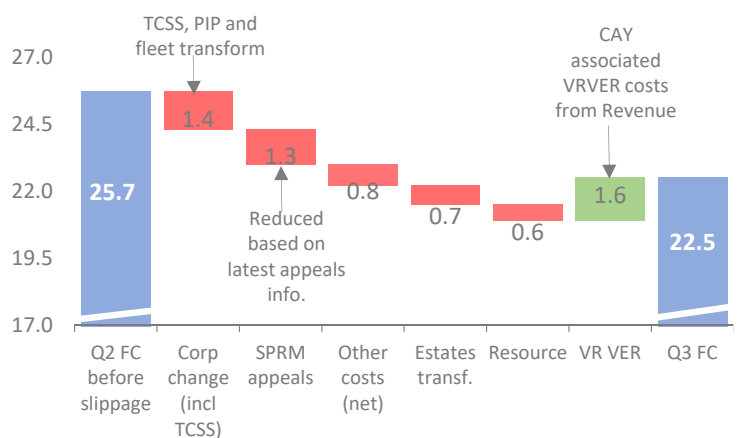
FY forecast underspend versus budget of £2.5m

Mainly due to delays in change programmes, estates transformation and a reduction in estimated costs of SPRM appeals

**Year to date: budget to actual (£m)**



**Forecast: movement Q2 to Q3 (£m)**



**Reform variance by work stream (£m)**

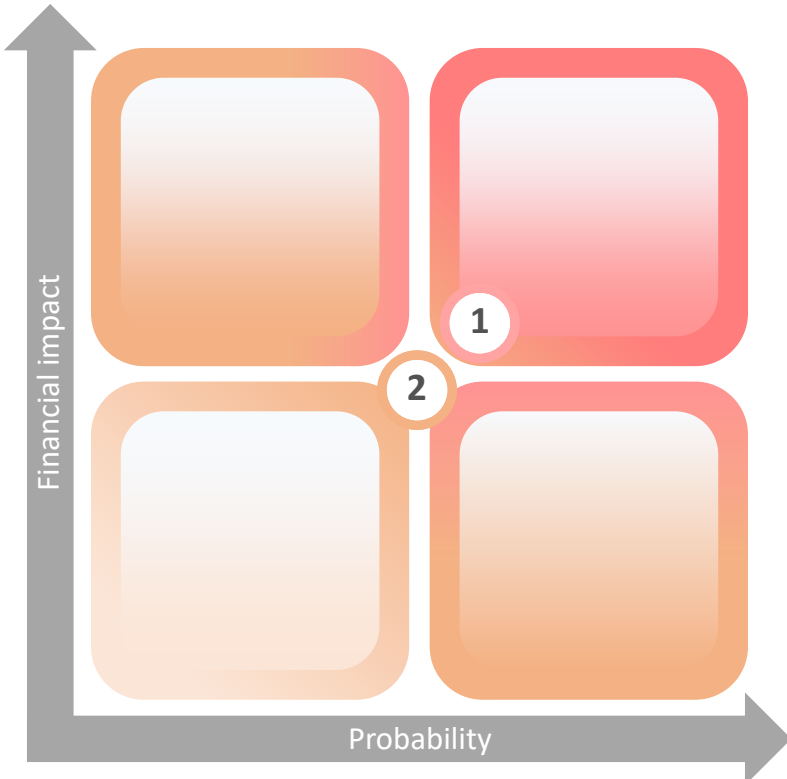
	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Transformation resource	5.1	6.0	-0.9	6.9	8.0	-1.1
SPRM	1.8	1.4	0.4	10.2	6.5	3.7
Corporate change (incl TCSS)	2.2	0.8	1.4	3.4	1.7	1.7
Estates transformation	1.2	0.3	0.9	2.2	1.0	1.2
VR VER	0.6	0.1	0.5	2.1	3.8	-1.7
Op Talla	0.0	0.0	0.0	0.0	0.2	-0.2
Other costs	2.0	0.7	1.3	2.7	1.3	1.4
Slippage mgt	-1.1	0.0	-1.1	-2.5	-0.0	-2.5
<b>Total</b>	<b>11.8</b>	<b>9.3</b>	<b>2.5</b>	<b>25.0</b>	<b>22.5</b>	<b>2.5</b>
<b>Funding</b>				<b>25.0</b>	<b>25.0</b>	<b>0.0</b>

# Risk analysis

The revenue budget is carrying further risks that may materialise

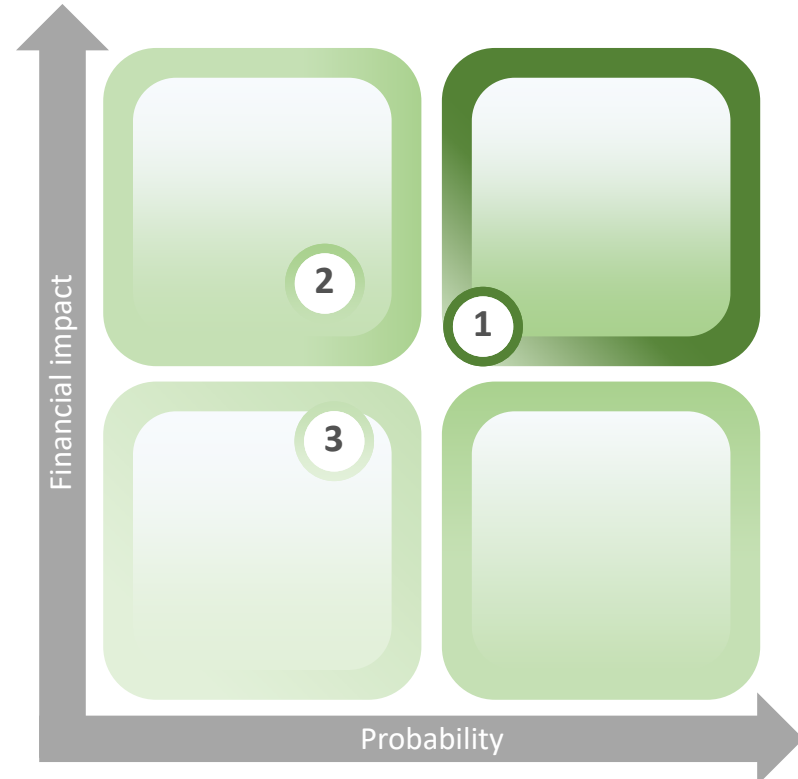
Threats and opportunities risks will continue to be monitored in the final quarter

## Threats



- 1. Potential unbudgeted legal claims and other one-off costs
- 2. Operational impact of COVID-19

## Opportunities



- 1. Non-domestic rates rebates - based on success rate of appeals
- 2. Estates repairs & maintenance - possible delays in contractor completing bill of works due to COVID-19 restrictions
- 3. Ill health pensions – possible further delays in NHS approval due to COVID-19 restrictions