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| Meeting | SPA Authority Meeting |
| Date | 25 August 2021 |
| Location | Video Conference |
| Title of Paper | Financial Performance Quarterly Report |
| Presented By | James Gray, Chief Financial Officer |
| Recommendation to Members | For Discussion |
| Appendix Attached | Yes Appendix A – Monthly Finance Report - Quarter 1 |

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 one (three months ending 30 June 2021) of the financial year 2021/22, as well as forecasting the full outturn to 31 March 2022.

Members are invited to discuss the content 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.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed finance report.

Revenue

- The quarter one break even position remains in line with budget.
- The Q1 net expenditure forecast is £9.1m over budget. This forecast overspend is compensated by additional grant-in-aid funding committed from the Scottish Government for updated PSCP (£7.5m) and to support transitional revenue costs for the transfer of morbid toxicology services from the University of Glasgow to the Police Authority (£1.6m). There are a number of other offsetting variances that form part of the Q1 forecast and broadly net to zero.
- The year to date actual position versus budget is an underspend of £2.2m.

Capital

- The capital forecast at quarter one is £58.5m, £4.8m 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 morbid toxicology services to the Police Authority.
- The Q1 forecast recognises other capital grants receivable (£1.2m) offset by a reduction in capital receipts due to a delay in property sale (£1.0m).

- The year to date actual position versus budget is an underspend of £2.0m.

Reform

- The reform forecast at quarter one is £25.6m, £0.6m 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 FY slippage of £2.4m, bringing the total slippage down to £2.3m from the budgeted amount of £4.7m.
- The year to date actual position versus budget is an underspend of £0.1m.

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.



POLICE
SCOTLAND
POILEAS ALBA

SCOTTISH POLICE
AUTHORITY

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

Quarter 1 2021/22



Finance dashboard

Q1 2021/22

Year to June 2021

Revenue

| | | |
|-----|-----|----|
| A | A | A |
| Apr | May | Q1 |

- YTD £2.2m under budget
- FY Q1 FC break even position in line with budget

Capital

| | | |
|-----|-----|----|
| A | A | A |
| Apr | May | Q1 |

- YTD £2.0m under budget
- FY Q1 forecast £4.8m over budget (fully funded)

Reform

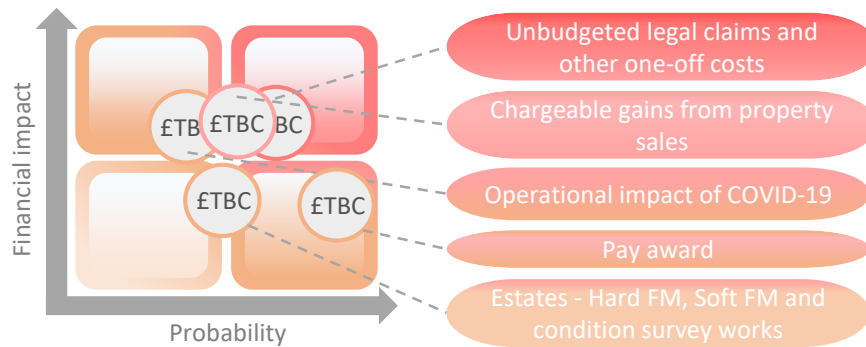
| | | |
|-----|-----|----|
| G | G | G |
| Apr | May | Q1 |

- YTD £0.1m under budget
- FY Q1 forecast £0.6m over budget (fully funded)

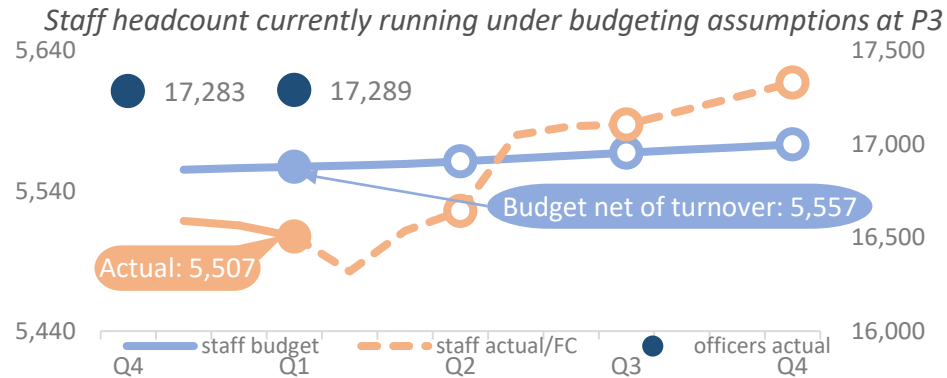
Revenue variance (£m)

| | YTD actual v budget | FY Q1 FC v Budget |
|-------------------|---------------------|-------------------|
| Police Scotland | 1.7 | -8.8 |
| Forensic Services | 0.5 | -0.6 |
| SPA corporate | 0.0 | 0.3 |
| Total | 2.2 | -9.1 |

