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| Meeting | SPA Resources Committee |
| Date | 16 December 2021 |
| Location | Video Conference |
| Title of Paper | Period 7 Financial Monitoring Report |
| Presented By | Lynn Brown, Strategic Financial Planning and Budgeting Lead |
| Recommendation to Members | For Discussion |
| Appendix Attached | Appendix A - Period 7 Financial Monitoring 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 7 of the financial year 2021/22.

Members are invited to discuss the contents of this report.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2021/22 on 24 March 2021. The Scottish Government provided a £60m uplift in core revenue funding, as well as an additional £15m of one-off funding to support the impact of COVID-19. When combined, the total funding allowed the SPA to set with a balanced revenue budget with no operating deficit.
- 1.2 The SPA's funding allocation for capital and reform was set at flat cash for 2021/22, with the exception of an additional £0.5m to support Body Worn Video. When combined with disposal proceeds, the total funding available is £53.7m for capital and £25.0m for reform budgets.
- 1.3 The Chief Financial Officer provides the routine finance report which outlines the year to date and forecast position for the revenue, capital and reform budgets.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed period 7 (P7) finance report.

Revenue

- The revenue position at P7 is in line with the quarter two (Q2) forecast, and a year-to-date underspend against budget of £7.5m.
- As reported at Q2, in recognition of the year to date underspend against budget and based on the Q2 net expenditure forecast, the Police Authority has agreed to return £6.2m of COVID-19 funding (income £4.2m and cleaning £2.0m) out of the £15m which had been provided by the Scottish Government to cover these specific items impacted.
- After the reduction in Q2 net expenditure and return of COVID-19 funding, Q2 revenue break even position remains in line with budget.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q3 forecast.

Capital

- The year to date capital spend at P7 is under forecast by £0.3m, and a year-to-date underspend against budget of £7.0m.
- As previously reported, the capital forecast at quarter two is £58.8m, £5.1m above the budget position of £53.7m.
- This forecast overspend is fully funded and primarily compensated by additional forecast grant-in-aid funding (£4.6m) committed by the Scottish Government to support transitional capital costs (laboratory fit out and instruments) for the transfer of post mortem toxicology services to the Police Authority.
- The Q2 forecast recognises other capital grants receivable (£1.3m) offset by a reduction in capital receipts due to a delay in property sale (£0.8m).
- A unique combination of internal and external factors in the current year are impacting on the deliverability of capital expenditure, which can be attributed to a combination of COP26, on-boarding new resource, supply chain issues and increased levels of capital funding compared with previous years.
- As a result of the above issues, and considering the year to date underspend and full-year forecast position, the Corporate Finance and People Board (CFPB) recommended, at its November meeting, the reallocation of £4.7m investment across capital programmes where successful delivery and business need were both deemed high.
- The deliverability risk was mitigated against by bringing the budget position to £3.5m over-allocated, which will be monitored and managed down over the course of Q3 and Q4.

Reform

- The year to date reform spend at P7 is under forecast by £0.3m, and a year-to-date underspend against budget of £0.6m.
- As previously reported, The reform forecast at Q2 is £23.1m, £1.9m under the budget position of £25.0m, due primarily to

slippage and delays in recruiting Change and ICT resource (Transformation Resource), Enabling Policing for the Future (EPF) programme and Estates transformation.

- Deliverability of reform expenditure, in line with the available current funding, is at risk, which can be attributed largely to the challenges in recruitment, both in terms of timeline to on-board (with priority having gone to COP26 resources in recruitment and vetting) and the buoyancy of the market for desired resource types, e.g. project managers and ICT specialisms.
- As a result of the above risk, and considering the full-year forecast position, the Corporate Finance and People Board (CFPB) recommended, at its November meeting, the reallocation of £1.5m investment across other capital projects, with £1.9m remaining unallocated at Q2.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are set out in detail in this paper.

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There are no community impact associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are asked to discuss the contents of this paper.



