

<b>Meeting</b>	<b>SPA Resources Committee</b>
<b>Date</b>	<b>18 December 2020</b>
<b>Location</b>	<b>Video Conference</b>
<b>Title of Paper</b>	<b>P7 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 Appendix A – Period 7 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 period 7 (year to 31 October 2020) of the financial year 2020/21.

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 period 7 (P7) finance report.

### **Revenue**

- The quarter 2 (Q2) forecast highlighted an expected £1m full-year overspend versus budget which remained in line with the quarter 1 forecast. A number of targeted management actions across recruitment and travel were necessary in order to limit this overspend to £1m. The underlying deficit position would be significantly greater than if not for these management actions taken to mitigate the impact of COVID-19 and one-off in-year benefits.
- The revenue position at P7 is a year-to-date underspend against the Q2 forecast of £0.9m, due mainly to timing variances, and a year-to-date underspend against budget of £7.7m.
- 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 remaining part of the financial year.

### **Capital**

- The year to date capital spend at P7 is over forecast by £0.2m, and a year-to-date underspend against budget of £1.8m.
- As previously reported 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 and other grants.

## OFFICIAL

- 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.
- As a result of the year to date and full-year forecast position, the Capital Investment Group at its October meeting recommended the reallocation of £2.0m investment across other capital projects.

### **Reform**

- The year to date reform spend at P7 over forecast by £0.1m, and a year-to-date underspend against budget of £1.0m.
- As previously reported, 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.
- 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 recommended 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 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 content of this report.



**POLICE  
SCOTLAND**  
POILEAS ALBA

**SCOTTISH POLICE  
AUTHORITY**

**Finance**

FP&A - Financial  
planning & analysis  
team

# Appendix A

# Finance report

## Period 7 2020/21



# Finance dashboard

Period 7 2020/21  
Year to Oct 2020

<b>Revenue</b>	R	A	A
	Aug	Sep	Oct

- YTD £0.9m under forecast
- FY Q2 forecast £1.2m over budget (deficit £1.0m over)

<b>Capital</b>	A	A	A
	Aug	Sep	Oct

- YTD £0.2m over forecast
- FY Q2 forecast £0.7m over budget (fully funded)

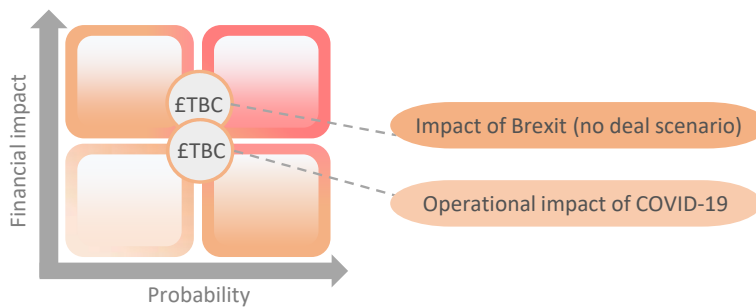
<b>Reform</b>	G	G	G
	Aug	Sep	Oct

- YTD £0.1m over forecast
- FY Q2 forecast £0.5m over budget (fully funded)

## Revenue variance (£m)

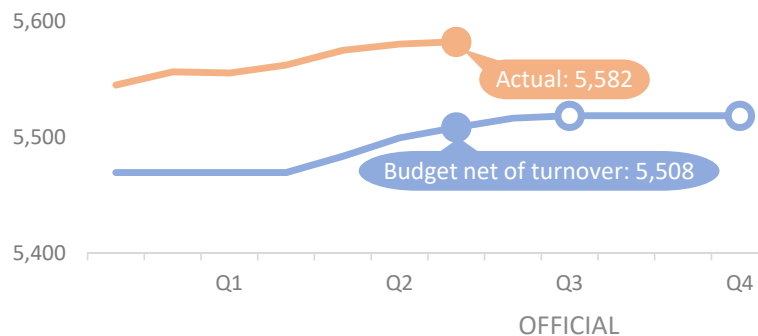
	YTD actual v Q2 FC	FY Q2 FC v Budget
Police Scotland	0.9	-0.4
Forensic Services	0.0	-1.1
SPA corporate	0.0	0.3
<b>Total</b>	<b>0.9</b>	<b>-1.2</b>

