

Meeting	SPA Resources Committee
Date	09 August 2022
Location	Video Conference
Title of Paper	Financial Monitoring Report Q1 2022/23
Presented By	Lynn Brown, Interim Strategic Financial Planning and Budgeting Lead
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Quarter 1 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 quarter one of the financial year 2022/23.

Members are invited to discuss and note the contents of this paper.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2022/23 on 23 March 2022. The Authority's core revenue funding has increased by £40.5m (3.4%) in 2022/23. The budget also includes £6.6m of one-off additional funding to support the in-year impact of COVID – mainly to fund lost income and recovery of the Justice system.
- 1.2 In addition to the above, revenue funding will be provided in-year to support the transfer of post mortem toxicology services to the Authority and to support drug driving legislation. When combined with the core revenue funding and additional COVID support, this allows a balanced revenue budget to be set for financial year 2022/23. Despite setting a balanced budget, there are a number of significant challenges facing the service that will have a financial consequence for the organisation in financial year 2022/23.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Capital and reform funding allocations have been proposed as flat cash for 2022-23. Given the current impact of inflation, this represents a real terms reduction in funding. When combined with capital receipts, the capital allocation is £52.6m for 2022-23 which has been eroded by inflation and will now pay for significantly less. The Scottish Government continues to provide reform funding of £25m to support change and the transformation of policing.
- 2.2 Additional in-year funding and resource expenditure (revenue and reform) over a certain threshold is subject to approval through the Scottish Government's AO template process. The purpose of this template is to enable the Accountable Officer to document decision making and set out the relevant approvals required for material spend decisions. Finance and Procurement are working closely with the business to ensure that material spend decisions are documented as appropriate. However, there is a risk that approval for spend to be incurred may be delayed as part of this process.
- 2.3 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.
- 2.4 **Appendix A** provides the detailed quarter one (Q1) finance report.

Revenue

- The Q1 net expenditure forecast is £2.3m under budget. There are a number of significant offsetting variances that form part of the Q1 forecast. The main underspends forecast are police officer pay costs £21.2m as FTE is expected to be on average 452 below budget assumptions as a result of pension changes and an over-recovery of airport income £2.5m.
- Against these underspends, there is an increase in police officer overtime costs £11.9m to maintain service levels, main inflationary pressures £3.8m, legal costs and other net movements £5.7m.
- The underspend in Q1 net expenditure forecast of £2.3m is compensated by a movement in budgeted Covid recovery funding £2.5m offset by other GiA funding agreed £0.2m through Autumn Budget Revision (ABR) transfers, resulting in the Q1 forecast break even position remaining in line with budget.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q2 forecast.
- The year to date actual position versus budget is an overspend of £2.6m.

Capital

- The capital forecast at Q1 is £53.7m, £1.1m above the budget position of £52.6m.
- This forecast overspend is fully funded and primarily compensated by other capital grants receivable (£0.8m) and an increase in capital receipts (£0.3m).
- The capital forecast at Q1 requires £24.5m of further slippage to be managed down over the year.
- The year to date actual position versus budget is an underspend of £0.7m.

Reform

- The reform forecast at Q1 of £25.0m is in line with budget.
- The quarter one reform forecast has resulted in the reduction of FY slippage of £2.9m, bringing the total slippage down to £3.6m from the budgeted amount of £6.5m.
- The year to date actual position versus budget is an underspend of £0.5m.
- As noted above, there is a risk that approval for spend to be incurred may be delayed as part of the AO template process.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are set out in detail within the report.

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications associated with this report.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications associated with this report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There is no community impact associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications associated with this report.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are asked to discuss and note the contents of this paper.