**POLICE
SCOTLAND**
POILEAS ALBA

**SCOTTISH POLICE
AUTHORITY**

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

Period 7 2021/22



Finance dashboard

Period 7 2021/22
Year to Oct 2021

Revenue

| | | |
|-----|-----|-----|
| A | A | A |
| Aug | Sep | Oct |

- YTD in line with forecast
- FY Q2 FC break even position in line with budget

Capital

| | | |
|-----|-----|-----|
| A | A | A |
| Aug | Sep | Oct |

- YTD £0.3m under forecast
- FY Q2 forecast £5.1m over budget (fully funded)

Reform

| | | |
|-----|-----|-----|
| G | A | A |
| Aug | Sep | Oct |

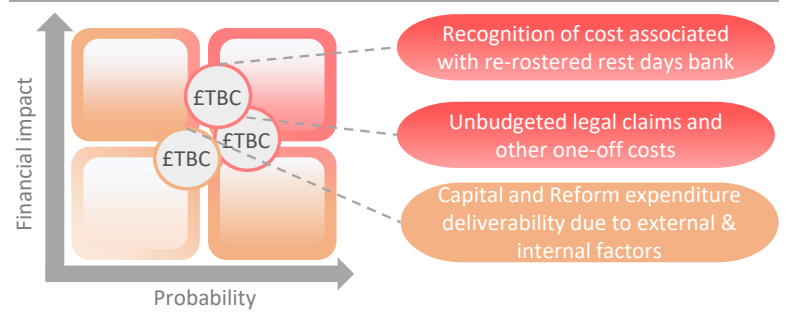
- YTD £0.3m under forecast
- FY Q2 forecast £1.9m under budget

1 Police officer numbers as at Q1 17,289 FTE includes 55 attributable to COP26. Revenue budget includes for 17,234 FTE officers at each quarter end.

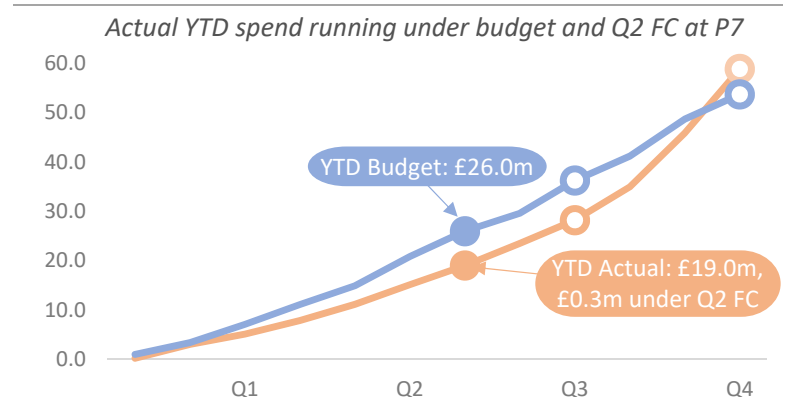
Revenue variance (£m)

| | YTD actual v Q2 FC | FY Q2 FC v Budget |
|-------------------|--------------------|-------------------|
| Police Scotland | -0.3 | -2.9 |
| Forensic Services | 0.3 | -0.3 |
| SPA corporate | 0.0 | 0.7 |
| Total | 0.0 | -2.5 |

Threats

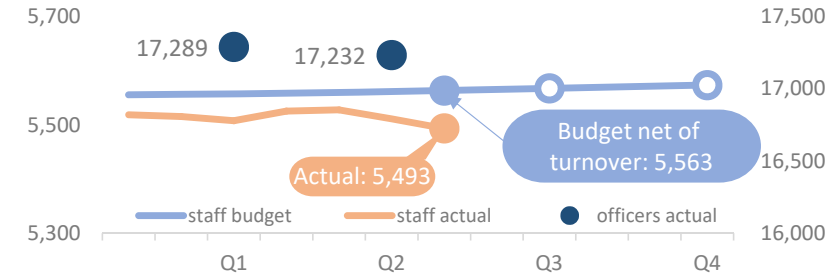


Capital spend profile (£m)