## Threats

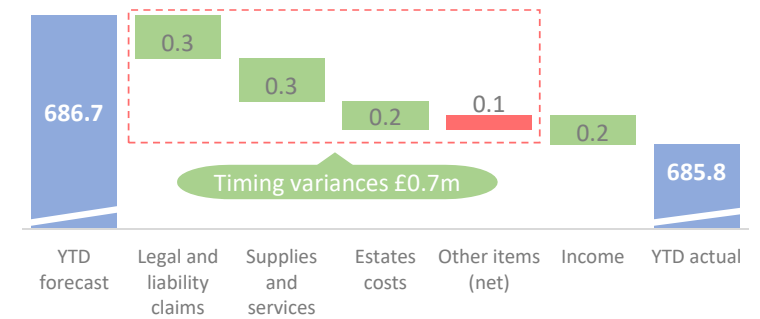


## Police staff numbers (FTE)

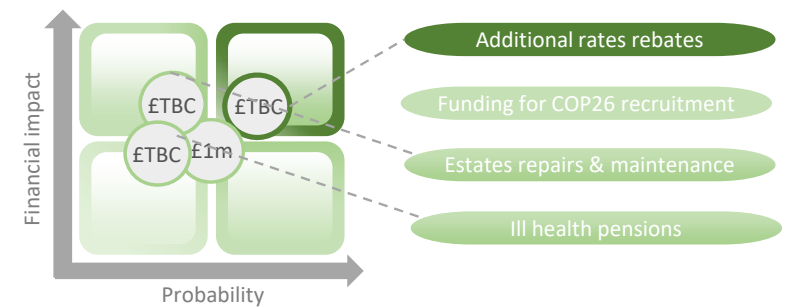
Growing headcount due to low leavers - steps underway to contain.



## Revenue: YTD actual v Q2 forecast (£m)

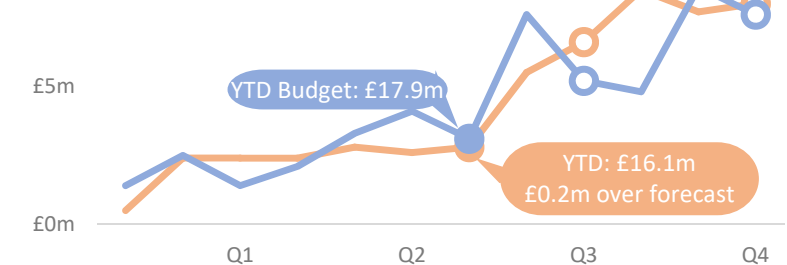


## Opportunities



## Capital (£m)

Capital Investment Group in October recommended the reallocation of £2.0m spend to prioritised areas





# Operation Talla

(policing response to COVID-19)

**2020/21 year to date:**

- Revenue: £5.4m
- Capital: £1.4m
- Total: £6.8m

**2020/21 forecast:**

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

**Revenue forecast (£m)**

	Year to date £m	Forecast £m
PPE & hygiene	5.8	3.4
Stock adjustment	-2.7	
Overtime	1.5	1.6
Other	0.8	1.0
<b>Total</b>	<b>5.4</b>	<b>6.0</b>