POLICE
SCOTLAND
POILEAS ALBA

SCOTTISH POLICE
AUTHORITY

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

Quarter 1 2022/23



Finance dashboard

Q1 2022/23

Year to June 2022

Revenue

A	A	A
Apr	May	Q1

- YTD £2.6m over budget
- FY Q1 FC break even position in line with budget

Capital

G	G	G
Apr	May	Q1

- YTD £0.7m under budget
- FY Q1 forecast £1.1m over budget (fully funded)

Reform

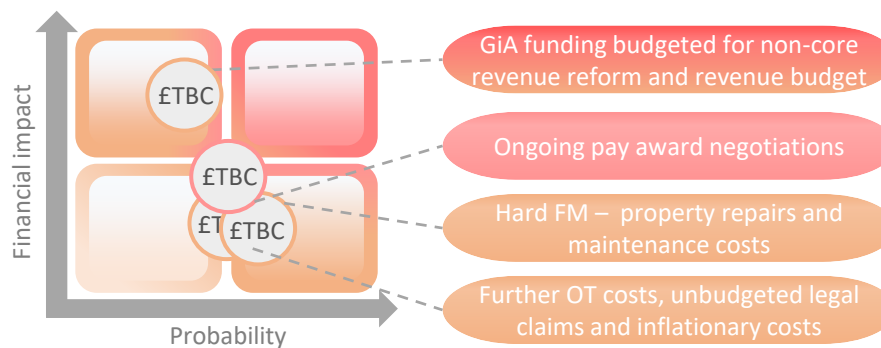
G	G	A
Apr	May	Q1

- YTD £0.5m under budget
- FY Q1 forecast in line with budget

Revenue variance (£m)

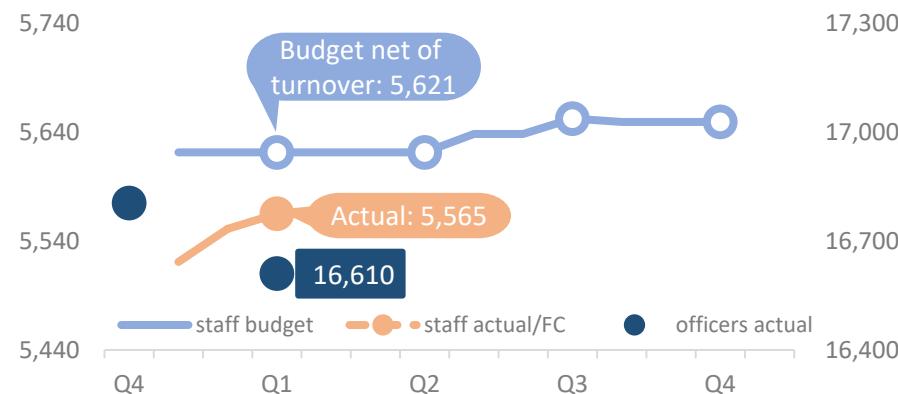
	YTD actual v budget	FY Q1 FC v Budget
Police Scotland	-3.3	2.4
Forensic Services	0.7	-0.1
SPA corporate	0.0	0.0
Total	-2.6	2.3

Threats

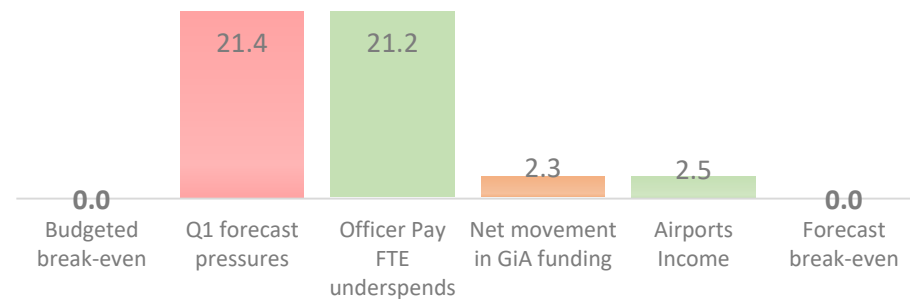


People numbers (FTE) - Revenue Budget

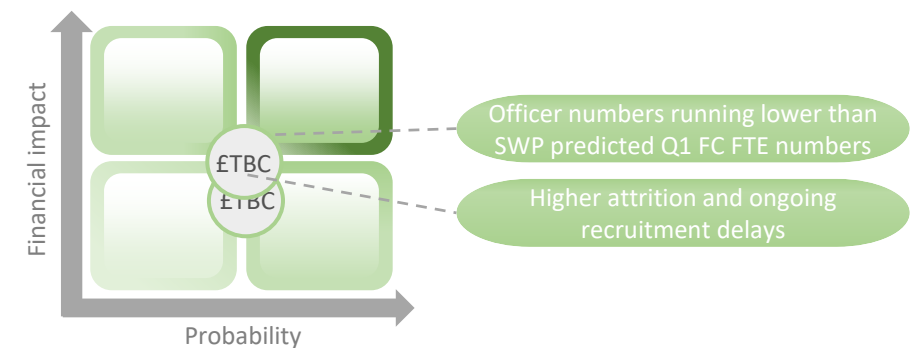
Headcount currently running under budgeting assumptions at P3