Threats

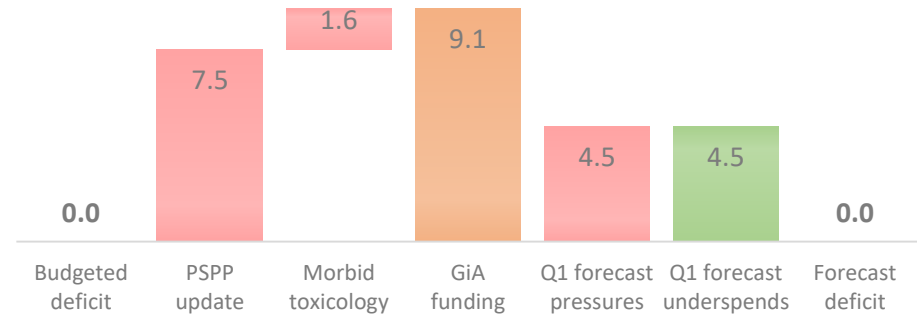


People numbers (FTE) - Revenue Budget

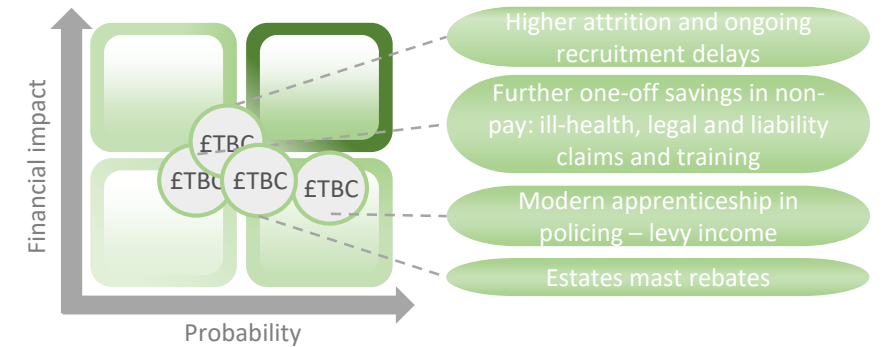


Police officer numbers as at 30/06/21 17,289 FTE with 54 attributable to COP 26 - Revenue budget includes for 17,234 FTE officers at each quarter end.

Revenue: Q1 FC break even position in line with budget

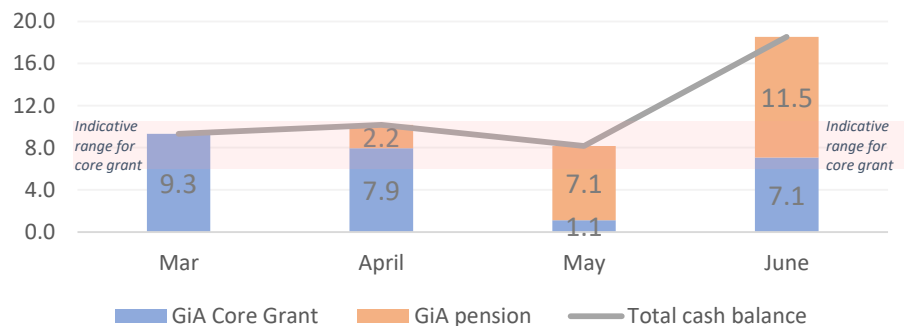


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Cash balances - listed as at day prior to receipt of monthly grant in aid core grant

Operation Talla

(Policing response to COVID-19)

2021/22 year to date:

- Revenue: £1.0m
- Capital: £0.0m
- Total: £1.0m

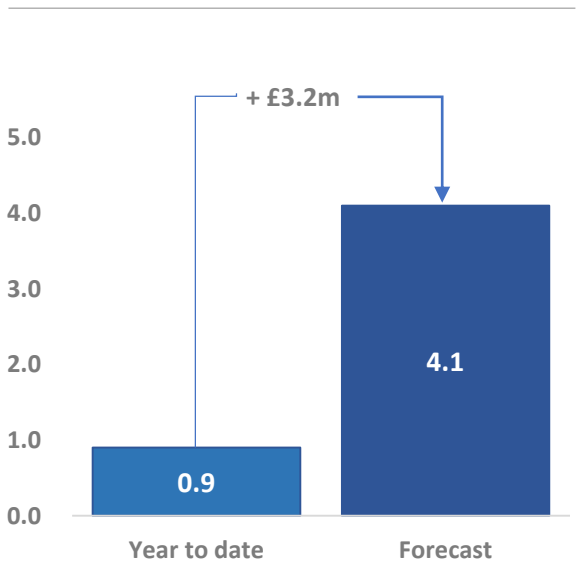
2021/22 forecast:

- Revenue: £5.0m
- Capital: £0.0m
- Total: £5.0m

Revenue forecast (£m)

| | Year to date £m | 2021/22 Q1 FY FC £m |
|----------------|--------------------|------------------------------|
| PPE & Cleaning | 0.9 | 4.1 |
| Overtime | 0.1 | 0.7 |
| Other | 0.0 | 0.2 |
| Total | 1.0 | 5.0 |

