

Meeting	SPA Resources Committee
Date	8 September 2020
Location	Video Conference
Title of Paper	P4 Financial Monitoring Report
Presented By	Chris Brown, Strategic Financial Planning and Budgeting Lead
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Period 4 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 period four (year to 31 July) 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 finance report.

Revenue

- The revenue position at period 4 is a year-to-date underspend against forecast of £0.9m, mainly due to timing variances, and a year-to-date underspend against budget of £0.8m.
- As previously reported the draft quarter one forecast submissions initially highlighted a potential £8m overspend versus budget. However, as a result of specific management actions agreed by the Force Executive, the revenue core operating deficit of £45.0m at quarter one is restricted to a £1.0m overspend against budget.
- As previously reported, 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 remains the single biggest risk to the quarter one forecast position.

Capital

- The capital position at period 4 is a year-to-date overspend against forecast of £0.7m, mainly due to timing variances, and a year-to-date overspend against budget of £0.3m.
- As previously reported 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.

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- Unbudgeted spend of £1.3m (with a further £0.6m expected) has been incurred as a result of the COVID-19 response.
- The COVID-19 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.
- Grant awards of £0.3m have been received post budget allocation for Drug Driving and Virtual Courts investment.

Reform

- The revenue reform position at period 4 is a year-to-date underspend against forecast of £0.2m, mainly due to timing variances, and a year-to-date underspend against budget of £0.6m.
- As previously reported, 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.

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.