Revenue: Q1 FC break even position in line with budget

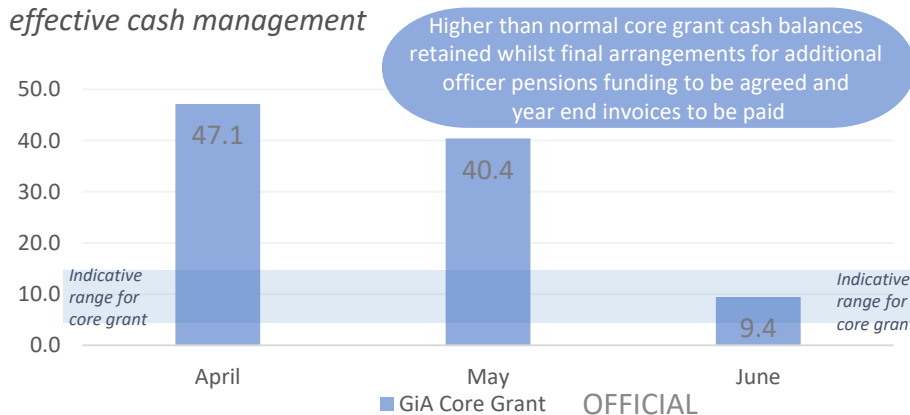


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Revenue

(service area)

Budget / Forecast deliverability status remains at amber

Q1 net expenditure forecast £2.3m under FY budget

SG GiA funding £2.3m (net movement):

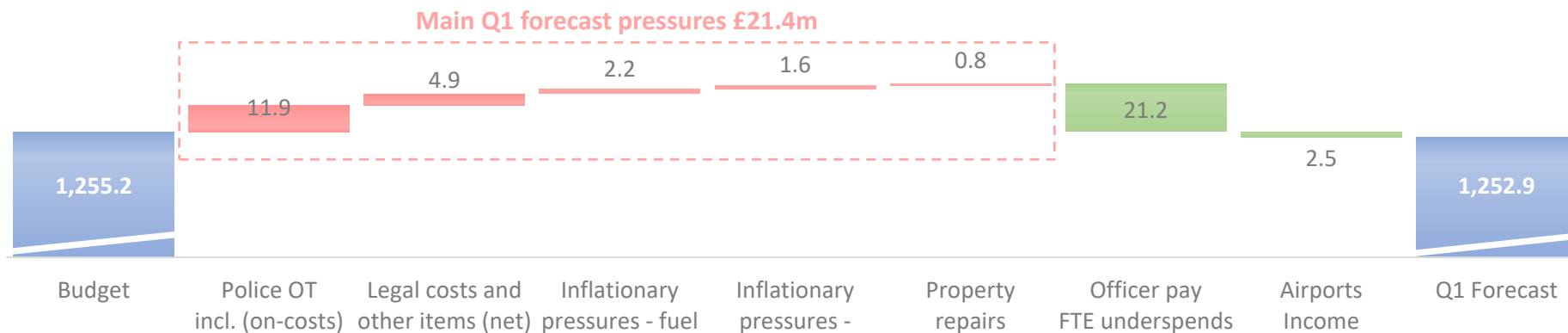
- Budgeted Covid recovery funding £2.5m offset by
- Other GiA funding agreed £0.2m through ABR transfers

FY break even position therefore remains in line with budget

Total expenditure £2.3m under budget

- Q1 revenue break even position in line with budget.
- There are a number of significant offsetting variances that form part of the Q1 forecast.
- The main underspends forecast are police officer pay costs £21.2m as FTE is expected to be on average 452 below budget assumptions as a result of pension changes and an over-recovery of airport income £2.5m.
- Against these underspends, there is an increase in police officer overtime costs £11.9m to maintain service levels, main inflationary pressures £3.8m, legal costs and other net movements £5.7m.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q2 forecast