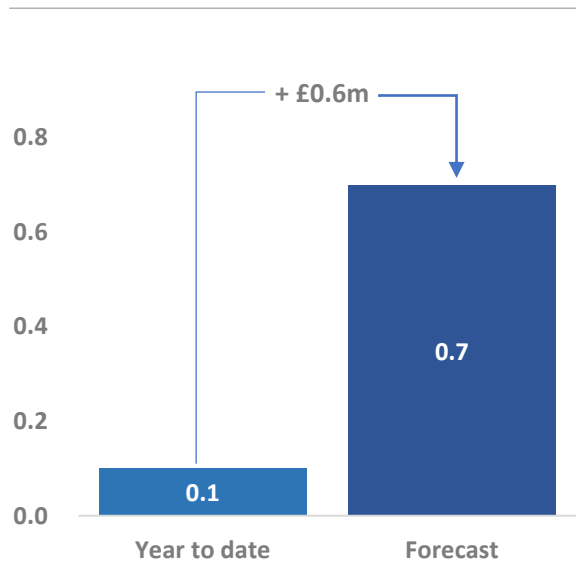
Revenue: PPE & cleaning (£m)



Capital forecast (£m)

| | Year to date £m | 2021/22 Q1 FY FC £m |
|----------------------|--------------------|------------------------------|
| Laptops | 0.0 | 0.0 |
| Video comms solution | 0.0 | 0.0 |
| Total | 0.0 | 0.0 |

Revenue: overtime (£m)

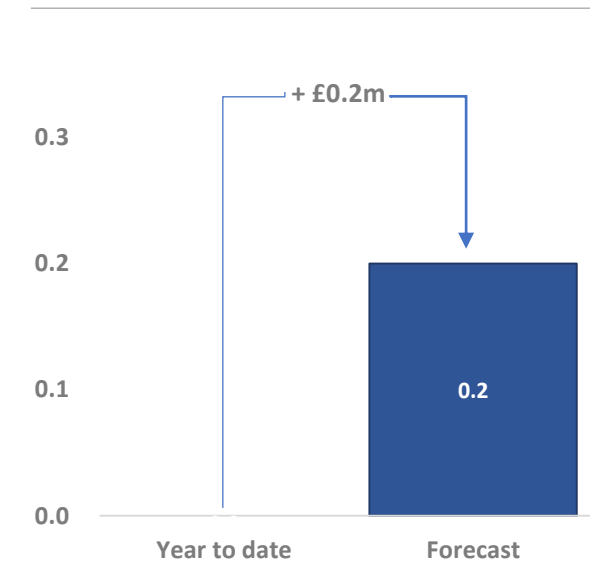


2019/20 - 2021/22 costs (£m)

| | Revenue £m | Capital £m |
|--------------|---------------|---------------|
| 2019/20 | 1.3 | 0.1 |
| 2020/21 | 7.7 | 2.4 |
| 2021/22 YTD | 1.0 | 0.0 |
| Total | 10.0 | 2.5 |

| | Revenue £m | Capital £m |
|------------------|---------------|---------------|
| 2019/20 | 1.3 | 0.1 |
| 2020/21 | 7.7 | 2.4 |
| 2021/22 Forecast | 5.0 | 0.0 |
| Total | 14.0 | 2.5 |

Revenue: other costs (£m)



Revenue

(service area)

Budget deliverability status remains at amber

FY break even position remains in line with budget

Q1 net expenditure forecast £9.1m over FY budget (fully funded)

Scottish Government funding

- PSPP update £7.5m
- Morbid toxicology £1.6m

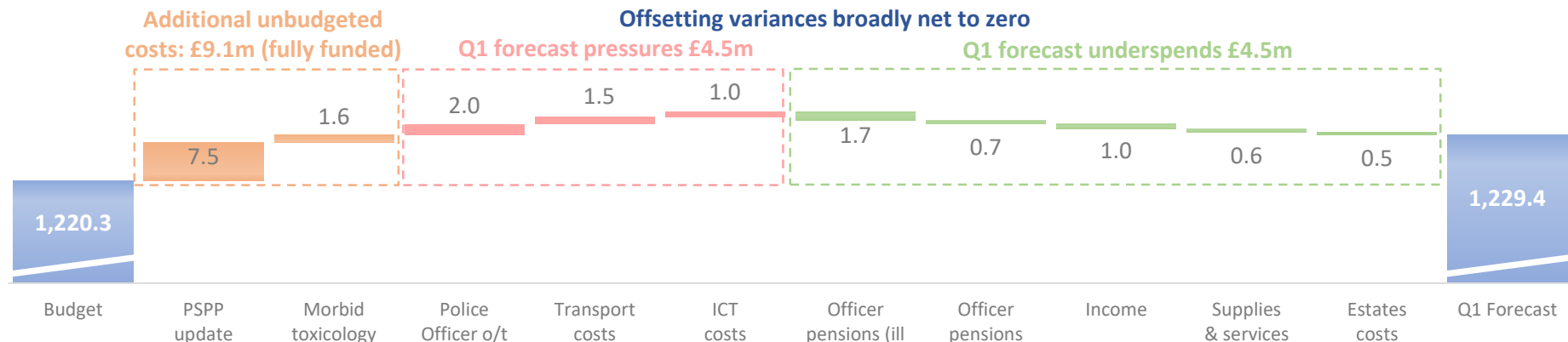
Total expenditure £9.1m over budget (fully funded)