£0.9m

Year to date revenue underspend vs. Q1 FC

£0.8m year to date underspend vs. Budget

Budget deliverability status

Revenue



Capital



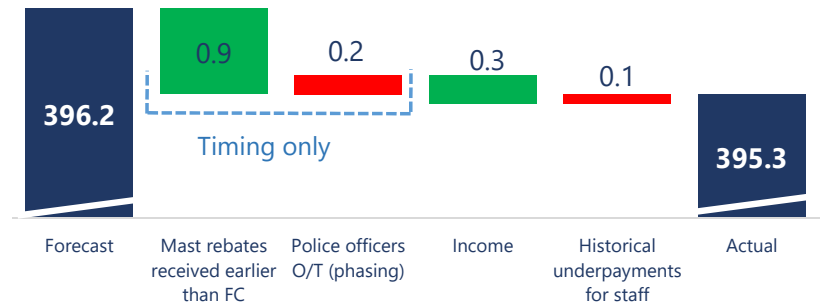
Reform



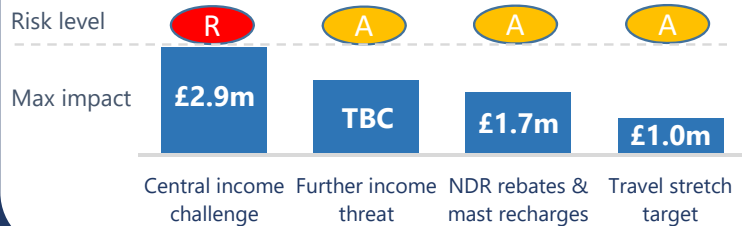
Period 4 2020/21 Finance Dashboard

Year to July 2020

YTD actual costs lower than FC due to timing variances

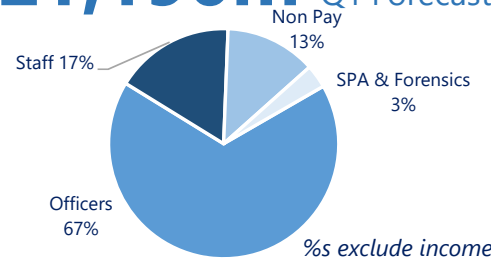


A number of material threats may impact delivery of the forecast

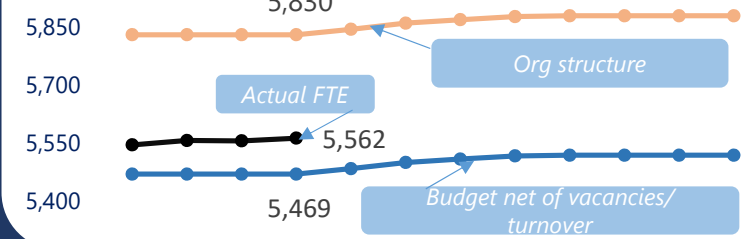


£1,190m

Q1 Forecast



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

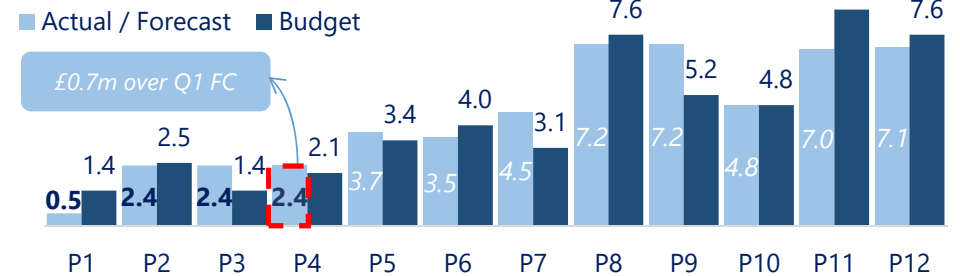


Variance



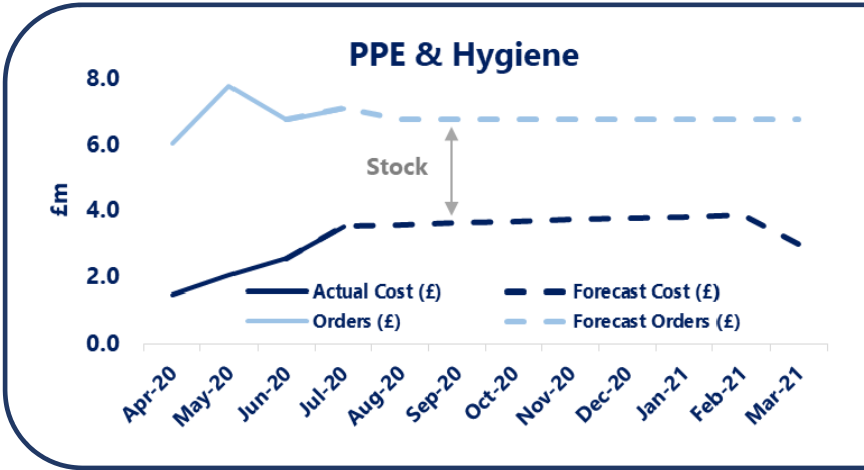
Capital expenditure £0.7m over forecast YTD

Year to date and full year Q1 Forecast £0.3m over budget **but fully funded**



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Operation Talla (Policing of COVID-19)

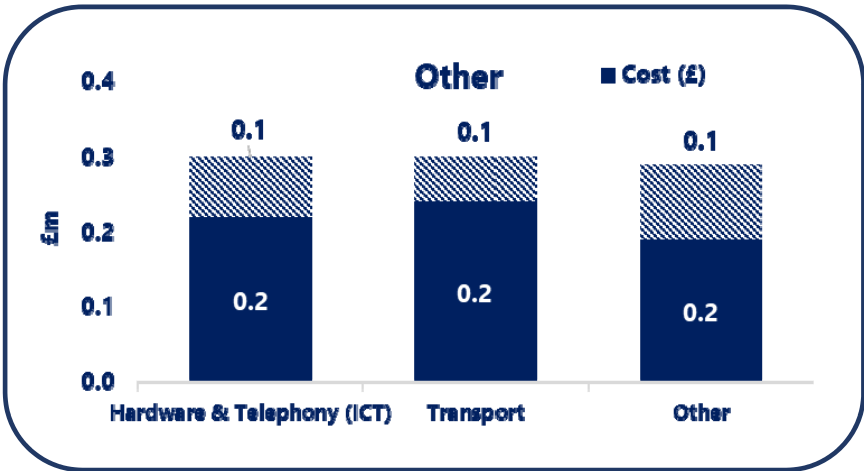
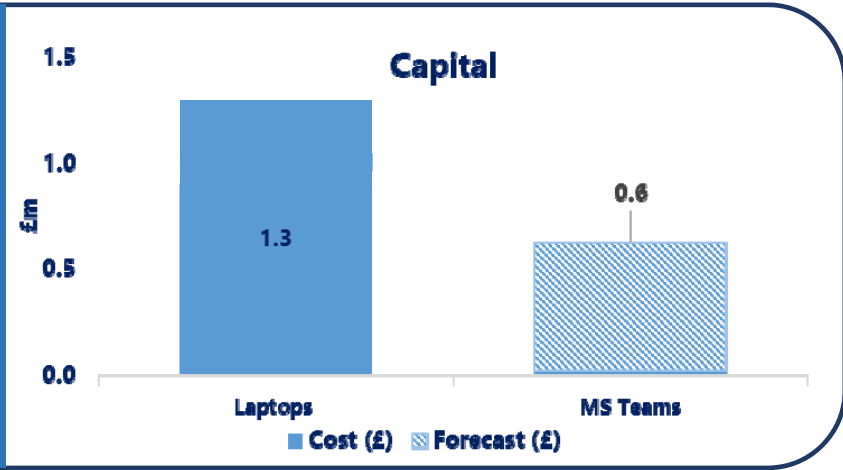


