

Meeting	SPA Resources Committee
Date	23 April 2020
Location	Tele-conference
Title of Paper	Financial Monitoring Report – Period 11
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Period 11 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 eleven (year to 29 Feb) of the financial year 2019/20.

Members are invited to discuss the contents 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 revenue position at period 11 is a year-to-date underspend against budget of £0.7m (underspend against forecast of £0.7m) and, as previously reported, the full year operating deficit of £25.6m at quarter three is £1.0m over budget.
- The budget was set with a £4.8m central cost challenge and a £2.0m income challenge. There was a further £1.0m income stretch target set to mitigate against quarter two cost pressures of £1.5m (across Estates, Legal and staff costs). These challenges have now been resolved.
- **Material threats now include the impact of COVID-19, which based on commitments to date and estimated delivery times may result in an increase in the deficit vs. the Q3 forecast of up to £0.6m (from £1.0m to ~£1.6m).** A number of the previously highlighted threats either crystallised in the quarter three forecast or have been mitigated.

Capital

- The year to date position is £5.3m under budget (£1.6m under forecast) and is primarily due to timing/phasing and slippage on specialist policing equipment, weaponry (BAU) and CTS programme (change).
- As previously reported, the quarter three forecast spend is £2.5m above budget but offset by compensating increased funding, primarily from property disposals and successful bids to the SG Justice Transformation fund.

- Across both BAU and Transformation, spending plans have been subject to continuous review and challenge over Q4. Where there were challenges to delivery as result of COVID-19 (supply issues from China being an example), plans have been put in place to mitigate risk. These mitigations were designed to be flexible and as a result could be accelerated or decelerated depending on the latest capital position which has been monitored daily.

Reform

- The year to date position is £3.4m under budget (£0.2m under forecast) and is primarily due to timing/phasing and slippage on core operating solutions (COS), transforming corporate support services (TCSS), mobile working and contact assessment model (CAM).
- As previously reported, the quarter three forecast is £1.0m under budget due to grant-in-aid funding being reduced from £25.0m to £24.0m, reflecting SPA contribution to the overall Scottish Government package for Brexit-related measures.
- The quarter three forecast is in line overall with funding available. Projected underspends on TCSS, COS, CAM and Mobile projected have been re-prioritised to other projects including analytics transformation, north east integration project, leadership assessment and fleet strategy.
- The portfolio has been closely monitored and managed throughout Q4 to ensure spending targets are achieved.

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 financial position within the finance report.

£0.7m

Year to date revenue underspend vs. budget

£0.7m underspend vs. forecast (timing only)

Budget deliverability status

Revenue



Capital



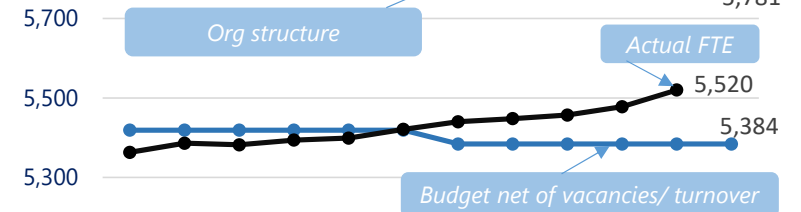
Reform



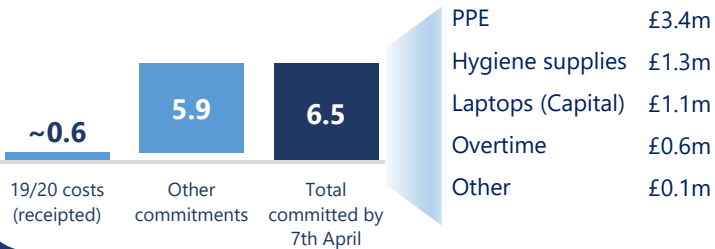
Period 11 2019/20 Finance Dashboard

Year to February 2020

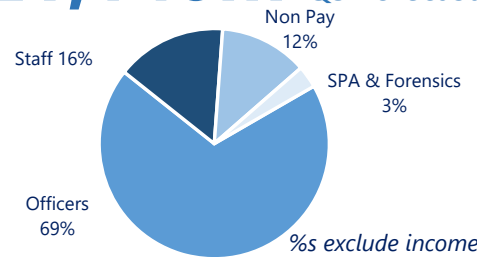
Staff headcount continues to out-pace budget assumptions on vacancies and turnover