- Q1 revenue break even position in line with budget.
- Additional PSPP cost (£7.5m) for police officers and police staff included in Q1 forecast, supported by funding commitment from the Scottish Government. Pay award negotiations are ongoing in relation to both officers and staff.
- Unbudgeted transitional revenue costs for the transfer of morbid toxicology services from the University of Glasgow to Police Authority (£1.6m) included in Q1 forecast, to be fully funded by the Scottish Government.
- There are a number of other offsetting variances that form part of the Q1 forecast and broadly net to zero.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q2 forecast

Detailed revenue variance (£m)

| | Year to date | | | Full year | | |
|-------------------|--------------|--------------|------------|----------------|----------------|-------------|
| | Budget £m | Actual £m | Var. £m | Budget £m | Q1 FC £m | Var. £m |
| Police Scotland | 291.4 | 289.7 | 1.7 | 1,178.9 | 1,187.6 | -8.8 |
| Forensic Services | 9.2 | 8.7 | 0.5 | 36.5 | 37.2 | -0.6 |
| SPA Corporate | 1.2 | 1.2 | 0.0 | 4.9 | 4.6 | 0.3 |
| Total | 301.8 | 299.6 | 2.2 | 1,220.3 | 1,229.4 | -9.1 |
| Funding | | | | | | |
| GIA | | | | 1,220.3 | 1,229.4 | -9.1 |
| Core deficit | | | | 0.0 | 0.0 | 0.0 |
| Total | | | | 1,220.3 | 1,229.4 | -9.1 |

Detailed budget to FY Q1 forecast (£m)



Revenue

(spend type)

Q1 forecast assumes £5m of direct Operation Talla costs in line with budget

Revenue variance by spend type - budget v Q1 FC (£m)

| | Year to date | | | | Full year | | | |
|-----------------|--------------|--------------|-------------|--------------|----------------|----------------|-------------|--------------|
| | Budget £m | Actual £m | Var. £m | % | Budget £m | FC £m | Var. m£ | % |
| Police officers | 204.4 | 205.5 | -1.1 | -0.5% | 827.3 | 832.8 | -5.5 | -0.7% |
| Police staff | 62.3 | 61.3 | +1.0 | +1.6% | 249.4 | 252.0 | -2.6 | -1.0% |
| Non-pay | 41.8 | 41.0 | +0.8 | +1.9% | 174.0 | 176.0 | -2.0 | -1.1% |
| Income | -6.7 | -8.2 | +1.5 | +22.4% | -30.4 | -31.4 | +1.0 | +3.3% |
| Total | 301.8 | 299.6 | +2.2 | +0.7% | 1,220.3 | 1,229.4 | -9.1 | -0.7% |

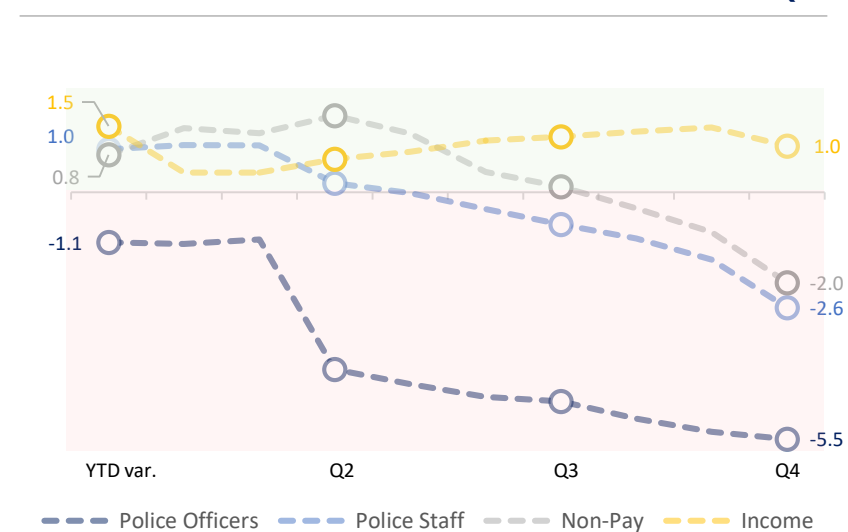
Pay

- Police officers - forecast overspend relates to additional cost of PSPP funded by SG (£5.9m) and core overtime (£2.2m) offset by underspends in ill health pension costs (£1.7m), injury pension costs (£0.7m) and non-core overtime (£0.2m).
- Police staff - forecast overspend relates to additional cost of PSPP funded by SG (£1.6m) and resource cost for Morbid Toxicology (£1.0m). It is anticipated that the year to date underspend driven by both current recruitment delays and higher than expected attrition will fall back in line with budgeted assumptions based on FTE forecast provided by each area.

Non-pay

- Transport costs (£1.5m over) - overspend mainly as a result of higher fuel prices above budgeted assumptions used (£0.9m) and service and maintenance costs (£0.6m).
- ICT costs (£1.0m over) - overspend primarily due to increased home office costs (£0.3m), Microsoft enterprise (£0.3m) due to increased usage and additional costs (£0.4m) within the DCCCOS portfolio primarily for Holmes.
- Morbid Toxicology (£0.6m over) - transitional costs for lease, short term outsourcing and project management fees.
- Other non-pay costs (£1.1m under) - underspend in estates (£0.5m), supplies and services (£0.6m) and other offsetting variances netting to zero.