Detailed budget to FY Q1 forecast (£m)



Detailed revenue variance (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q1 FC £m	Var. £m
Police Scotland	300.5	303.8	-3.3	1,209.8	1,207.4	2.4
Forensic Services	10.0	9.3	0.7	40.7	40.8	-0.1
SPA Corporate	1.2	1.2	0.0	4.7	4.7	0.0
Total	311.7	314.3	-2.6	1,255.2	1,252.9	2.3
Funding						
GIA - core				1,245.8	1,245.8	0.0
GIA - additional				9.4	7.1	2.3
Total				1,255.2	1,252.9	2.3

Revenue

(spend type)

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

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Police officers	210.7	212.7	-2.0	-0.9%	847.5	838.2	+9.3	+1.1%
Police staff	66.9	66.5	+0.4	+0.6%	268.4	267.7	+0.7	+0.3%
Non-pay	43.1	44.3	-1.2	-2.8%	177.6	187.8	-10.2	-5.7%
Income	-9.0	-9.2	+0.2	+2.2%	-38.3	-40.8	+2.5	+6.5%
Total	311.7	314.3	-2.6	-0.8%	1,255.2	1,252.9	+2.3	+0.2%

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



Pay

- Police officers - underspend in police officer pay costs (£21.2m) as FTE is expected to be on average 452 below budget assumptions offset by overspends in overtime (£11.9m) required to maintain service levels.
- Police staff - actual FTE is currently lower than budgeted assumptions by 76FTE on a year to date basis, contributing to the underspend of (£0.9m) offset by overspend on overtime (£0.5m). The main forecast growth in FTE, from current actual FTE, is anticipated from C3, with plans to increase intake size in both Area Control Room and Service Centres.

Non-pay

- Premises costs (£2.9m over) - relates to overspends on utilities (£1.6m) due to inflationary pressures and repairs and maintenance (£0.8m) due to accelerated schedule of works and other items (£0.5m).
- Transport costs (£2.8m over) - overspend mainly as a result of higher fuel prices above budgeted assumptions used (£2.2m) and other items (£0.6m).
- Other non-pay costs (£4.5m over) - overspend relates to legal costs and other net movements.

Income

- Full year budget includes a central income challenge of £4.0m. The forecast from divisions anticipates that this will now be achieved, mainly due to increase in mutual aid (£1.2m), seconded officers (£0.7m), services of police (£0.6m), specific grant funding (£0.4m) and other income (£1.1m).
- The forecast also anticipates an increase (£2.5m) for airport income above budgeting assumptions.
- One-off additional Grant-in-Aid funding (£4.6m) was budgeted to support lost income as a result of COVID. This will continue to be reviewed and will be measured against the final income position.

Revenue

(further business area detail)

DCC Local Policing

- Overspends in officers core overtime (£7.4m) and non-core overtime (£1.6m), police staff pay costs (£4.1m) and police staff overtime (£0.8m), transport costs (£1.7m) due to increased fuel prices, supplies & services (£0.5m) and other items net (£0.2m).

	£m	FTE
Budget	129.8	2,570.3
Q1 Forecast	146.1	2,653.2
FY variance	-16.3	-82.9
<i>YTD variance</i>	<i>-4.9</i>	<i>-22.2</i>

DCO Corporate services, People & Strategy

- Overspends in estate costs for utilities (£1.6m) due to inflationary pressures, property repairs and maintenance (£0.8m) and other premises costs (£0.3m); and other items net (£0.1m) offset by over-recovery of income for secondments (£0.6m), underspends in ill-health pensions (£0.6m) and police staff costs (£0.2m).

	£m	FTE
Budget	105.7	791.3
Q1 Forecast	107.1	769.3
FY variance	-1.4	22.0
<i>YTD variance</i>	<i>-0.4</i>	<i>18.0</i>

DCC Crime & Op Support

- Over-recovery of airport income (£2.5m), mutual aid (£1.2m) and other income (£1.3m); and an underspend in police staff costs (£0.8m) offset by overspends in officers non-core overtime (£0.8m) and core overtime (£0.2m), transport costs (£0.6m) due to increased fuel prices and other items net (£0.5m).