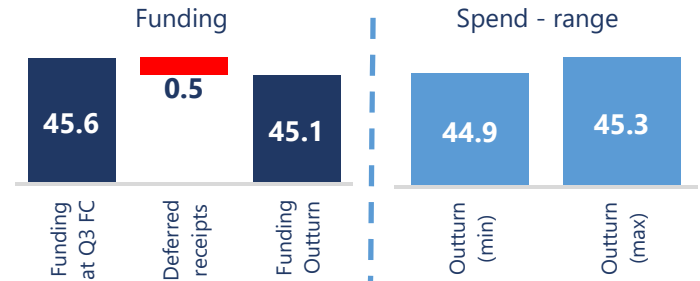
FY deficit **may** increase by up to £0.6m due to COVID-19 costs (to ~£1.6m)



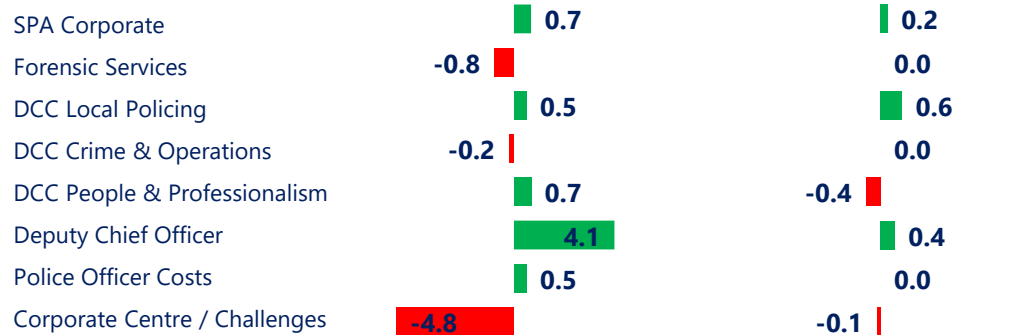
£1,140m Q3 Forecast



Indicative Capital Outturn **on track** (£m)

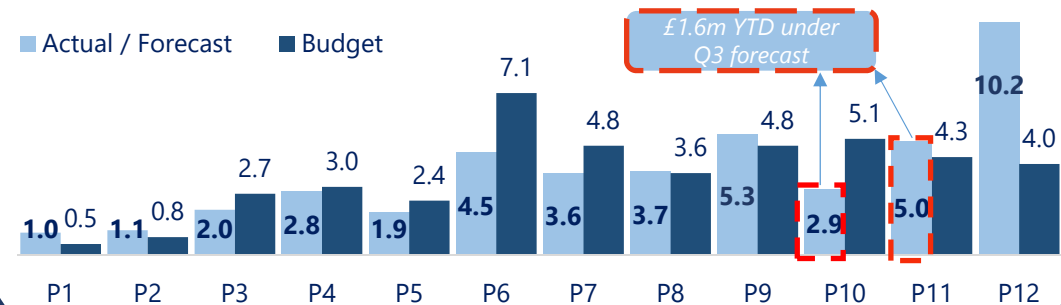


YTD Variance



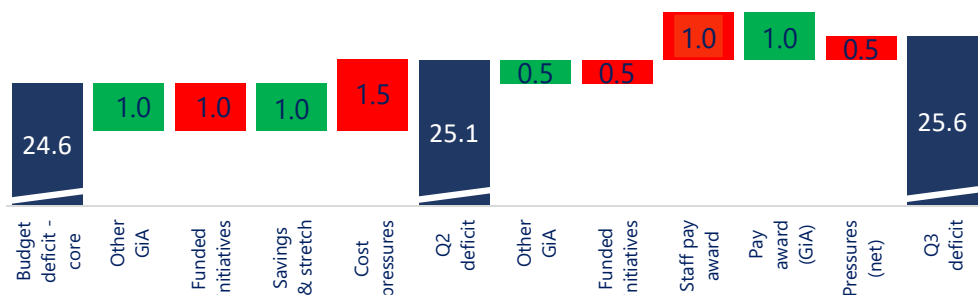
Capital expenditure **£5.3m** under budget YTD