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



Income

- Budget included a reduction of £10.0m to capture the current impact of COVID-19, compensated by additional SG funding.
- Forecast anticipates an increase (£1.0m) mainly within the DCCCOS portfolio, due to G7 mutual aid (£1.5m), NPCC Holmes income (£0.4m), abnormal loads / windfarm movements (£0.2m) offset by a reduction in anticipated Euro 2020 income (£1.2m).

Revenue

(further business area detail)

DCC Local Policing

- Overspends in officers overtime (£1.4m), PPE and cleaning costs incurred budgeted in DCCCOS (£1.1m), C3 staff overtime (£0.6m), additional under recovery of income (£0.5m net) due mainly to COVID-19, transport costs (£0.4m) due to increased fuel prices and other items net (£0.3m).

| | £m | FTE |
|---------------------|-------------|-------------|
| Budget | 124.0 | 2,597.7 |
| Q1 Forecast | 128.3 | 2,606.4 |
| FY variance | -4.3 | -8.7 |
| <i>YTD variance</i> | <i>-0.3</i> | <i>-5.4</i> |

Deputy Chief Officer

- Underspends in police staff costs (£0.6m), estates costs (£0.5m - net), over recovery of income (£0.3m), other non-pay costs (£0.3m) offset by fleet service and maintenance costs (£0.7m) and ICT costs (£0.5m).

| | £m | FTE |
|---------------------|------------|-------------|
| Budget | 144.0 | 1,020.4 |
| Q1 Forecast | 143.5 | 1,012.0 |
| FY variance | 0.5 | 8.4 |
| <i>YTD variance</i> | <i>0.1</i> | <i>18.5</i> |

DCC Crime & Op Support

- Underspends in PPE and cleaning costs budgeted in DCCCOS but incurred by DCCLP (£1.1m), over recovery on income (£1.0m), other supplies and services (£0.7m) offset by overspends in police officer OT (£0.5m), transport costs (£0.5m) due to increased fuel prices and ICT related costs (£0.4m).

| | £m | FTE |
|---------------------|------------|-------------|
| Budget | 51.9 | 593.3 |
| Q1 Forecast | 50.4 | 577.1 |
| FY variance | 1.5 | 16.2 |
| <i>YTD variance</i> | <i>2.4</i> | <i>2.7</i> |

Corporate centre

- Additional PSPP costs for officers and staff (£7.5m) and other items net (£1.3m).
- Police officer costs - no other variance to report apart from above unbudgeted PSPP costs.

| | £m | FTE |
|---------------------|-------------|------------|
| Budget | 805.1 | 17,265.3 |
| Q1 Forecast | 813.9 | 17,260.5 |
| FY variance | -8.8 | 4.8 |
| <i>YTD variance</i> | <i>-1.6</i> | <i>3.5</i> |

DCC People & Professionalism

- Underspends in ill health pensions (£1.7m) due to delays in OHS approvals, legal liability claims (£0.3m) and over recovery of income due to external agency secondments (£0.3m)

| | £m | FTE |
|---------------------|------------|-------------|
| Budget | 53.8 | 739.2 |
| Q1 Forecast | 51.5 | 748.8 |
| FY variance | 2.3 | -9.6 |
| <i>YTD variance</i> | <i>1.0</i> | <i>18.1</i> |

Forensics & SPA corporate

- Forensic Services (£0.6m over) - overspend due to morbid toxicology transitional costs (£0.7m) offset by underspend in other items (£0.1m).
- SPA Corporate (£0.3m under) - underspend in police staff costs (£0.2m) and non-pay costs (£0.1m).

| | £m | FTE |
|---------------------|-------------|-------------|
| Budget | 41.5 | 581.1 |
| Q1 Forecast | 41.8 | 582.1 |
| FY variance | -0.3 | -1.0 |
| <i>YTD variance</i> | <i>0.6</i> | <i>6.4</i> |

1 Police officer numbers were 17,289 FTE as per last externally reported quarter end 30 June 2021. 54 FTE is directly attributable to COP26 and reported separately.
Q1 FC 17,260.5 FTE is made up of 17,234 FTE for police officers and 26.5 FTE for police staff supernumerary