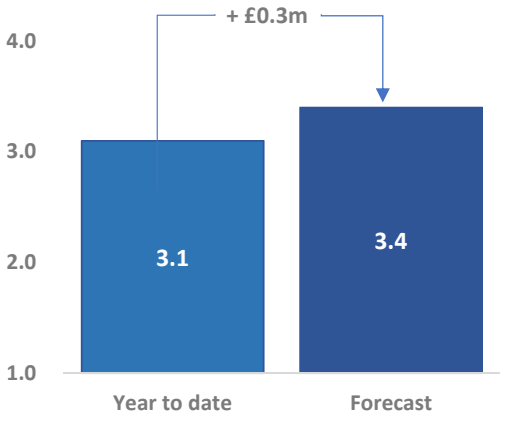
**Capital forecast (£m)**

	Year to date £m	Forecast £m
Laptops	1.4	2.0
Video comms solution	0.0	0.6
<b>Total</b>	<b>1.4</b>	<b>2.6</b>

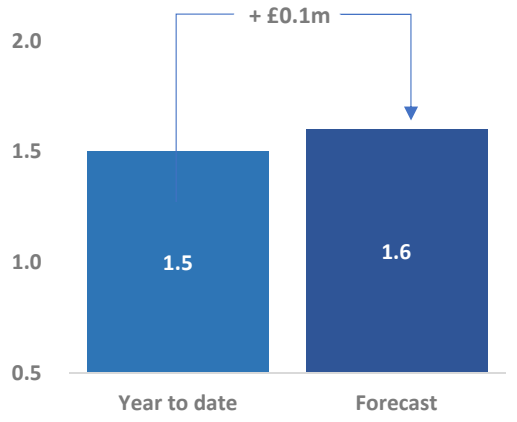
**2019/20 & 2020/21 costs (£m)**

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21 – YTD	5.4	1.4
<b>Total</b>	<b>6.7</b>	<b>1.5</b>
2019/20	1.3	0.1
2020/21 – forecast	6.0	2.6
<b>Total</b>	<b>7.3</b>	<b>2.7</b>