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

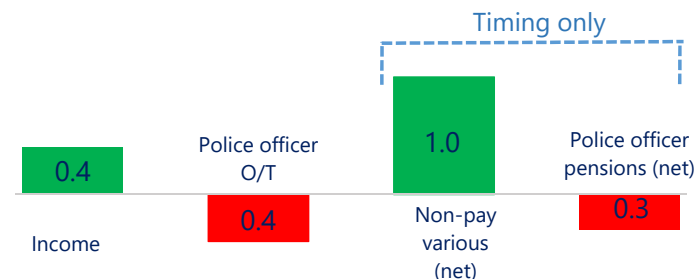


Revenue summary

Tracking to £25.6m deficit per Q3 forecast **before impact of Op Talla**



YTD revenue underspend £0.7m vs. Q3 Forecast



	Year to date				Full year		
	Budget	Actual	Var.	Var. to Q3 FC	Budget	Q3 FC	Var.
	£m	£m	£m	£m	£m	£m	£m
Police Scotland	1,021.4	1,020.6	0.8	0.5	1,107.4	1,110.6	-3.2
Forensic Services	29.4	30.2	-0.8	0.0	32.1	32.8	-0.7
SPA Corporate	4.2	3.5	0.7	0.2	4.5	4.1	0.4
SPRM (reform funded)	-6.7	-6.7	0.0	0.0	-7.3	-7.3	0.0
Total	1,048.3	1,047.6	0.7	0.7	1,136.7	1,140.2	-3.5
Funding:							
Grant in aid					1,095.1	1,114.6	-19.5
Operating deficit - core					24.6	25.6	-1.0
Operating deficit - Brexit					17.0	0.0	17.0
Total					1,136.7	1,140.2	-3.5

Headlines

- Year to date costs lower than Q3 forecast (£0.7m) due primarily to timing variances.
- Q3 revenue forecast showed 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).
- Material threats now include the impact of COVID-19. Other threats have either crystallised in the Q3 forecast or have been mitigated.
- Budget deliverability status remains as **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	750.3	750.2	0.1	818.1	817.7	0.4
Police staff	198.5	200.8	-2.3	216.7	218.9	-2.2
Non-pay	144.3	143.6	0.7	150.9	154.5	-3.6
Income	-38.1	-40.3	2.2	-41.7	-43.6	1.9
Total (pre SPRM)	1,055.0	1,054.3	0.7	1,144.0	1,147.5	-3.5
Less: SPRM (reform funded)	-6.7	-6.7	0.0	-7.3	-7.3	0.0
Total	1,048.3	1,047.6	0.7	1,136.7	1,140.2	-3.5

Non-pay



£4.4m ICT (3.0%)

Due to COS savings and slippage (£1.1m), the timing of Microsoft price increases (£0.3m), ANPR savings (£0.3m), core refresh (£0.6m), mobility project (£0.6m) and other savings (£1.5m). *COS, Microsoft and ANPR all contributed to solving the central cost challenge.*



-£3.7m Other non-pay costs (-2.6%)

Overspends in legal liability claims (£1.1m), transport related costs (£1.1m), third party payments (£0.8m, fully funded), estate costs (£0.5m), supplies and services (£0.5m) and other costs (£0.5m) offset by an underspend in external solicitors fees (£0.8m).

Pay



£0.1m Police Officers (0.0%)

Underspend in ill health pensions (£0.9m) offset by overspends in injury pensions (£0.4m) and police officer overtime (£0.5m).



-£2.3m Police Staff (-1.2%)

Overspend in staff salary costs due to increased pay award (£0.9m, fully funded), innovation savings shortfall (£1.3m), increasing pace of recruitment (£0.7m), and under capitalisation of ICT staff (£0.3m) offset by staff overtime underspends (£0.9m).