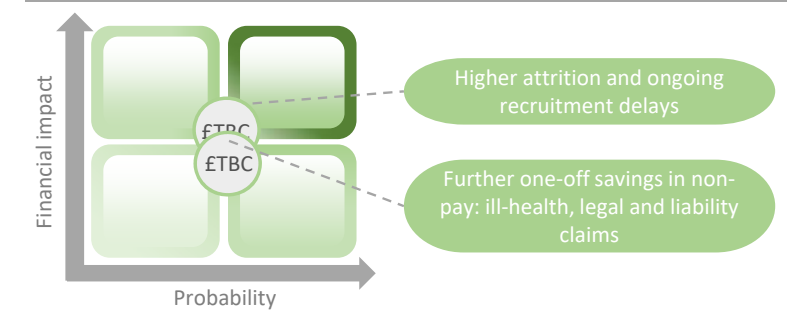


People numbers (FTE) – Revenue Budget **1**

Staff headcount currently running under budgeting assumptions at P7

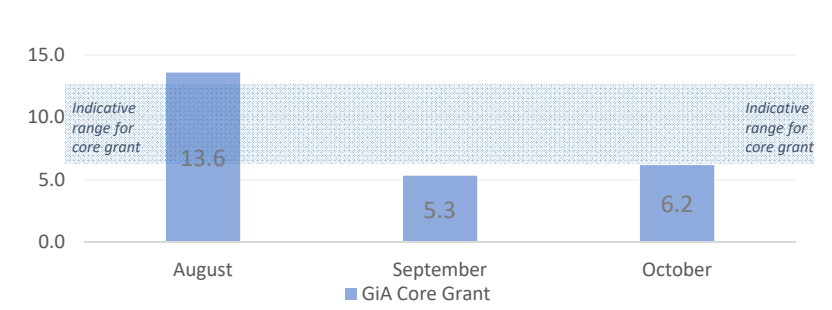


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Operation Talla

(Policing response to COVID-19)

2021/22 year to date:

- Revenue: £1.1m
- Capital: £0.0m
- Total: £1.1m

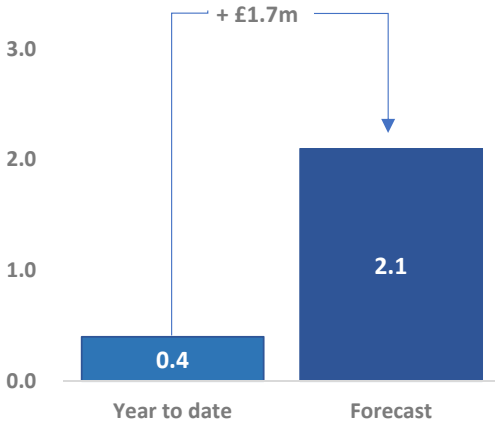
2021/22 forecast:

- Revenue: £3.0m
- Capital: £0.0m
- Total: £3.0m

Revenue forecast (£m)

| | Year to date £m | 2021/22 Q2 FY FC £m |
|--------------|--------------------|------------------------------|
| PPE | 0.4 | 2.1 |
| Overtime | 0.6 | 0.7 |
| Other | 0.1 | 0.2 |
| Total | 1.1 | 3.0 |

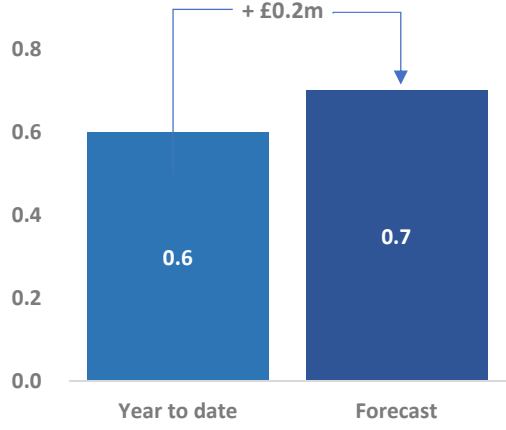
Revenue: PPE & cleaning (£m)



Capital forecast (£m)

| | Year to date £m | 2021/22 Q2 FY FC £m |
|----------------------|--------------------|------------------------------|
| Laptops | 0.0 | 0.0 |
| Video comms solution | 0.0 | 0.0 |
| Total | 0.0 | 0.0 |

Revenue: overtime (£m)