Capital

Budget deliverability status remains at amber

Year to date under budget by £2.0m

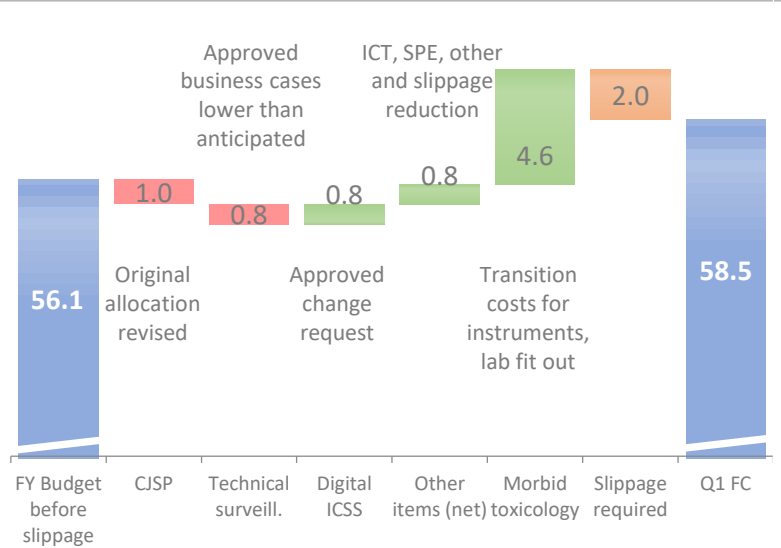
FY Q1 forecast £4.8m over budget (fully funded)

Additional funding £4.8m

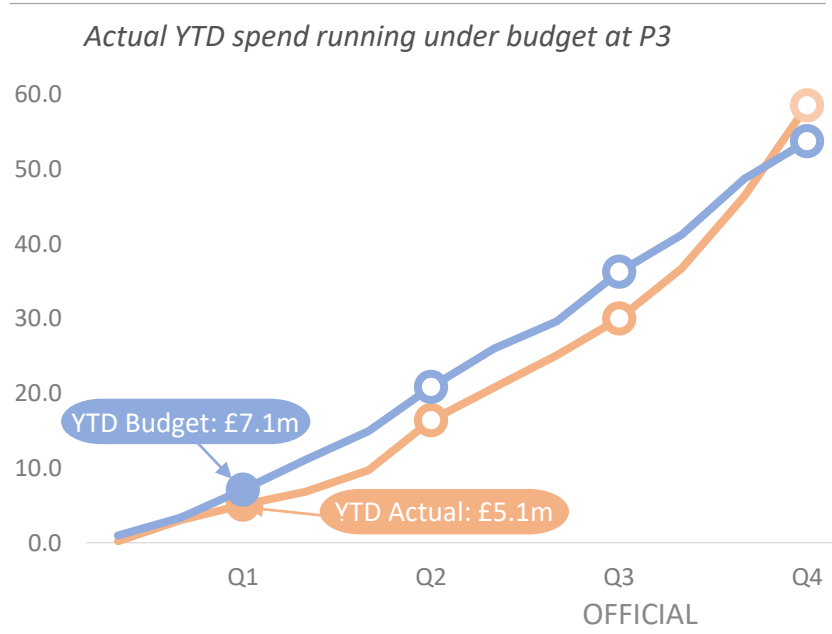
- Grant in aid for morbid toxicology £4.6m
- DESC (CJSP) £0.9m
- Virtual courts £0.2m
- Other £0.1m
- Reduction in capital receipts due to delay in property sale £1.0m

FY forecast requires £2.0m slippage

Forecast: movement budget to Q1 (£m)



Capital spend profile (£m)



Capital variance by programme (£m)

| | Year to date | | | Full year | | |
|---|--------------|------------|------------|-------------|-------------|-------------|
| | Budget £m | Actual £m | Var. £m | Budget £m | FC £m | Var. £m |
| Estates | 1.7 | 1.0 | 0.7 | 8.2 | 8.2 | 0.0 |
| Fleet | 0.1 | 0.2 | -0.1 | 8.5 | 8.5 | 0.0 |
| EV Infrastructure | 0.6 | 0.9 | -0.3 | 3.2 | 3.2 | 0.0 |
| ICT | 0.2 | 0.3 | -0.1 | 7.0 | 7.4 | -0.4 |
| SPE | 0.2 | 0.3 | -0.1 | 3.6 | 3.7 | -0.1 |
| Weaponry | 0.4 | 0.3 | 0.1 | 3.2 | 3.2 | 0.0 |
| Forensics | 0.4 | 0.0 | 0.4 | 1.6 | 1.6 | 0.0 |
| <i>Change: legislative & inflight</i> | | | | | | |
| CJ service programme | 0.9 | 0.2 | 0.7 | 3.6 | 2.6 | 1.0 |
| Morbid Toxicology | 0.0 | 0.0 | 0.0 | 0.0 | 4.6 | -4.6 |
| Data drives digital (DDD) | 0.0 | 0.0 | 0.0 | 3.1 | 3.2 | -0.1 |
| DEPP | 0.6 | 0.9 | -0.3 | 3.5 | 3.5 | 0.0 |
| ICT | 0.7 | 0.2 | 0.5 | 3.1 | 3.9 | -0.8 |
| LPP - NEDIP | 0.5 | 0.7 | -0.2 | 1.5 | 1.5 | 0.0 |
| Estates transformation | 0.2 | 0.0 | 0.2 | 2.5 | 2.5 | 0.0 |
| RJLP | 0.1 | 0.0 | 0.1 | 1.1 | 1.1 | 0.0 |
| Technical surveillance | 0.7 | 0.1 | 0.6 | 2.2 | 1.4 | 0.8 |
| Other | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | -0.2 |
| Slippage | -0.3 | 0.0 | -0.3 | -2.4 | -2.0 | -0.4 |
| Total | 7.1 | 5.1 | 2.0 | 53.7 | 58.5 | -4.8 |
| Funding | | | | | | |
| GIA | | | | 45.5 | 50.1 | 4.6 |
| Reform | | | | 4.6 | 4.6 | 0.0 |
| Cap receipts | | | | 3.6 | 2.6 | -1.0 |
| Other grants | | | | 0.0 | 1.2 | 1.2 |
| Total | | | | 53.7 | 58.5 | 4.8 |