Income & SPRM



£2.2m Income (5.8%)

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 (actual v forecast)

	Year to date			Full year		
	Forecast	Actual	Variance	Budget	Q3 Forecast	Variance
	£m	£m	£m	£m	£m	£m
Police Officers	749.6	750.2	-0.6	818.1	817.7	0.4
Police staff	200.7	200.8	-0.1	216.7	218.9	-2.2
Non-pay	144.6	143.6	1.0	150.9	154.5	-3.6
Income	-39.9	-40.3	0.4	-41.7	-43.6	1.9
Total (pre SPRM)	1,055.0	1,054.3	0.7	1,144.0	1,147.5	-3.5
Less: SPRM implementation (reform funded)	-6.7	-6.7	0.0	-7.3	-7.3	0.0
Total	1,048.3	1,047.6	0.7	1,136.7	1,140.2	-3.5

Non-pay



£1.0m (0.7%)

Primarily due to the phasing of ICT (£0.2m), third party payments (£0.3m), supplies and services (£0.2m) and transport costs (£0.2m), all of which have no impact on the full year forecast position expected.

Income & SPRM



£0.4m Income (1.0%)

Due to additional income across various sources; services of police, specific grants, rental and hire charges and mutual aid income.



SPRM implementation

There is no variance to report.

Pay



-£0.6m Police Officers (-0.1%)

Primarily due to Police Officer overtime (£0.4m) and Police Officer pension costs (£0.3m, timing variance).



-£0.1m Police Staff (-0.0%)

There are no significant variances.

Revenue performance and FTE by function (actual v budget)

Business area	Year to date variance (£m)	Actual FTE at 29 Feb	Vs. prior month
Local Policing North (incl C3)	-0.1	1,267.7	+6.7
Local Policing East (incl CJ & Custody)	0.1	1,041.6	+2.2
Local Policing West	-0.4	251.0	+4.0
Part, Prevention & Com Wellbeing	0.2	6.7	-
Overtime Contingency & other	0.7	-	-
Total DCC Local Policing	0.5	2,567.0	+12.9
Specialist Crime & Intel	-0.4	262.0	+2.0
Operational Support	0.3	258.0	+1.2
Crime & Protection	-1.1	78.9	+1.0
Overtime Contingency	1.1	-	-
Other	-0.1	10.0	-
Total DCC Crime and Operations	-0.2	608.9	+4.2
People & Development	1.1	450.4	+1.0
Professionalism & Assurance	-0.1	131.6	+1.1
Chief Data Officer	-0.2	108.8	+1.0
Legal	-0.1	25.9	+2.0
Corporate Comms	-0.2	65.5	-1.0
External Agencies and Projects	0.2	2.2	-
Total People and Professionalism	0.7	784.4	+4.1
ICT	4.6	309.2	+6.0
Estates	-0.6	185.3	-
Fleet Services	-0.3	109.5	+2.0
Finance	0.7	119.9	+9.8
Procurement	0.0	54.3	+1.0
Business Integration	-0.2	156.1	+1.2
Strategy & Change	-0.1	57.6	-2.0
Operational Change & Resilience	0.0	1.0	-
Total Deputy Chief Officer	4.1	992.9	+18.0
Police Officer Costs	0.5	17,258.8	n/a
Non Distributed Costs	-4.8	-	-
Total Police Scotland	0.8	22,212.0	+39.2
Forensic Services	-0.8	530.8	+3.0
SPA Corporate	0.7	35.8	-
Total Police Authority	0.7	22,778.6	+42.2

1 Police officer FTE per last externally reported quarter end 31 December 2019

DCC Local Policing - Additional income from various sources (£1.5m) and underspend in police staff overtime (£0.5m) offset by overspends in police officer overtime (£0.9m), police staff costs (£0.2m) and travel costs (£0.4m).