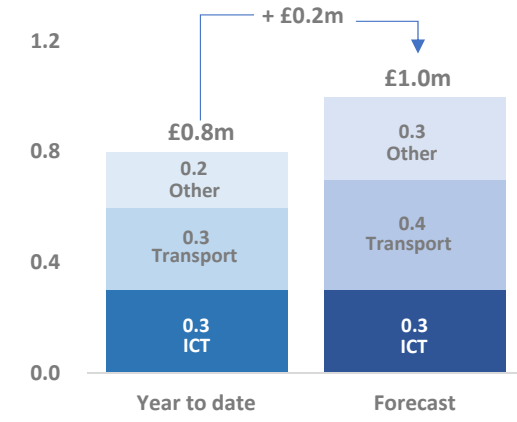
**Revenue: PPE & hygiene (£m)**



**Revenue: overtime (£m)**



**Revenue: other costs (£m)**



# Revenue (service area)

Budget deliverability status remains at amber

Year to date under forecast by £0.9m

Q2 net expenditure forecast £1.2m over FY budget

FY deficit remains £1.0m over budget

## Year to date costs lower than Q2 FC (£0.9m)

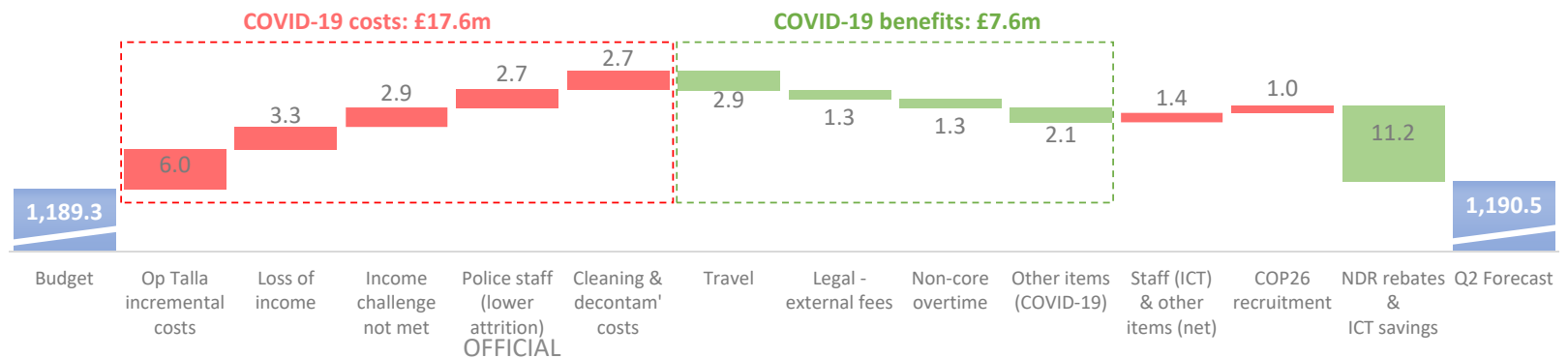
- Due primarily to timing variances.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q3 forecast.
- Full-year net COVID-19 impact now £10.0m (£17.6m cost less £7.6m benefits) with no additional funding from Scottish Government.
- In-year impact of COVID-19 mitigated by one-off benefits and by management actions on recruitment and travel.
- £1.0m in-year impact from accelerated recruitment for COP26 in March 2020.
- Lower staff attrition results in cost pressure from non-achievement of budgeted turnover “savings”.

## Detailed revenue variance (£m)

	Year to date			Full year		
	Q2 FC £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Police Scotland	664.2	663.3	0.9	1,150.6	1,151.0	-0.4
Forensic Services	20.5	20.5	0.0	34.2	35.3	-1.1
SPA Corporate	2.0	2.0	0.0	4.5	4.2	0.3
<b>Total</b>	<b>686.7</b>	<b>685.8</b>	<b>0.9</b>	<b>1,189.3</b>	<b>1,190.5</b>	<b>-1.2</b>
<b>Funding</b>						
GIA				1,145.3	1,145.5	-0.2
Core deficit				44.0	45.0	-1.0
<b>Total</b>				<b>1,189.3</b>	<b>1,190.5</b>	<b>-1.2</b>

## 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)

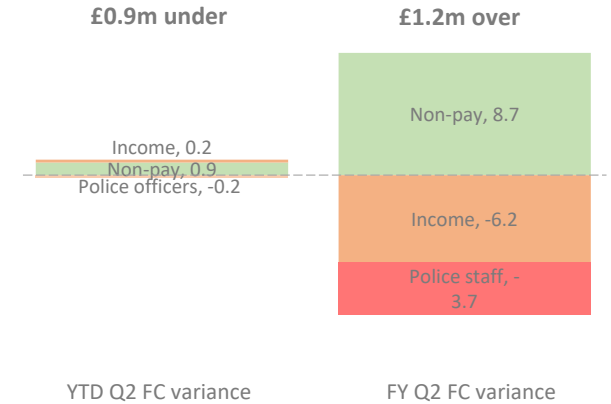
Q2 forecast assumes £6m of direct Operation Talla costs

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

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

	Year to date				Full year			
	Q2 FC £m	Actual £m	Var. £m	Var. %	Budget £m	Q2 FC £m	Var. £m	Var. %
Police officers	474.6	474.8	-0.2	-0.0%	817.8	817.8	0.0	0.0%
Police staff	139.6	139.6	0.0	0.0%	235.8	239.5	-3.7	-1.6%
Non-pay	87.8	86.9	+0.9	+1.0%	168.2	159.5	+8.7	+5.2%
Income	-15.3	-15.5	+0.2	+1.3%	-32.5	-26.3	-6.2	-19.1%
<b>Total</b>	<b>686.7</b>	<b>685.8</b>	<b>+0.9</b>	<b>+0.1%</b>	<b>1,189.3</b>	<b>1,190.5</b>	<b>-1.2</b>	<b>-0.1%</b>

## YTD & FY Q2 FC variance (£m)



### Pay

- Police officers (£0.2m over) - no material variances to highlight.
- Police staff – no variance to highlight. Recruitment and attrition levels will continue to require careful monitoring to safeguard achievement of forecast.