	£m	FTE
Budget	57.2	744.7
Q1 Forecast	53.5	722.5
FY variance	3.7	22.2
<i>YTD variance</i>	<i>1.4</i>	<i>24.0</i>

Corporate centre

- Underspend in police officer pay costs (£21.2m) as FTE is expected to be on average 452 below budget assumptions and other items net (£0.4m) offset by on-costs (£1.5m) associated with increased OT costs and increased pension admin charges (£0.6m)

	£m	FTE
Budget	820.2	17,272.4
Q1 Forecast	800.7	16,806.9
FY variance	19.5	465.5
<i>YTD variance</i>	<i>1.0</i>	<i>223.9</i>

DCC Professionalism, Digital & Transformation

- Overspend in legal costs, supplies and services and other net movements (£4.8m), offset by underspends in police staff costs (£1.2m) and ICT costs (£0.5m).

	£m	FTE
Budget	96.9	891.4
Q1 Forecast	100.0	864.3
FY variance	-3.1	27.1
<i>YTD variance</i>	<i>-0.4</i>	<i>40.4</i>

Forensics services & SPA corporate

- Forensic Services (£0.1m over) – Increase in outsourced drug driving costs (£0.4m), and other non-pay costs (£0.1m) offset in by lower staff costs (£0.4m).
- SPA Corporate (in line with budget) - underspend in police staff costs (£0.1m) offset by overspend in non-pay items (£0.1m).

	£m	FTE
Budget	45.4	597.6
Q1 Forecast	45.5	596.3
FY variance	-0.1	1.3
<i>YTD variance</i>	<i>0.7</i>	<i>2.6</i>

Capital

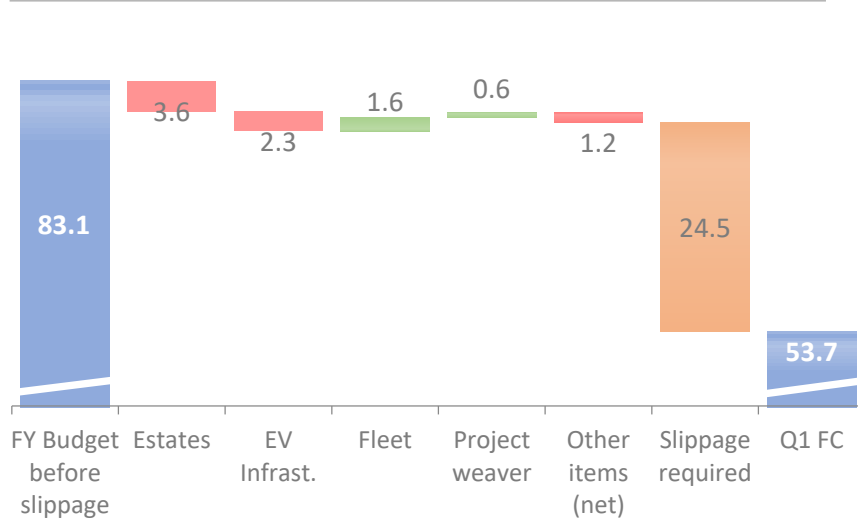
Budget / Forecast deliverability status remains at green

Year to date under budget by £0.7m

FY Q1 forecast £1.1m over budget (fully funded)