DCC Crime & Operational Support - Overspends in police staff costs (£0.5m), travel related costs (£0.5m), third party payments (£0.7m), supplies and services (£0.7m) and other non-pay costs (£0.2m) offset by additional income from various sources (£2.4m).

DCC People and Professionalism - Additional income from various sources (£0.3m), underspends in ill health pensions (£0.8m) and external legal costs (£0.9m) offset by overspends in legal liability claims (£1.1m) and police staff costs (£0.2m)

Deputy Chief Officer - Primarily driven by underspends in ICT (£4.3m) of which COS, Microsoft and ANPR totalling (£1.7m) 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) – Overspend due to injury pension payments (£0.4m), pension admin charge (£0.4m), the budgeted income challenge (£2.2m), innovation savings shortfall (£1.3m) and bad debts written off (£0.4m). 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 overspends in police staff costs (£0.5m) and other non-pay costs (£0.3m).

SPA Corporate - Due to unfilled vacancies (£0.5m) and other non-pay costs (£0.2m).

Revenue performance and FTE by function (actual v forecast)

Business area	Forecast variance (£m)	Forecast FTE	Vs. Actual FTE
Local Policing North (incl C3)	0.0	1,249.1	+18.6
Local Policing East (incl CJ & Custody)	0.3	1,041.9	-0.3
Local Policing West	0.3	246.2	+4.8
Part', Prevention & Com Wellbeing	0.0	7.7	-1.0
Overtime Contingency	0.0	-	-
Total DCC Local Policing	0.6	2,544.9	+22.1
Specialist Crime & Intel	0.2	259.6	+2.4
Operational Support	-0.2	255.3	+2.7
Crime & Protection	0.0	78.3	+0.6
Overtime Contingency	0.0	-	-
Other	0.0	9.0	+1.0
Total DCC Crime and Operations	0.0	602.2	+6.7
People & Development	-0.3	446.4	+4.1
Professionalism & Assurance	0.1	131.1	+0.5
Chief Data Officer	0.0	108.0	+0.8
Legal	-0.2	24.9	+0.8
Corporate Comms	-0.1	64.0	+1.4
External Agencies and Projects	0.1	2.2	-
Total People and Professionalism	-0.4	776.6	+7.6
ICT	0.6	303.2	+6.0
Estates	-0.1	186.8	-1.5
Fleet Services	0.0	105.5	+4.0
Finance	0.0	111.0	+8.9
Procurement	0.0	51.3	+3.0
Business Integration	-0.1	152.0	+4.2
Strategy & Change	0.0	61.6	-4.0
Operational Change & Resilience	0.0	1.0	-
Total Deputy Chief Officer	0.4	972.4	+20.6
Police Officer Costs	0.0	17,258.8	n/a
Non Distributed Costs	-0.1	-	-
Total Police Scotland	0.5	22,154.9	+57.0
Forensic Services	0.0	529.0	+1.8
SPA Corporate	0.2	35.8	-
Total Police Authority	0.7	22,719.7	+58.8

1 Police officer FTE per last externally reported quarter end 31 December 2019

DCC Local Policing

Due to underspends in supplies and services (£0.3m), transport related costs (£0.2m), Police Officer overtime (£0.1m), greater than expected income (£0.1m) offset by overspend in police staff costs (£0.2m).

DCC Crime & Operational Support

Due to greater than expected income (£0.2m), underspend in third party payments (£0.1m) offset by overspends in supplies and services (£0.1m), police staff costs (£0.1m) and Police Officer overtime (£0.1m).

DCC People and Professionalism

Due primarily to Police Officer pension costs (£0.4m). This is a timing/phasing variance in P&D which will not impact on the full year position.

Deputy Chief Officer

Due primarily to underspend in ICT. This is a timing/phasing variance which will not impact on the full year position.

Police Officer Costs

There are no material variances to highlight.

Non Distributable Costs (Corporate Centre)

There are no material variances to highlight.