Period 4 2020/21

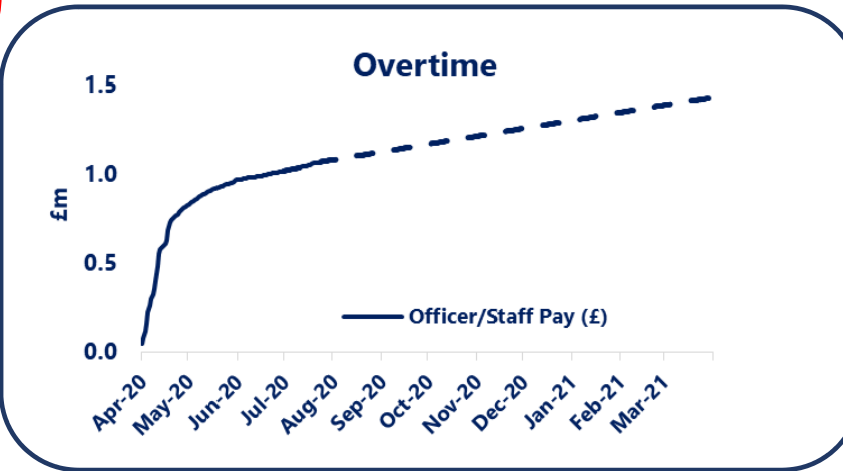
Total cost of the operation to date **£6.9m (£1.4m Capital/£5.5m Revenue)**

Total 20/21 year to date cost **£5.5m (£1.3m Capital/£4.2m Revenue)**

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



	20/21 YTD	20/21 Forecast
Revenue	£4.2	£5.3
PPE & Hygiene	£5.2	£3.0
Stock Adj.	(£2.7)	
Overtime	£1.1	£1.4
Other	£0.6	£0.9