### Non-pay

- Legal and liability claims (£0.3m under) - as a result of slowdown in the court justice system. The potential full year impact is being carefully monitored.
- Supplies and services (£0.3m under) – mainly due to the ongoing, unpredictable nature of Op Talla consumables (£0.2m) along with a delay in receiving ammunition goods (£0.1m).
- Estates (£0.2m under) - primarily due to timing differences relating to utilities and cleaning costs.
- Other non-pay costs (£0.1m under) - net underspends against Q2 forecast over various spend areas.

### Income

- Primarily due to rental & hire income (£0.1m) and one-off other income (£0.1m).

# Revenue

## (further business area detail)

The majority of year to date variances are in line with forecast

Where YTD FC variances exist, these are being monitored and may crystallise in the Q3 forecast

### DCC Local Policing

- No variance to report.

	£m	FTE
Forecast	66.4	2,608.0
Actual	66.4	2,613.8
<b>YTD variance</b>	<b>0.0</b>	<b>-5.8</b>
<i>FY FC v budget</i>	<i>-0.9</i>	<i>-47.5</i>

### Deputy Chief Officer

- Underspends in estates costs (£0.2m) primarily due to timing differences relating to utilities and cleaning costs and an over-recovery in rental & hire income (£0.1m).

	£m	FTE
Forecast	74.2	1,020.7
Actual	73.9	1,021.1
<b>YTD variance</b>	<b>0.3</b>	<b>-0.4</b>
<i>FY FC v budget</i>	<i>9.3</i>	<i>-8.3</i>

### DCC Crime & Op Support

- Underspends in supplies and services mainly due to the ongoing, unpredictable nature of Op Talla consumables (£0.2m) along with a delay in receiving ammunition goods (£0.1m) and other non-pay timing underspends (£0.1m).

	£m	FTE
Forecast	28.4	593.0
Actual	28.0	590.5
<b>YTD variance</b>	<b>0.4</b>	<b>2.5</b>
<i>FY FC v budget</i>	<i>-4.8</i>	<i>-5.6</i>

### Corporate centre

- Climate change COP26 - no material variance to highlight (£0.1m).
- Non distributable costs - non-pay timing overspends (£0.2m).
- Police officers costs - no material variance to highlight (£0.2m).

	£m	FTE
Forecast	469.1	17,238.8
Actual	469.6	17,253.8
<b>YTD variance</b>	<b>-0.5</b>	<b>-15.0</b>
<i>FY FC v budget</i>	<i>-7.1</i>	<i>-5.3</i>

### DCC People & Professionalism

- Underspends in external legal costs and liability claims (£0.3m) due to continued slowdown of court justice system, training costs (£0.1m) and other non-pay timing underspends (£0.3m).

	£m	FTE
Forecast	26.1	786.9
Actual	25.4	784.0
<b>YTD variance</b>	<b>0.7</b>	<b>2.9</b>
<i>FY FC v budget</i>	<i>3.1</i>	<i>6.9</i>

### Forensics & SPA corporate

- Forensic Services – no variance to report.
- SPA Corporate – no variance to report.