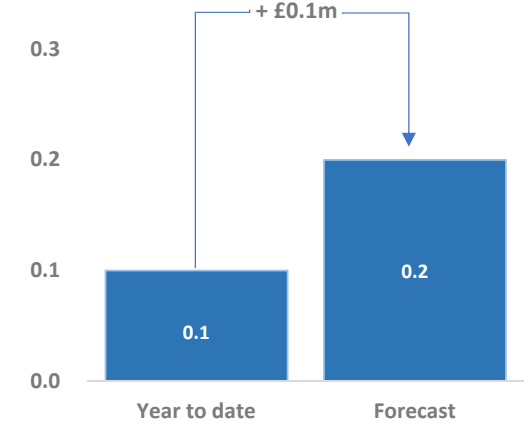


2019/20 - 2021/22 costs (£m)

| | Revenue £m | Capital £m |
|--------------|---------------|---------------|
| 2019/20 | 1.3 | 0.1 |
| 2020/21 | 7.7 | 2.4 |
| 2021/22 YTD | 1.1 | 0.0 |
| Total | 10.1 | 2.5 |

| | Revenue £m | Capital £m |
|------------------|---------------|---------------|
| 2019/20 | 1.3 | 0.1 |
| 2020/21 | 7.7 | 2.4 |
| 2021/22 Forecast | 3.0 | 0.0 |
| Total | 12.0 | 2.5 |

Revenue: other costs (£m)



Revenue (service area)

Year to date actual in line with Q2 forecast

FY break even position remains in line with budget

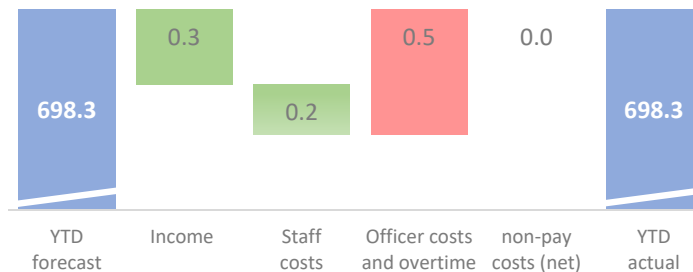
Forecast deliverability status remains at amber

Q2 net expenditure forecast £2.5m over FY budget (fully funded)

Year to date costs in line with Q2 FC

- Actual costs are in line with Q2 forecast with a number of offsetting variances.
- Additional PSPP cost (£7.5m) for police officers and police staff were included in Q2 forecast, supported by funding commitment from the Scottish Government. Pay award negotiations for both officers and staff have reached conclusion in line with the committed funding.
- Unbudgeted transitional revenue costs for the transfer of Post mortem toxicology services from the University of Glasgow to Police Authority (£1.0m) were included in Q2 forecast, to be fully funded by the Scottish Government.
- In recognition of the year Q2 net expenditure forecast underspends, the Authority is returning £6.2m of COVID-19 funding (income £4.2m and cleaning £2.0m) out of the £15m which had been provided by the Scottish Government to cover these specific items impacted.
- After the above changes to both net expenditure and funding, Q2 revenue break even position remained in line with budget.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q3 forecast.

YTD actual v Q2 forecast (£m)

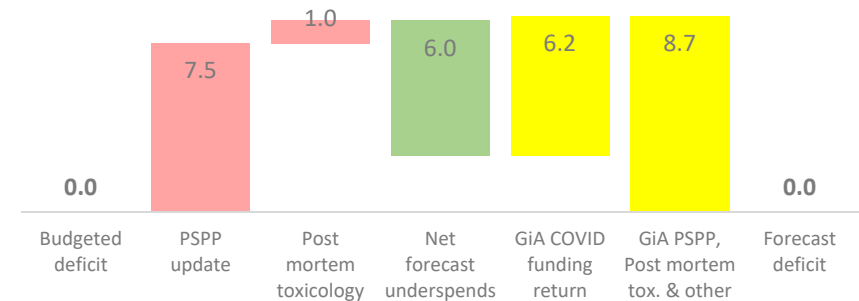


OFFICIAL

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 | 675.0 | 675.3 | -0.3 | 1,178.8 | 1,181.7 | -2.9 |
| Forensic Services | 21.0 | 20.7 | 0.3 | 36.6 | 36.9 | -0.3 |
| SPA Corporate | 2.3 | 2.3 | 0.0 | 4.9 | 4.2 | 0.7 |
| Total | 698.3 | 698.3 | 0.0 | 1,220.3 | 1,222.8 | -2.5 |
| Funding | | | | | | |
| GIA (Core) | | | | 1,205.3 | 1,212.8 | -7.5 |
| GIA (other) | | | | 0.0 | 1.2 | -1.2 |
| COVID funding | | | | 15.0 | 8.8 | 6.2 |
| Total | | | | 1,220.3 | 1,222.8 | -2.5 |