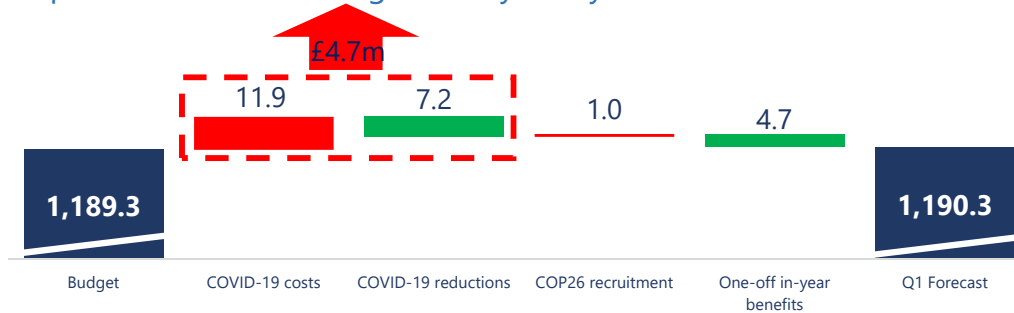


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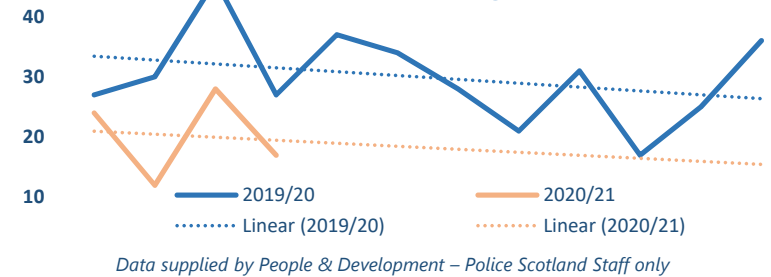
Revenue summary

Budget deliverability status remains at **red** due to the impact of COVID-19.

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



Lower staff turnover drives erosion of **budgeted** turnover savings



	Year to date				Full year		
	Budget	Actual	Var.	Var. to Q1 FC	Budget	Q1 FC	Var.
	£m	£m	£m	£m	£m	£m	£m
Police Scotland	383.0	382.1	0.9	0.9	1,150.6	1,150.5	0.1
Forensic Services	11.6	12.0	-0.4	0.0	34.2	35.6	-1.4
SPA Corporate	1.5	1.2	0.3	0.0	4.5	4.2	0.3
Total	396.1	395.3	0.8	0.9	1,189.3	1,190.3	-1.0
Funding:							
Grant in aid					1,145.3	1,145.3	0.0
Operating deficit - core					44.0	45.0	-1.0
Total					1,189.3	1,190.3	-1.0

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Headlines

- Year to date costs lower than Q1 forecast (£0.9m) mainly due to timing variances
- 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 (actual v forecast)

	Year to date			Full year		
	Forecast	Actual	Variance	Budget	Q1 Forecast	Variance
	£m	£m	£m	£m	£m	£m
Police Officers	271.7	271.9	-0.2	817.8	818.7	-0.9
Police staff	79.7	79.9	-0.2	235.8	238.5	-2.7
Non-pay	53.1	52.1	1.0	168.2	163.7	4.5
Income	-8.3	-8.6	0.3	-32.5	-30.6	-1.9
Total	396.2	395.3	0.9	1,189.3	1,190.3	-1.0

Non-pay



£1.0m Other non-pay costs (1.9%)

Primarily mast rates rebates received (£0.9m) earlier than our radio mast management agent anticipated which had assumed a receipt in August.

Income



£0.3m Income (3.6%)

Additional income received higher than forecast relating to services of police income (£0.1m), public fees (£0.1m) and other income (£0.1m).

Pay



-£0.2m Police Officers (-0.1%)

Primarily due to Police Officer overtime. This is a timing/phasing variance which will not impact on the full year position.



-£0.2m Police Staff (-0.3%)

Primarily due to the back-payment of historical underpayments (£0.1m) for pay legacy anomalies that were identified and corrected through the implementation of SPRM. The back-payment element refers to the period prior to April 2019.

Revenue performance and FTE by function (actual v forecast)

Business area	Forecast variance (£m)	Forecast FTE	Vs. Actual FTE
Local Policing North (incl C3)	-0.1	1,289.9	(5.5)
Local Policing East	0.0	215.8	0.8
Local Policing West	0.0	243.1	(2.0)
Criminal Justice	-0.2	827.6	(0.5)
Part, Prevention & Com Wellbeing	0.1	16.7	1.0
Other	0.0	-	-
Total DCC Local Policing	-0.2	2,593.1	(6.2)
Specialist Crime & Intel	0.1	265.1	1.9
Operational Support	0.1	253.1	(0.9)
Crime & Protection	0.0	80.0	0.0
Other	0.0	-	-
Total DCC Crime and Operations	0.2	598.2	1.0
People & Development	0.3	450.7	2.0
Professionalism & Assurance	0.1	132.2	1.0
Chief Data Officer	0.1	112.8	0.0
Legal	0.4	26.7	0.0
Corporate Comms	0.0	63.7	0.1
Other	0.0	2.2	-
Total People and Professionalism	0.9	788.3	3.1
ICT	0.0	315.4	(0.9)
Chief Financial Officer	1.1	466.5	4.6
Business Integration	0.0	160.3	(0.1)
Strategy & Change	0.0	59.6	0.0
Other	0.0	0.0	0.0
Total Deputy Chief Officer	1.1	1,001.8	3.6
Climate change (COP26)	-0.3	-	-
Police Officer Costs	0.0	17,273.0 ¹	n/a
Non Distributed Costs	-0.8	16.2	11.4
Total Police Scotland	0.9	22,270.6	12.9
Forensic Services	0.0	531.1	(10.6)
SPA Corporate	0.0	35.8	0.0
Total Police Authority	0.9	22,837.5	2.3