Forensic Services

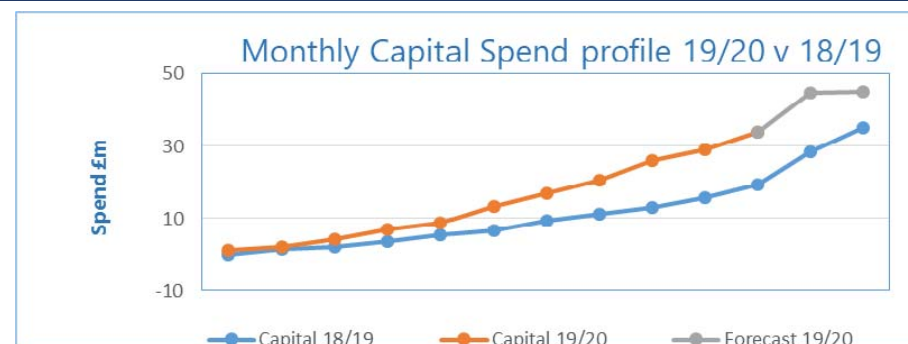
There are no material variances to highlight.

SPA Corporate

Due to underspends in administration costs (£0.1m) and third party payments (£0.1m).

Capital

	Year to date				Full year		
	Budget	Actual	Variance	Variance to Q3 FC	Budget	Q3 Forecast	Variance
	£m	£m	£m	£m	£m	£m	£m
Estates	4.1	4.3	-0.2	0.1	4.3	4.8	-0.5
Fleet	2.9	4.1	-1.2	-0.3	2.9	5.1	-2.2
ICT	6.1	3.8	2.3	0.1	6.1	5.7	0.4
Specialist Policing Equip	2.2	1.0	1.2	0.7	2.8	2.7	0.1
Weaponry	2.1	0.6	1.5	0.6	2.1	1.6	0.5
Brexit	0.0	0.7	-0.7	0.0	0.0	0.7	-0.7
Total BAU	17.4	14.5	2.9	1.2	18.2	20.6	-2.4
Mobility	9.0	8.7	0.3	-0.3	10.7	9.9	0.8
COS	5.5	4.2	1.3	-0.5	5.9	4.4	1.5
National network	3.0	2.9	0.1	0.1	3.3	3.3	0.0
ADEL	1.3	1.2	0.1	0.0	1.3	1.3	0.0
Digital ICCS	1.1	0.5	0.6	0.0	1.5	0.9	0.6
CTS Programme	0.7	0.0	0.7	0.7	1.0	1.0	0.0
Estates transform.	0.4	0.0	0.4	0.0	0.5	0.1	0.4
Cyber resilience	0.5	0.0	0.5	0.0	0.5	0.0	0.5
ANPR	0.4	0.2	0.2	0.0	0.4	0.4	0.0
Custody Remodelling	0.0	0.5	-0.5	0.0	0.0	1.1	-1.1
Payroll	0.1	0.1	0.0	0.0	0.1	0.3	-0.2
Forensic Services (Multiple)	0.0	0.0	0.0	0.0	0.0	0.2	-0.2
OMU	0.0	0.0	0.0	0.0	0.0	0.4	-0.4
Other projects	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
Total transformation	22.0	18.3	3.7	0.0	25.2	23.4	1.8
Forensics Services BAU	1.5	1.0	0.5	0.4	1.7	1.7	0.0
Slippage management	-1.8	0.0	-1.8	0.0	-2.0	-0.1	-1.9
Total capital	39.1	33.8	5.3	1.6	43.1	45.6	-2.5
Grant in aid					35.0	35.9	0.9
Capital receipts					3.5	4.8	1.3
Reform funding					4.6	4.6	0.0
Transformational change					0.0	0.3	0.3
Total funding					43.1	45.6	2.5