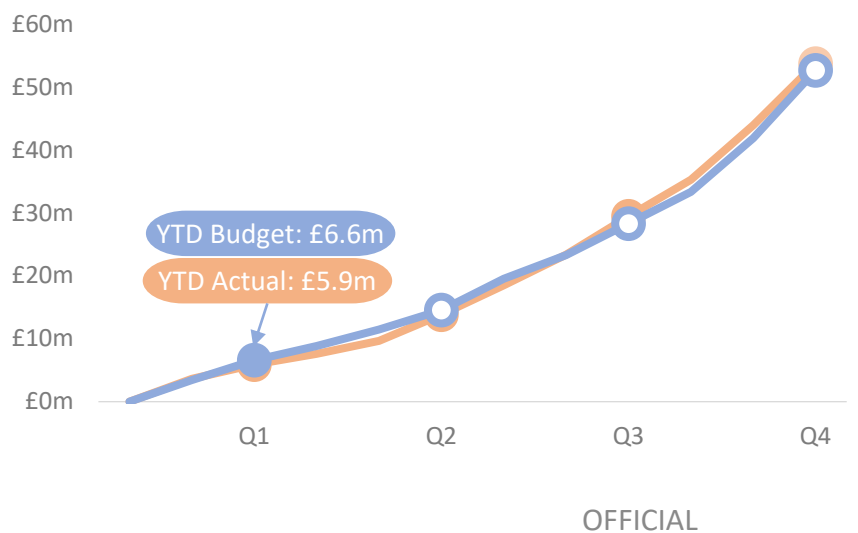
FY forecast requires £24.5m slippage

Forecast: movement budget to Q1 (£m)



Capital spend profile (£m)

Actual YTD spend running slightly under budget at P3



Capital variance by programme (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q1 FC £m	Var. £m
Estates	0.8	0.5	0.3	14.2	10.6	3.6
Fleet	1.5	1.9	-0.4	11.2	12.8	-1.6
EV Infrastructure	0.5	0.1	0.4	6.2	3.9	2.3
Digital Division	0.3	1.1	-0.8	14.3	14.3	0.0
SPE	0.4	0.2	0.2	5.3	5.3	0.0
Weaponry	0.6	0.5	0.1	2.6	2.4	0.2
Forensics	0.0	0.0	0.0	1.4	1.4	0.0
<i>Change: legislative & inflight</i>						
CJ service programme	0.0	0.2	-0.2	4.5	4.5	0.0
DDD ①	0.6	0.2	0.4	3.0	3.0	0.0
DEPP ②	1.1	0.4	0.7	4.3	3.8	0.5
Digital Division	0.0	0.0	0.0	0.8	0.7	0.1
MC&E ③	0.5	0.5	0.0	2.2	2.4	-0.2
Estates transformation	0.3	0.0	0.3	8.4	8.4	0.0
RJLP ④	0.0	0.0	0.0	0.4	0.7	-0.3
Technical surveillance	0.0	0.0	0.0	1.3	0.9	0.4
Policing in a digital world	0.0	0.0	0.0	2.4	2.4	0.0
Project weaver	0.0	0.3	-0.3	0.0	0.6	-0.6
Other	0.0	0.0	0.0	0.6	0.1	0.5
Slippage	0.0	0.0	0.0	-30.5	-24.5	-6.0
Total	6.6	5.9	0.7	52.6	53.7	-1.1
Funding						
GIA (Core)				45.5	45.5	0.0
Reform				4.6	4.6	0.0
Cap receipts				2.5	2.8	0.3
Other grants				0.0	0.8	0.8
Total				52.6	53.7	1.1

① DDD = Data Drives Digital
 ② DEPP = Digitally Enabled Policing Programme
 ③ MC&E = Modern Contact & Engagement
 ④ RJLP = Rights & Justice Legislative Programme

Reform

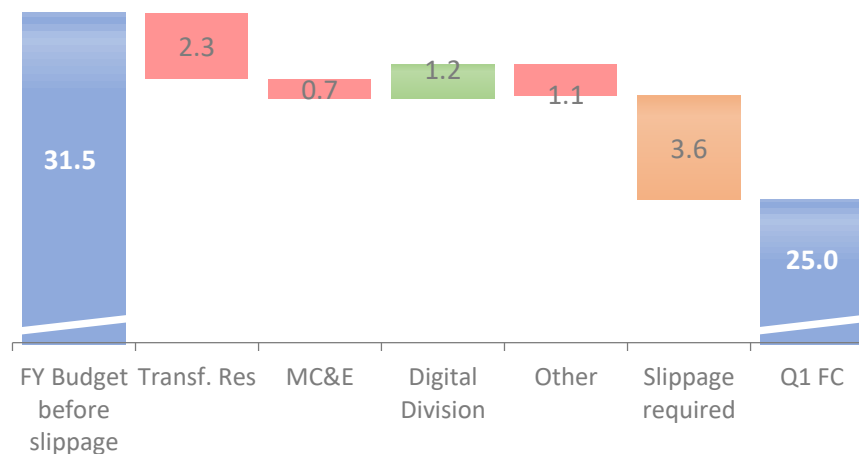
Budget / Forecast deliverability status has changed to Amber due to risks/delays associated with the AO template