Q2 FC break even position in line with budget (£m)



Revenue

(spend type)

Q2 forecast assumes £3m of direct Operation Talla costs which is £2m under budget (COVID funding adjusted to reflect underspend)

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

| | Year to date | | | | Full year | | | |
|-----------------|--------------|--------------|------------|-------------|----------------|----------------|-------------|--------------|
| | Q2 FC £m | Actual £m | Var. £m | % | Budget £m | Q2 FC £m | Var. £m | % |
| Police officers | 481.2 | 481.7 | -0.5 | -0.1% | 827.3 | 832.5 | -5.2 | -0.6% |
| Police staff | 143.3 | 143.1 | +0.2 | +0.1% | 249.4 | 251.4 | -2.0 | -0.8% |
| Non-pay | 94.8 | 94.8 | 0.0 | 0.0% | 174.0 | 173.5 | +0.5 | +0.3% |
| Income | -21.0 | -21.3 | +0.3 | +1.4% | -30.4 | -34.6 | +4.2 | +13.8% |
| Total | 698.3 | 698.3 | 0.0 | 0.0% | 1,220.3 | 1,222.8 | -2.5 | -0.2% |

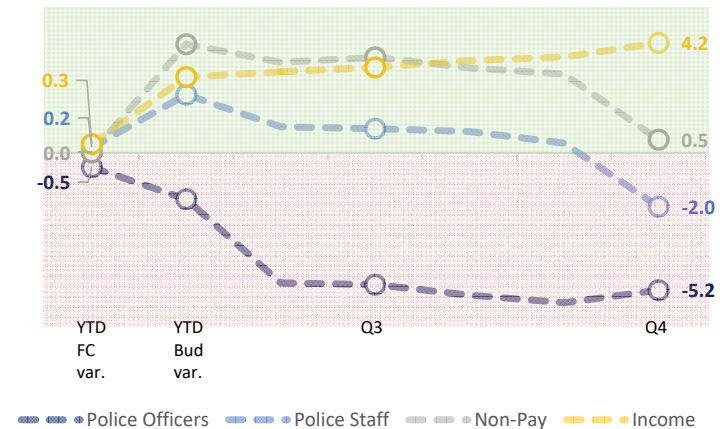
Pay

- Police officers - overspend against forecast mainly relates to overtime (£0.2m) and other salary costs (£0.3m), compensated mainly by additional income.
- Police staff - underspend against forecast relates to salaries, on costs and allowances (£0.2m). It has been agreed that the year to date underspend driven by both current recruitment delays and higher than expected attrition (full year effect estimated at £3.0m) will be utilised by the Design, Demand and Resource Board (DDRB).

Non-pay

- Premises costs (£0.5m over) - higher than expected property repairs costs for outstanding work in progress from our current contract provider Mitie. Full review under way as contract comes to closure.
- Supplies and services (£0.3m under) - mainly underspends in operational equipment (£0.3m), forensic & investigative costs (£0.2m) offset by operational supplies costs (£0.1m) and telecoms expenditure (£0.1m).
- Other costs (£0.2m under, net).

Movement: YTD variance to FY FC variance (£m)



Income

- Additional specific grant funding above forecast (£0.3m).
- Budget included a reduction of £10.0m to capture the current impact of COVID-19, compensated by additional SG funding.
- Q2 Forecast anticipates an increase (£4.2m) and the Police Authority were in a position to return the equivalent amount of funding received to the Scottish Government in relation to the expected over-recovery of income.

Revenue

(further business area detail)

1 Police officer numbers were 17,232 FTE as per last externally reported quarter end 30 September 2021.

Actual 17,261.5 FTE is made up of 17,232 FTE for police officers and 29.5 FTE for police staff supernumerary.