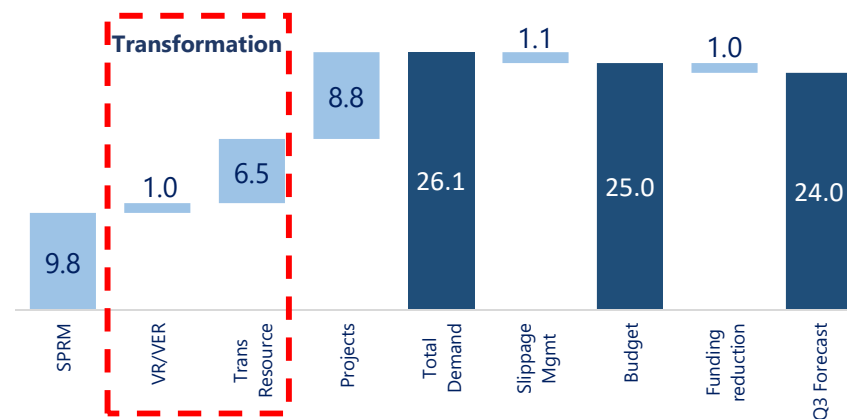


Headlines

- Year to date position has fallen behind Q3 forecast (1.6m) mainly due to timing/phasing and slippage on specialist policing equipment, weaponry (BAU) and CTS programme (change).
- Q3 forecast £2.5m above budget but offset by compensating funding, primarily from property disposals and successful bids to the Justice Transformation fund.
- Across both BAU and Transformation, spending plans have been subject to continuous review and challenge over Q4. Where there were challenges to delivery as result of COVID-19 (supply issues from China being an example), plans have been put in place to mitigate risk. These mitigations were designed to be flexible and as a result could be accelerated or decelerated depending on the latest capital position which has been monitored daily.
- A profile of the remaining spend has identified £3.2m at medium risk and £0.8m at high risk.
- Budget deliverability status is now **amber** tending towards **green**.

Reform

	Year to date				Full year		
	Budget	Actual	Variance	Variance to Q3 FC	Budget	Q3 Forecast	Variance
	£m	£m	£m	£m	£m	£m	£m
Transformation resource	5.9	6.6	-0.7	0.3	6.5	8.4	-1.9
Committed expenditure							
Payroll Interim	0.1	0.0	0.1	0.0	0.1	0.1	0.0
Commercial excellence	0.5	0.3	0.2	0.0	0.5	0.9	-0.4
National network	1.4	1.0	0.4	0.0	1.5	1.1	0.4
DPP	0.3	0.1	0.2	0.0	0.3	0.1	0.2
Mobile working	0.8	0.3	0.5	0.1	0.9	0.5	0.4
Core operating solutions	2.0	0.8	1.2	0.0	2.1	0.9	1.2
National ICCS	0.0	0.0	0.0	0.0	0.2	0.0	0.2
SPRM implementation	6.7	6.7	0.0	0.0	7.3	7.3	0.0
SPRM pay protection	2.3	2.3	0.0	-0.4	2.5	2.5	0.0
Planned expenditure							
Purchase to pay	0.2	0.1	0.1	0.0	0.2	0.1	0.1
CAM	1.3	0.3	1.0	0.0	1.3	0.3	1.0
TCSS	0.9	0.0	0.9	0.0	1.0	0.0	1.0
CTS programme	0.0	0.1	-0.1	-0.1	0.5	0.2	0.3
VR / VER	0.8	0.0	0.8	0.0	1.0	0.7	0.3
Cyber resilience	0.2	0.0	0.2	0.0	0.2	0.0	0.2
Data governance & mgt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement improv. plan	0.0	0.2	-0.2	0.2	0.0	0.5	-0.5
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	0.2	-0.2	0.0	0.0	0.2	-0.2
Leadership assessment	0.0	0.0	0.0	0.1	0.0	0.2	-0.2
Slippage management	-1.0	0.0	-1.0	0.0	-1.1	0.0	-1.1
Total reform expenditure	22.4	19.0	3.4	0.2	25.0	24.0	1.0
Grant in aid					25.0	24.0	1.0
Total funding					25.0	24.0	1.0