	£m	FTE
Forecast	22.5	571.1
Actual	22.5	568.3
<b>YTD variance</b>	<b>0.0</b>	<b>2.8</b>
<i>FY FC v budget</i>	<i>-0.8</i>	<i>-14.3</i>

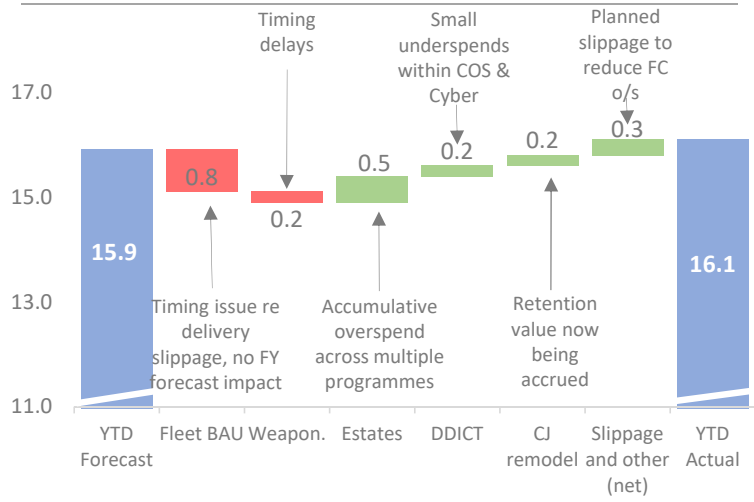
# Capital

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

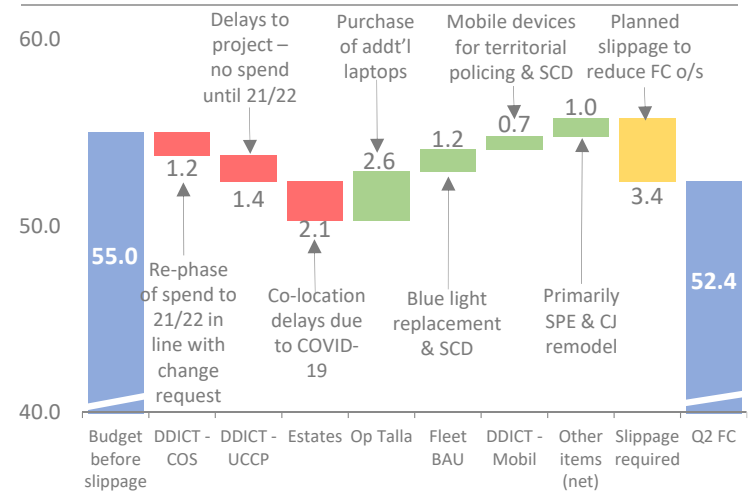
Year to date over forecast by £0.2m

FY forecast requires £3.4m slippage

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



## Forecast: budget to Q2 FC (£m)



OFFICIAL

## Capital variance by programme (£m)

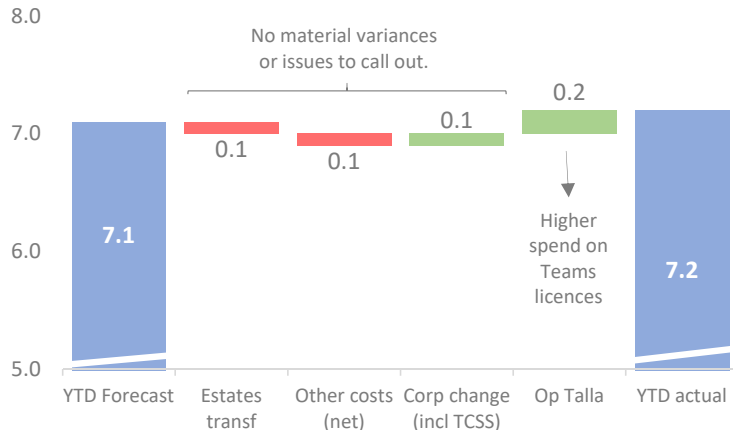
	Year to date			Full year		
	Q2 FC £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Estates	1.9	2.4	-0.5	11.2	10.9	0.3
Fleet – BAU	2.1	1.3	0.8	3.3	4.5	-1.2
Fleet – green	0.6	0.7	-0.1	5.0	5.0	0.0
ICT	1.0	1.0	0.0	6.7	6.7	0.0
SPE	0.8	0.7	0.1	2.8	3.4	-0.6
Weaponry	0.7	0.5	0.2	3.0	3.0	0.0
Forensics	0.6	0.6	0.0	2.3	2.5	-0.2
Op Talla	1.3	1.4	-0.1	0.0	2.6	-2.6
COP26	0.0	0.0	0.0	0.0	0.1	-0.1
<i>Change: legislative &amp; inflight</i>						
DDICT	2.9	3.1	-0.2	11.0	8.6	2.4
CJ remodel	2.5	2.7	-0.2	3.9	4.3	-0.4
Estates	0.3	0.4	-0.1	4.0	2.2	1.8
ESMCP	0.7	0.7	0.0	1.0	0.8	0.2
Other change	0.7	0.6	0.1	0.8	1.2	-0.4
Slippage	-0.2	0.0	-0.2	-3.3	-3.4	0.1
<b>Total</b>	<b>15.9</b>	<b>16.1</b>	<b>-0.2</b>	<b>51.7</b>	<b>52.4</b>	<b>-0.7</b>
<b>Funding</b>						
GIA				45.0	45.7	0.7
Reform				4.6	4.6	0.0
Cap receipts				2.1	2.1	0.0
<b>Total</b>				<b>51.7</b>	<b>52.4</b>	<b>0.7</b>