DCC Local Policing

- Overspends in officers overtime (£0.3m), and under-recovery on income (£0.1m) offset by underspend in supplies and services (£0.1m).

| | £m | FTE |
|-----------------------|-------------|--------------|
| Q2 Forecast | 73.0 | 2,603.4 |
| Actual | 73.3 | 2,600.7 |
| YTD variance | -0.3 | 2.7 |
| <i>FY FC v budget</i> | <i>-3.8</i> | <i>-12.7</i> |

DCC Crime & Op Support

- Over recovery on income (£0.4m), underspends in police officer OT (£0.2m) and supplies and services (£0.2m) offset by overspend in ICT related costs (£0.2m).

| | £m | FTE |
|-----------------------|------------|--------------|
| Q2 Forecast | 26.4 | 604.4 |
| Actual | 25.8 | 603.2 |
| YTD variance | 0.6 | 1.2 |
| <i>FY FC v budget</i> | <i>1.1</i> | <i>-49.1</i> |

DCC Professionalism, Digital & Transformation

- Underspends in legal costs (£0.1m) and ICT maintenance costs (£0.1m) offset by overspend in telecoms expenditure (£0.1m).

| | £m | FTE |
|-----------------------|------------|-------------|
| Q2 Forecast | 46.0 | 737.7 |
| Actual | 45.9 | 738.2 |
| YTD variance | 0.1 | -0.5 |
| <i>FY FC v budget</i> | <i>2.7</i> | <i>-3.5</i> |

DCO Corporate services, People & Strategy

- Overspend in estates costs due to higher than expected property repairs costs for outstanding work in progress from our current contract provider Mitie (£0.5m).

| | £m | FTE |
|-----------------------|-------------|-------------|
| Q2 Forecast | 59.8 | 970.9 |
| Actual | 60.3 | 969.9 |
| YTD variance | -0.5 | 1.0 |
| <i>FY FC v budget</i> | <i>7.5</i> | <i>67.0</i> |

Corporate centre

- Overspend in police officer costs (£0.3m) offset by underspend in other costs (£0.1m).

| | £m | FTE |
|-----------------------|--------------|------------|
| Q2 Forecast | 469.8 | 17,262.5 |
| Actual | 470.0 | 17,261.5 |
| YTD variance | -0.2 | 1.0 |
| <i>FY FC v budget</i> | <i>-10.4</i> | <i>1.9</i> |

Forensic services & SPA corporate

- Forensic Services (£0.3m under) – underspend in police staff costs (£0.1m), supplies and services (£0.1m) and other non-pay costs (£0.1m)
- SPA Corporate (in line with forecast)

| | £m | FTE |
|-----------------------|------------|------------|
| Q2 Forecast | 23.3 | 572.7 |
| Actual | 23.0 | 572.4 |
| YTD variance | 0.3 | 0.3 |
| <i>FY FC v budget</i> | <i>0.4</i> | <i>6.9</i> |

Capital & Reform

Capital: Forecast deliverability status remains at amber

Capital: Year to date under forecast by £0.3m

Capital: FY Q2 forecast £5.1m over budget (fully funded)

Reform: Forecast deliverability status remains at amber

Reform: Year to date under forecast by £0.3m

Reform: FY Q2 forecast £1.9m under budget

Capital variance by programme (£m)