Reform

Budget deliverability status remains at green

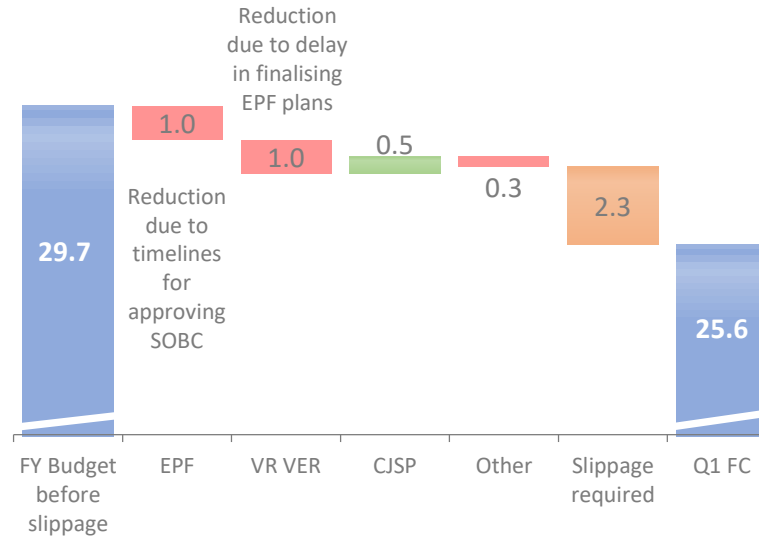
FY Q1 forecast £0.6m over budget (fully funded)

Additional funding for DESC (CJSP) £0.6m

Budget holders remain confident on ability to spend the funding available

FY forecast requires slippage of £2.3m

Forecast: movement budget to Q1 (£m)



Reform variance by work stream (£m)

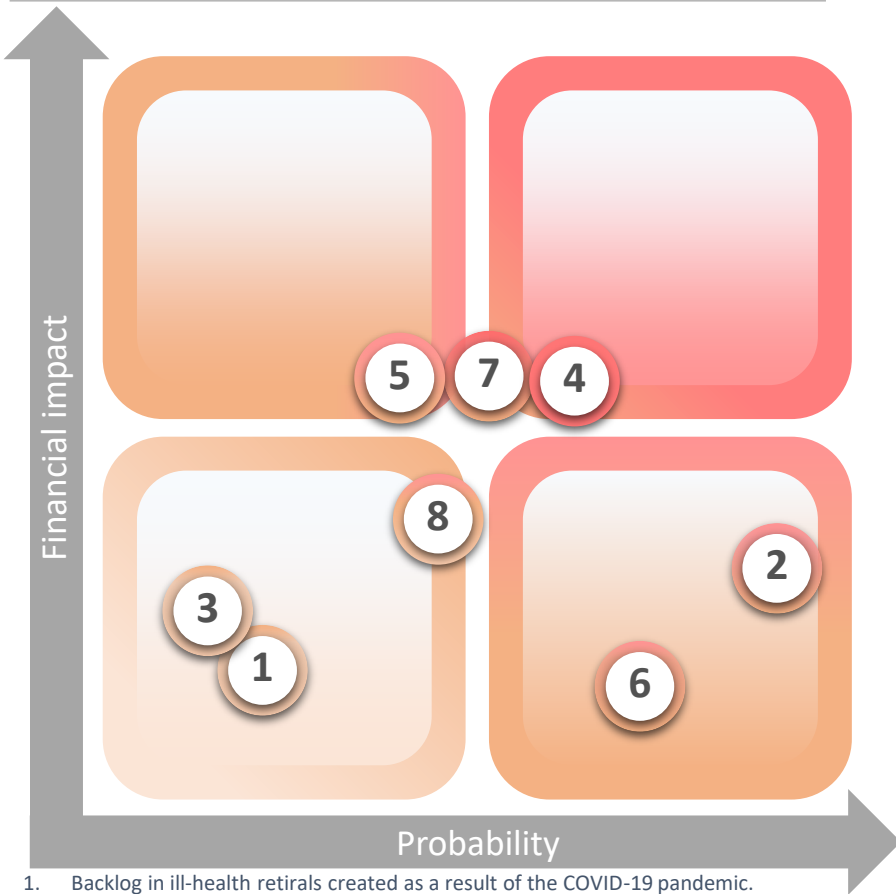
| | Year to date | | | Full year | | |
|--------------------------|--------------|------------|------------|-------------|-------------|-------------|
| | Budget £m | Actual £m | Var. £m | Budget £m | FC £m | Var. £m |
| Transformation resource | 2.1 | 2.3 | -0.2 | 12.1 | 12.1 | 0.0 |
| SPRM | 0.6 | 0.6 | 0.0 | 2.2 | 2.2 | 0.0 |
| Data drives digital | 0.0 | 0.0 | 0.0 | 0.9 | 0.9 | 0.0 |
| DEPP | 0.3 | 0.0 | 0.3 | 1.2 | 1.0 | 0.2 |
| Corp. change (incl. EPF) | 0.1 | 0.0 | 0.1 | 3.8 | 2.8 | 1.0 |
| Estates transformation | 0.1 | 0.1 | 0.0 | 2.6 | 2.6 | 0.0 |
| NEDIP | 0.3 | 0.2 | 0.1 | 1.1 | 1.1 | 0.0 |
| CJ service programme | 0.0 | 0.0 | 0.0 | 0.3 | 0.8 | -0.5 |
| P&D programme | 0.0 | 0.0 | 0.0 | 1.4 | 1.4 | 0.0 |
| RJLP | 0.1 | 0.0 | 0.1 | 0.4 | 0.4 | 0.0 |
| VR VER | 0.5 | 0.5 | 0.0 | 2.8 | 1.8 | 1.0 |
| Other | 0.3 | 0.0 | 0.3 | 0.9 | 0.8 | 0.1 |
| Slippage mgt | -0.6 | 0.0 | -0.6 | -4.7 | -2.3 | -2.4 |
| Total | 3.8 | 3.7 | 0.1 | 25.0 | 25.6 | -0.6 |
| Funding | | | | | | |
| GIA | | | | 25.0 | 25.0 | 0.0 |
| Other grants | | | | 0.0 | 0.6 | 0.6 |
| Total | | | | 25.0 | 25.6 | 0.6 |