DCC Local Policing – There are no material variances to highlight.

DCC Crime & Operational Support – There are no material variances to highlight.

DCC People and Professionalism – Due to underspends in external legal costs (£0.2m), legal liability claims (£0.2m), special constables (£0.1m), other employee costs (£0.1m), other non-pay costs (£0.2m) and an over-recovery of income (£0.1m). These are mainly timing/phasing variances within P&D and legal services and will not impact on the full year position.

Deputy Chief Officer - Primarily due to property rates rebates (£0.9m) received earlier than forecast and other estates costs (£0.2m). These are mainly timing/phasing variances within the CFO portfolio and will not impact on the full year position.

Climate change (COP26) – Mainly due to the cost of public order protective suits (£0.2m).

Police Officer Costs – no variance to report.

Non Distributable Costs (corporate centre) – Central adjustments made to compensate for timing variances primarily across P&D and legal services divisions (£0.5m), overspends in other employee costs (£0.1m) and other third party payments (£0.1m).

Forensic Services – no variance to report.

SPA Corporate – no variance to report.

¹ Police officer FTE per last externally reported quarter end 30 June 2020

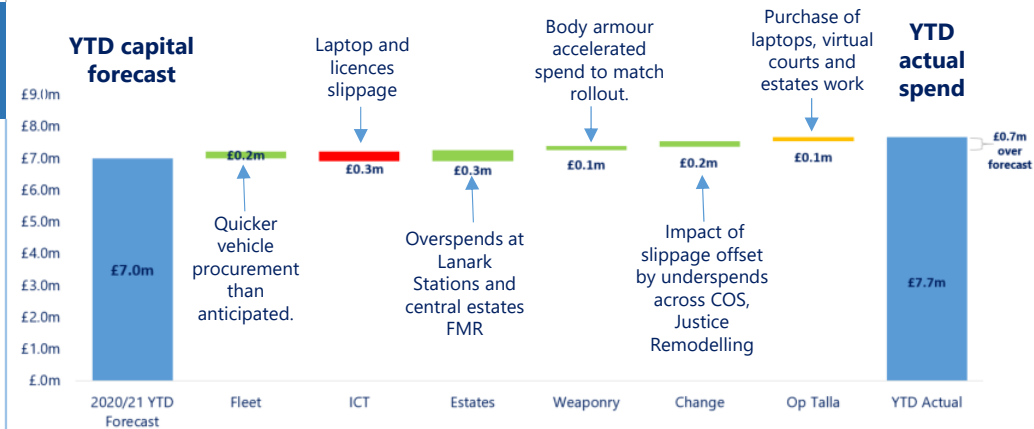
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Capital