# Reform

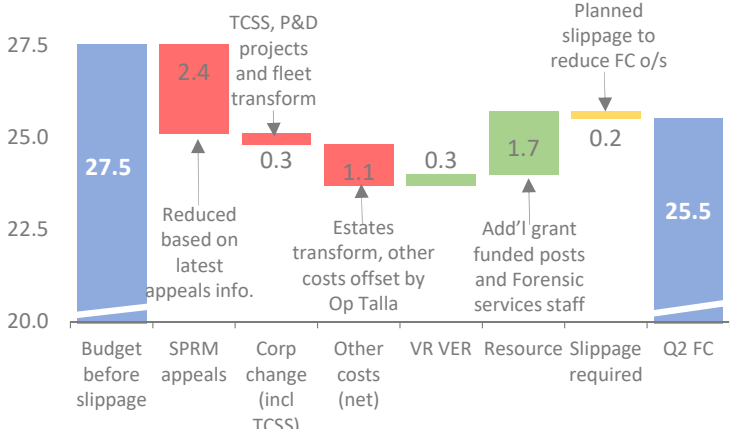
Budget deliverability status remains at green

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

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



### Forecast: budget to Q2 FC (£m)



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

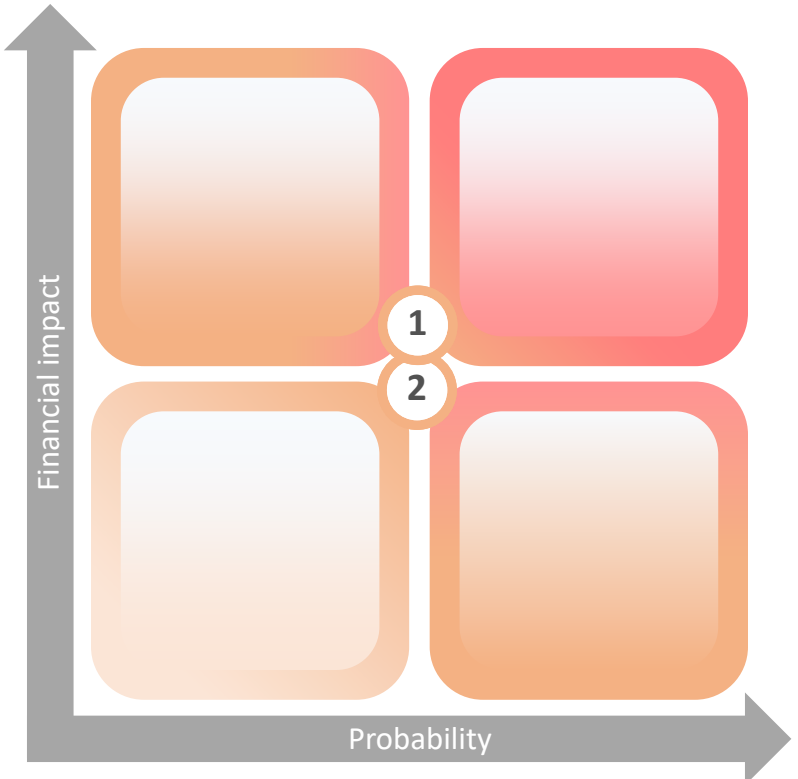
	Year to date			Full year		
	Q2 FC £m	Actual £m	Var. £m	Budget £m	Q2 FC £m	Var. £m
Transformation resource	4.6	4.6	0.0	6.9	8.6	-1.7
SPRM	1.1	1.1	0.0	10.2	7.8	2.4
Corporate change (incl TCSS)	0.7	0.8	-0.1	3.4	3.1	0.3