| | Year to date | | | Full year | | |
|---|--------------|--------------|------------|-------------|-------------|-------------|
| | Q2 FC £m | Actual £m | Var. £m | Bud. £m | Q2 FC £m | Var. £m |
| Estates | 4.5 | 4.6 | -0.1 | 8.2 | 8.0 | 0.2 |
| Fleet | 1.6 | 1.3 | 0.3 | 8.5 | 11.8 | -3.3 |
| EV Infrastructure | 2.3 | 2.5 | -0.2 | 3.2 | 4.6 | -1.4 |
| Digital division | 1.1 | 1.1 | 0.0 | 7.0 | 8.7 | -1.7 |
| SPE | 1.0 | 0.9 | 0.1 | 3.6 | 3.5 | 0.1 |
| Weaponry | 0.6 | 0.8 | -0.2 | 3.2 | 3.2 | 0.0 |
| Forensics | 0.1 | 0.2 | -0.1 | 1.6 | 1.6 | 0.0 |
| <i>Change: legislative & inflight</i> | | | | | | |
| CJ service programme | 0.6 | 0.6 | 0.0 | 3.6 | 2.1 | 1.5 |
| Post mortem toxicology | 0.8 | 0.1 | 0.7 | 0.0 | 4.6 | -4.6 |
| Data drives digital (DDD) | 0.2 | 0.1 | 0.1 | 3.1 | 1.8 | 1.3 |
| DEPP | 3.6 | 3.6 | 0.0 | 3.5 | 4.8 | -1.3 |
| Digital division | 1.1 | 1.3 | -0.2 | 3.1 | 2.5 | 0.6 |
| LPP - NEDIP | 1.4 | 1.4 | 0.0 | 1.5 | 1.5 | 0.0 |
| Estates transformation | 0.7 | 0.5 | 0.2 | 2.5 | 1.9 | 0.6 |
| RJLP | 0.0 | 0.0 | 0.0 | 1.1 | 0.3 | 0.8 |
| Technical surveillance | 0.0 | 0.0 | 0.0 | 1.8 | 0.8 | 1.0 |
| Cyber capabilities | 0.0 | 0.0 | 0.0 | 0.5 | 0.3 | 0.2 |
| Other | 0.0 | 0.0 | 0.0 | 0.1 | 0.3 | -0.2 |
| Slippage | -0.3 | 0.0 | -0.3 | -2.4 | -3.5 | 1.1 |
| Total | 19.3 | 19.0 | 0.3 | 53.7 | 58.8 | -5.1 |
| Funding | | | | | | |
| GIA | | | | 45.5 | 50.1 | 4.6 |
| Reform | | | | 4.6 | 4.6 | 0.0 |
| Cap receipts | | | | 3.6 | 2.8 | -0.8 |
| Other grants | | | | 0.0 | 1.3 | 1.3 |
| Total | | | | 53.7 | 58.8 | 5.1 |

Reform variance by work stream (£m)

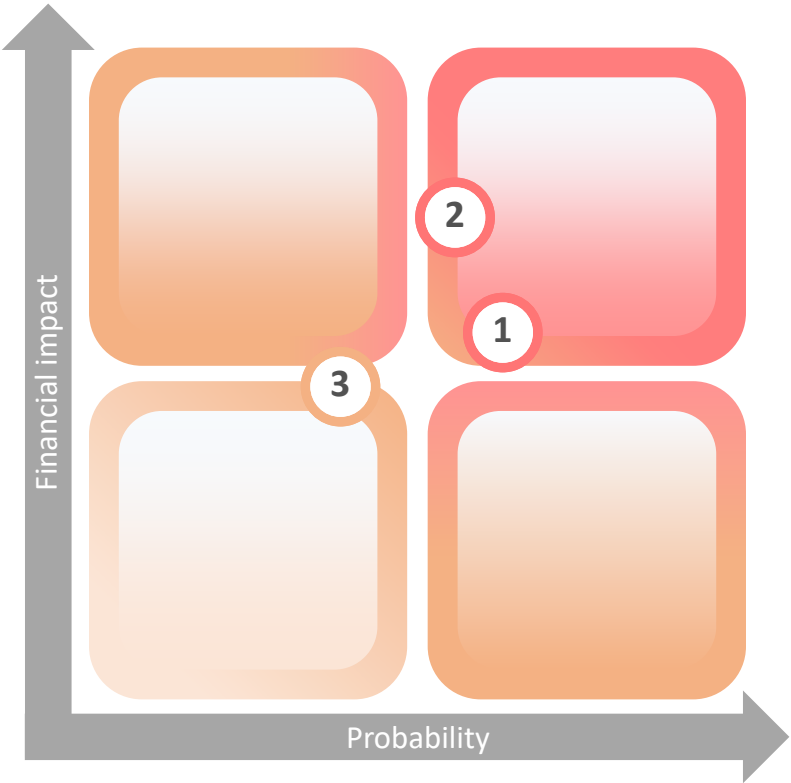
| | Year to date | | | Full year | | |
|-------------------------|--------------|--------------|------------|-------------|-------------|------------|
| | Q2 FC £m | Actual £m | Var. £m | Bud. £m | Q2 FC £m | Var. £m |
| Transformation resource | 5.4 | 5.3 | 0.1 | 12.1 | 10.3 | 1.8 |
| SPRM | 1.5 | 1.5 | 0.0 | 2.2 | 2.5 | -0.3 |
| Data drives digital | 0.2 | 0.2 | 0.0 | 0.9 | 0.7 | 0.2 |
| DEPP | 0.6 | 0.4 | 0.2 | 1.2 | 1.2 | 0.0 |
| EPF (incl. Change) | 0.2 | 0.0 | 0.2 | 3.8 | 1.4 | 2.4 |
| Estates transformation | 0.1 | 0.0 | 0.1 | 2.6 | 0.6 | 2.0 |
| NEDIP | 0.6 | 0.7 | -0.1 | 1.1 | 1.0 | 0.1 |
| CJ service programme | 0.1 | 0.1 | 0.0 | 0.3 | 0.2 | 0.1 |
| P&D programme | 0.1 | 0.2 | -0.1 | 1.4 | 0.7 | 0.7 |
| RJLP | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.4 |
| VR VER | 1.3 | 1.4 | -0.1 | 2.8 | 2.2 | 0.6 |
| Cyber capabilities | 0.0 | 0.0 | 0.0 | 0.5 | 0.4 | 0.1 |
| Cyber strategy | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | -0.5 |
| Other | 0.2 | 0.2 | 0.0 | 0.4 | 1.4 | -1.0 |
| Slippage | 0.0 | 0.0 | 0.0 | -4.7 | 0.0 | -4.7 |
| Total | 10.3 | 10.0 | 0.3 | 25.0 | 23.1 | 1.9 |
| Funding | | | | | | |
| GIA | | | | 25.0 | 23.1 | -1.9 |