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

	Year to date				Full year		
	Budget	Actual	Var.	Var. to Q1 FC	Budget	Q1 FC	Var.
	£m	£m	£m	£m	£m	£m	£m
Estates	0.9	0.7	0.2	-0.3	11.2	11.2	0.0
Fleet (rolling replacement)	0.1	0.4	-0.3	-0.2	3.3	3.4	-0.1
Fleet (green)	0.4	0.4	0.0	0.0	5.0	5.0	0.0
ICT	0.3	0.2	0.1	0.3	6.7	6.7	0.0
Specialist policing equipment	0.5	0.6	-0.1	0.0	2.8	3.3	-0.5
Weaponry	0.6	0.3	0.3	-0.1	3.0	3.0	0.0
Forensic Services	0.3	0.1	0.2	0.0	2.3	2.3	0.0
Operation Talla	0.0	1.3	-1.3	-0.2	0.0	1.9	-1.9
<i>Change: legislative & inflight only</i>							
DDICT: core operating solutions	1.6	1.5	0.1	0.0	6.3	6.3	0.0
DDICT: unified comms & ICSS	0.3	0.3	0.0	0.0	2.8	2.8	0.0
DDICT: other items	0.4	0.1	0.3	0.0	1.9	1.8	0.1
Criminal justice - remodelling	1.2	0.9	0.3	0.1	3.9	4.0	-0.1
Estates (NESC / Haddington)	0.2	0.0	0.2	0.0	4.0	3.6	0.4
ESMCP resilience	0.9	0.6	0.3	0.0	1.0	0.8	0.2
Other change	0.2	0.3	-0.1	0.0	0.8	1.0	-0.2
Slippage management	-0.5	0.0	-0.5	-0.3	-3.3	-5.1	1.8
Total capital	7.4	7.7	-0.3	-0.7	51.7	52.0	-0.3
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
Total funding					51.7	52.0	0.3

Capital expenditure year-to-date



Budget to forecast progression



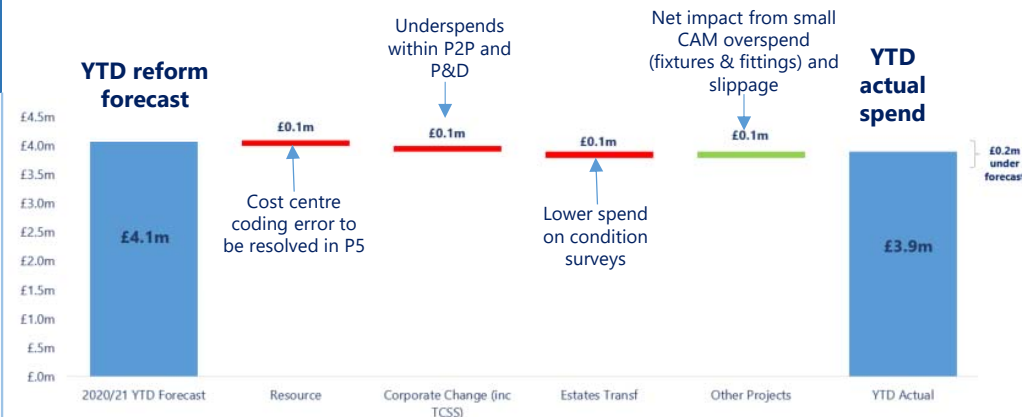
Capital expenditure to support agile working (laptops, video comms etc) has increased the level of slippage required to meet budget.

Reform

Budget deliverability status remains at **green**.

	Year to date				Full year		
	Budget £m	Actual £m	Var. £m	Var. to Q1 FC £m	Budget £m	Q1 FC £m	Var. £m
Transformation resource	2.2	2.4	-0.2	0.1	6.9	7.6	-0.7
SPRM	1.0	0.6	0.4	0.0	10.2	9.8	0.4
National ICSS	0.2	0.0	0.2	0.0	0.2	0.0	0.2
Core operating solutions	0.1	0.0	0.1	0.0	0.6	0.4	0.2
Corporate change (incl TCSS)	0.6	0.5	0.1	0.1	3.4	3.4	0.0
Estates transformation	0.2	0.1	0.1	0.1	2.2	1.9	0.3
Mobile working	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Custody & criminal justice	0.2	0.0	0.2	0.0	0.5	0.2	0.3
Cyber & technical surveillance	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Forensics analysis - general	0.1	0.0	0.1	0.0	0.2	0.0	0.2
Cyber resilience	0.1	0.1	0.0	0.0	0.2	0.2	0.0
VR VER	0.0	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	0.0	0.4	-0.4
Small change	0.3	0.2	0.1	0.0	0.8	0.8	0.0
Slippage management	-0.5	0.0	-0.5	-0.1	-2.5	-1.7	-0.8
Total reform expenditure	4.5	3.9	0.6	0.2	25.0	25.3	-0.3
Grant in aid					25.0	25.3	0.3
Total funding					25.0	25.3	0.3