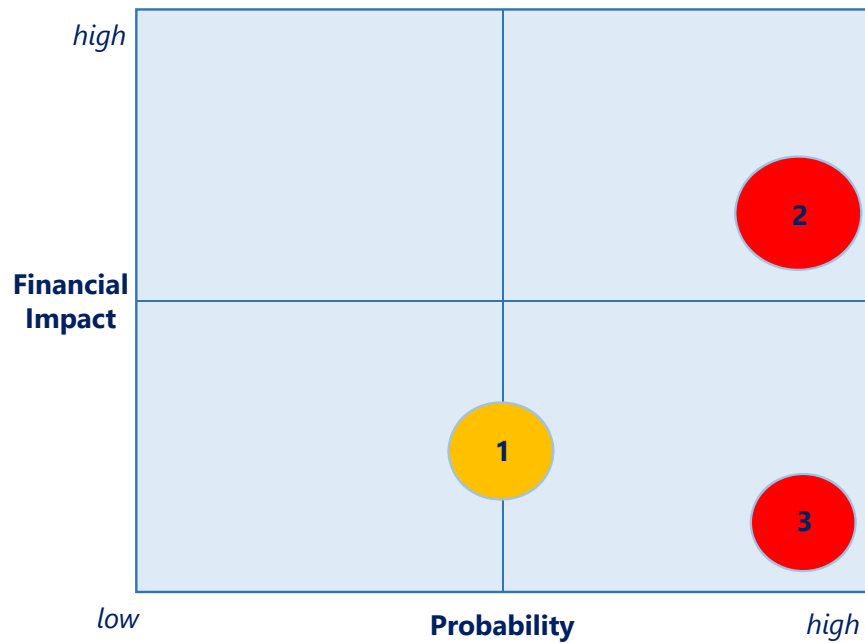
Headlines

- Year to date position is £0.2m under Q3 forecast.
- The full year slippage management target of £1.1m has been solved without impacting overall project delivery.
- As previously shown in Q3 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, north east integration project, leadership assessment and fleet strategy.
- The portfolio has been closely monitored and managed throughout Q4 to ensure spending targets are achieved.
- Budget deliverability status is now **green**.

Threats and opportunities

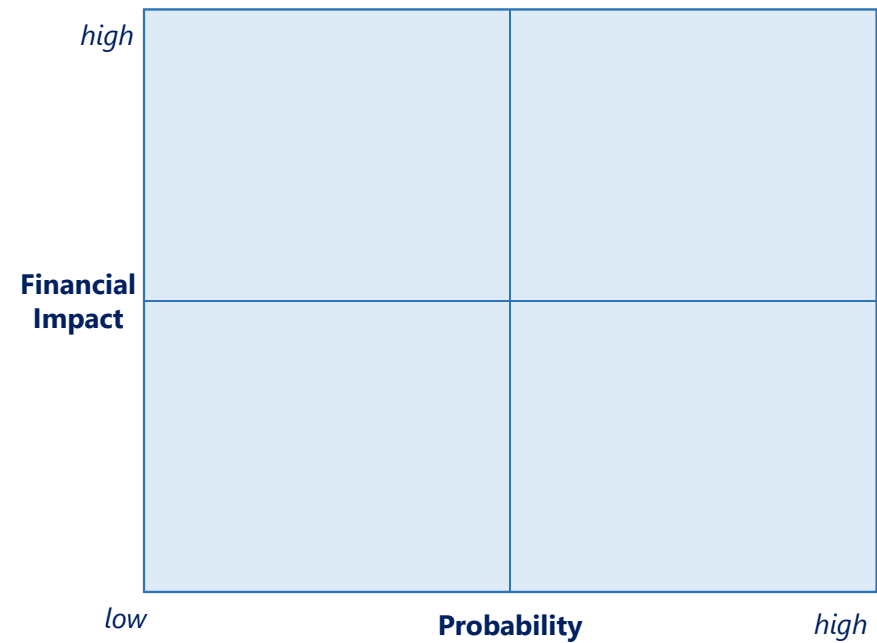
The following charts summarise the key threats and opportunities that could result in a material change to the forecast out-turn. These include any budgeting assumptions where there is a risk that the assumption will materially change from what was approved when the budget was set.

Threats



1. Risk of not achieving TOIL / annual leave savings target
2. Revenue costs associated with COVID-19
3. Loss of income from events and other police services as a result of COVID-19

Opportunities



No material opportunities identified at this point