Year to date under budget by £0.5m

FY Q1 forecast in line with budget

FY forecast requires slippage of £3.6m

Forecast: movement budget to Q1 (£m)



Reform variance by work stream (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q1 FC £m	Var. £m
Transformation resource	3.0	2.7	0.3	14.4	12.1	2.3
Digital Division	0.0	0.4	-0.4	0.2	1.4	-1.2
DDD ①	0.1	0.2	-0.1	0.9	0.9	0.0
DEPP ②	0.0	0.2	-0.2	0.0	0.5	-0.5
Policing in a digital world	0.6	0.0	0.6	3.1	3.1	0.0
EPF ③ (incl. change)	0.0	0.2	-0.2	1.5	1.5	0.0
Estates transformation	0.0	0.0	0.0	1.0	0.8	0.2
MC&E ④	0.7	0.0	0.7	2.8	2.1	0.7
P&D programme	0.1	0.0	0.1	1.1	0.6	0.5
RJLP ⑤	0.0	0.0	0.0	0.6	0.6	0.0
VR VER	0.4	0.4	0.0	3.0	2.5	0.5
Other projects	0.2	0.5	-0.3	2.9	2.5	0.4
Slippage	0.0	0.0	0.0	-6.5	-3.6	-2.9
Total	5.1	4.6	0.5	25.0	25.0	0.0
Funding				25.0	25.0	0.0

① DDD = Data Drives Digital

② DEPP = Digitally Enabled Policing Programme

③ EPF = Enabling Policing for the Future

④ MC&E = Modern Contact & Engagement

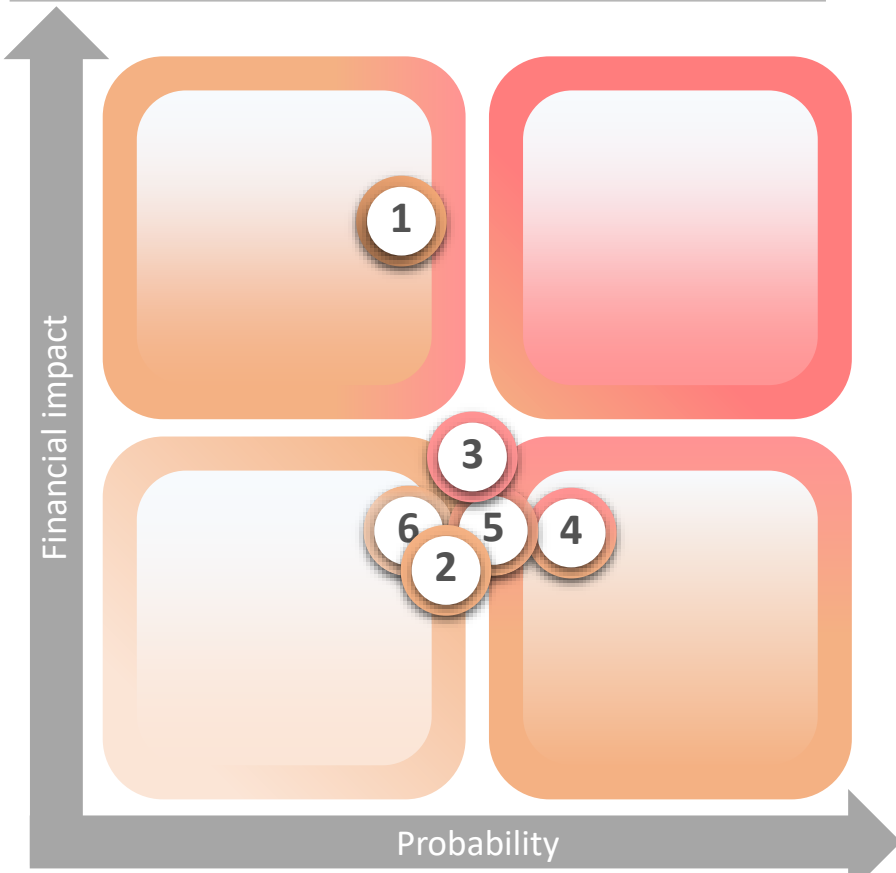
⑤ RJLP = Rights & Justice Legislative Programme

Risk analysis

The revenue budget is carrying further risks that may materialise.