Reform expenditure year-to-date



Budget to forecast progression

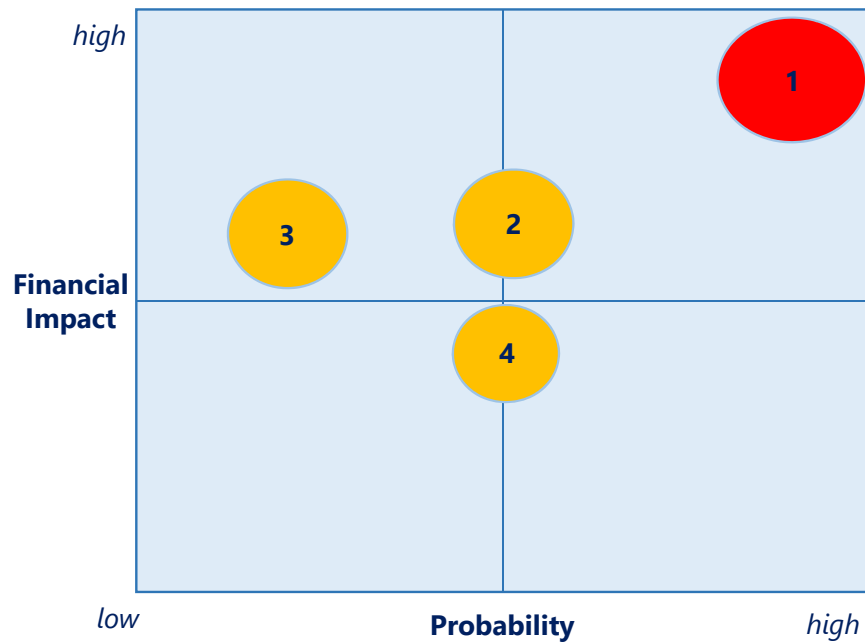


Reform expenditure profile and reforecast changes have decreased the level of slippage required to meet budget.

Threats and opportunities

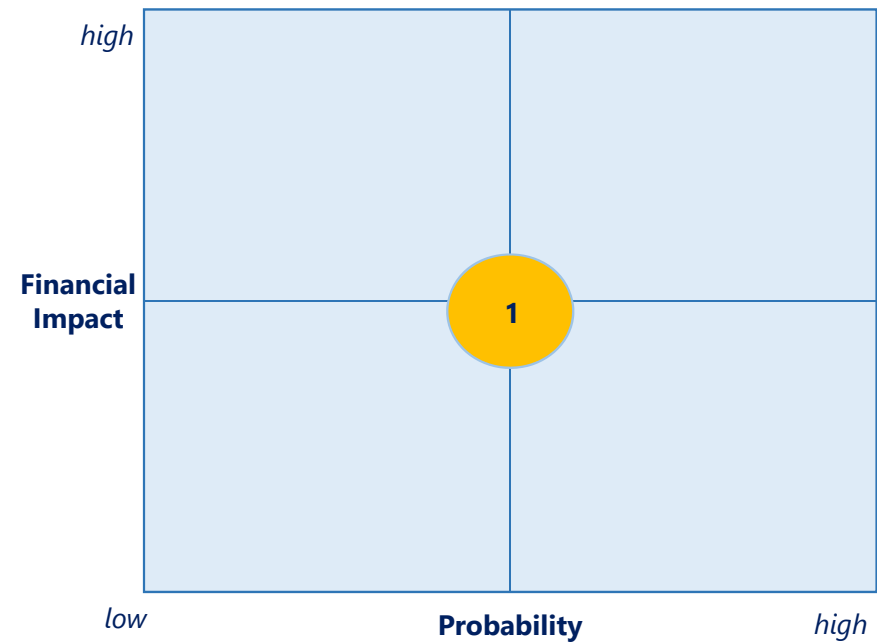
The following charts summarise the key threats and opportunities that could result in a material change to the forecast out-turn. These include any budgeting assumptions where there is a risk that the assumption will materially change from what was approved when the budget was set.

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