Risk analysis

The revenue and capital budget is carrying further risks that may materialise.

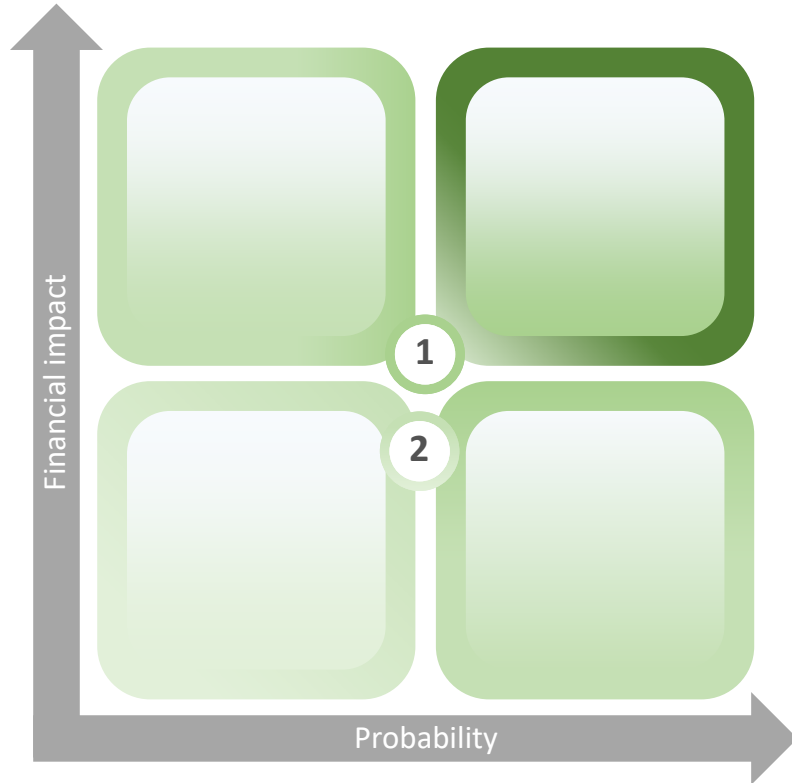
Threats and opportunities risks will continue to be monitored in Q3.

Threats



1. Potential unbudgeted legal claims and other one-off costs.
2. Recognition of cost associated with the number of days officers have accumulated as re-rostered rest days is currently being considered by Finance in conjunction with P&D.
3. Deliverability of capital and reform expenditure, in line with the available current funding, is at risk, which can be attributed to a combination of external factors (supply chain issues) and internal factors (recruitment delays for delivery resources and capacity restraints within procurement).

Opportunities



1. If the employment market increases and attrition starts to overtake recruitment and delays in recruitment continue, then the budget pressure accommodated in the 2021/22 staff budget may reduce creating capacity to reinvest in the organisation.
2. Any prolonged impact of COVID could result in some further one-off savings in the non-pay budget, i.e. delays in the health system, delays in the justice system and delays in training. This will be closely monitored throughout the remaining part of the year.