Risk analysis

The revenue budget is carrying further risks that may materialise.

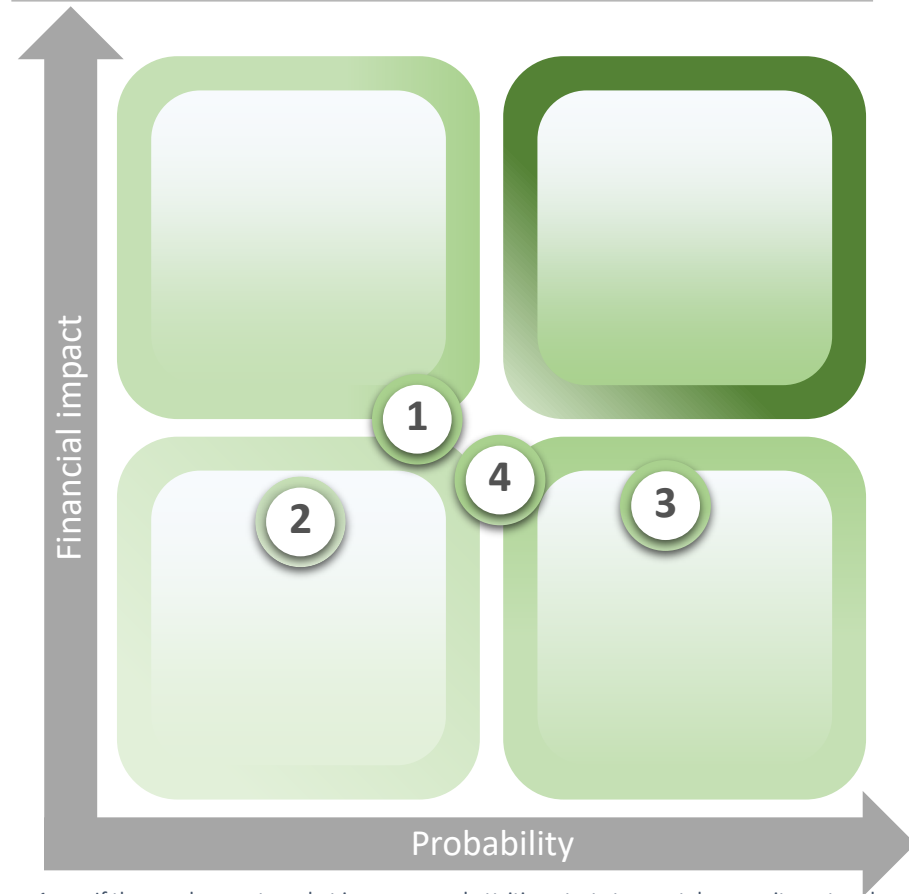
Threats and opportunities risks will continue to be monitored in Q2.

Threats



1. Backlog in ill-health retirals created as a result of the COVID-19 pandemic.
2. Budgeted assumptions for pay award
3. Potential increased revenue costs due to lower capital settlement.
4. Potential unbudgeted legal claims and other one-off costs.
5. Organisational response, workforce absence and further reductions to income as a result of COVID-19.
6. Negotiations currently ongoing with regards to SPA's charges for various third party payments.
7. Work is ongoing to understand the potential impact of expenses to be offset against chargeable gains from property sales.
8. Estates - Hard FM, Soft FM and condition survey works.

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 year.
3. Modern Apprenticeship in policing - levy income.
4. Estates mast rebates - potentially higher return than anticipated.