Estates transformation	0.2	0.1	0.1	2.2	1.7	0.5
VR VER	0.0	0.0	0.0	2.1	2.4	-0.3
Op Talla	0.1	0.3	-0.2	0.0	0.3	-0.3
Other costs	0.4	0.3	0.1	2.7	1.8	0.9
Slippage mgt	0.0	0.0	0.0	-2.5	-0.2	-2.3
<b>Total</b>	<b>7.1</b>	<b>7.2</b>	<b>-0.1</b>	<b>25.0</b>	<b>25.5</b>	<b>-0.5</b>
<b>Funding</b>				<b>25.0</b>	<b>25.5</b>	<b>0.5</b>

# Risk analysis

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

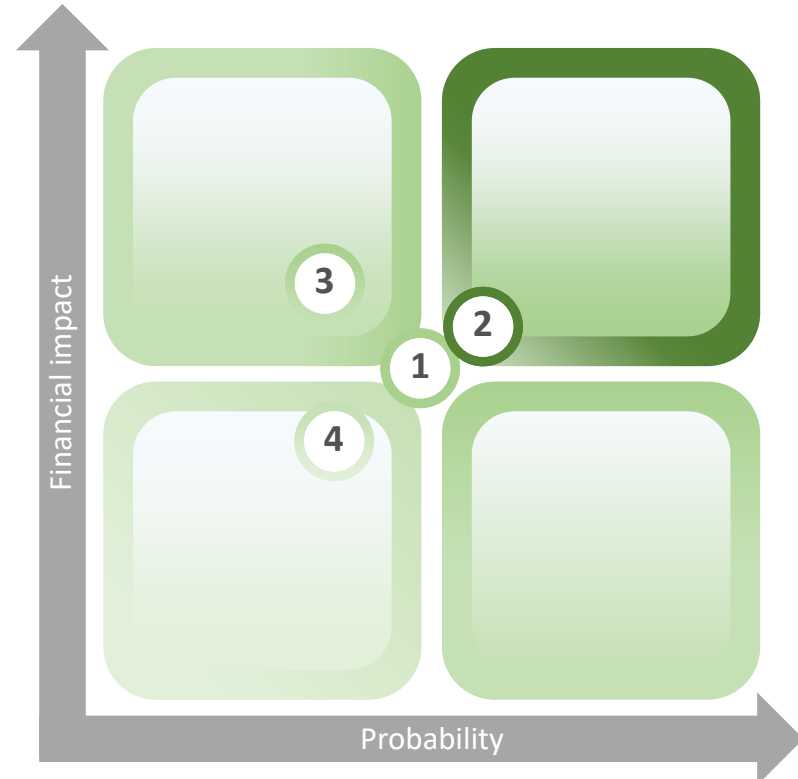
Threats and opportunities risks will continue to be monitored in Q3

## 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