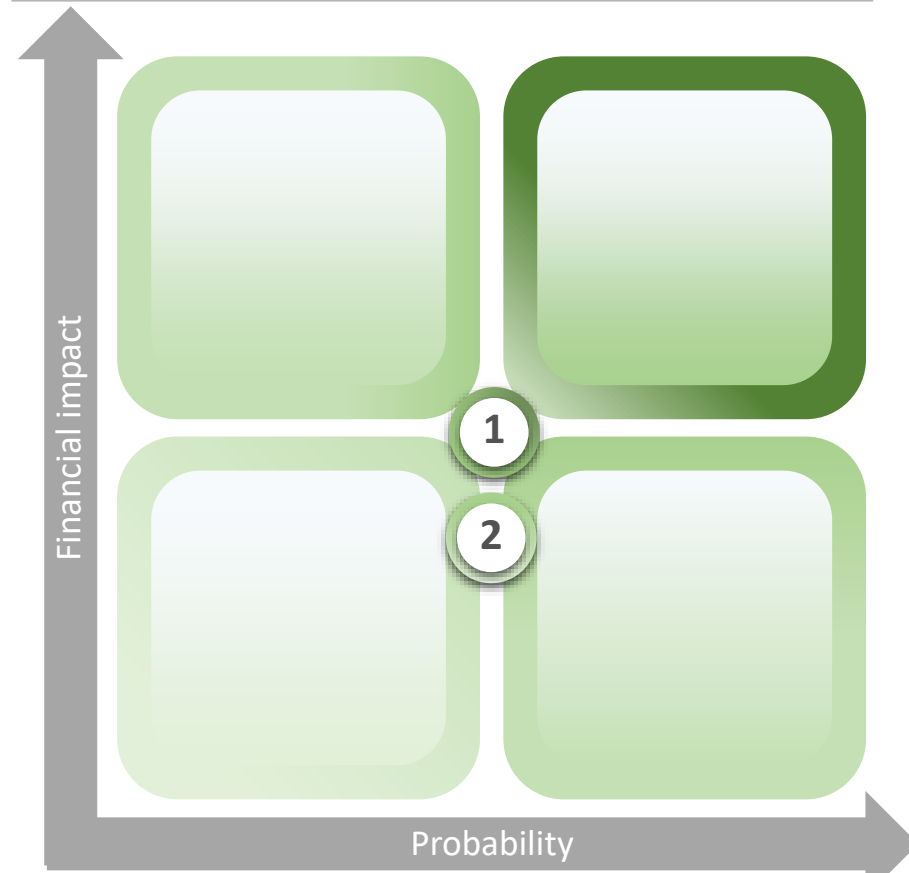
Threats and opportunities risks will continue to be monitored in Q2.

Threats



1. Grant-in-aid funding for Revenue Reform costs and non-core Revenue Budget costs are subject to an AO template process, an in-depth review by the Scottish Government. There is a risk that approval for this spend may be delayed as part of this process.
2. New Hard FM contract –the cost of the new contract may continue to exceed the expected value dependent on run rates and service level. Steps have been taken to mitigate the impact of this risk.
3. Various pay assumptions have been made with regards to headcount, pay award, attrition and savings. Pay award negotiations are ongoing.
4. Inflation - Whilst inflationary impact on utilities, fuel costs and supplies & services is captured within the Q1 FC, this will be at risk if inflation continues to rise.
5. Officer overtime - costs of overtime will continue to increase to maintain service and operational levels if officer numbers run further below forecast assumptions.
6. Legal claims - potential unbudgeted legal claims and other one-off costs.

Opportunities



1. Officer numbers - if officer attrition, as a result of pension changes, is higher than Strategic Workforce Planning (SWP) assumptions then additional savings will be further realised..
2. If the employment market increases and attrition continues to overtake recruitment, coupled with ongoing recruitment delays, above the budgeting assumptions used, underspends will occur.