

SCOTTISH POLICE  
AUTHORITY

<b>Meeting</b>	<b>Finance Committee Public Session</b>
<b>Date</b>	<b>Monday 18th December 2017</b>
<b>Location</b>	<b>Boardroom, Pacific Quay, Glasgow</b>
<b>Title of Paper</b>	<b>Financial Performance Reporting 17/18 Monthly Financial Performance Report – Period 7</b>
<b>Item Number</b>	<b>4.1</b>
<b>Presented By</b>	<b>Chief Financial Officer, James Gray</b>
<b>Recommendation to Members</b>	<b>For Noting</b>
<b>Appendix Attached</b>	<b>Yes A: 17/18 Monthly Financial Performance Report – Period 7</b>

**PURPOSE**

The purpose of this report is to provide an update on the financial position of the Scottish Police Authority as at 31 October 2017 and the projected outturn position for the financial year.

## 1. BACKGROUND

- 1.1 This report presents the year to date and forecast outturn financial position as at 31 October 2017 (period seven).
- 1.2 The detailed financial performance report and supporting appendices are attached to this report.

## 2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The full year forecast is as follows:
  - Revenue – an underspend against budget of £10.3m. The overall SPA budget was set with a deficit of £47.2m and so this projected overspend increases that deficit to £36.9m.
  - Capital – an underspend of £8.8m is forecast at this stage. However, work is on-going to identify areas where in year capital investment could be progressed.
  - Reform - The underspend for the year is forecast at £6.4m, which represents an increase in the forecast previously reported (£5.2m underspend), due to the slippage on capital transformation expenditure and corporate services transformation.
- 2.2 Further detail on the year to date and forecast outturn positions are contained within the monitoring report and supporting appendices attached to this report.

## 3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications for the financial year 2017/18 are set out in this report.

## 4. PERSONNEL IMPLICATIONS

- 4.1 There are no direct personnel implications associated with this report.

## 5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications associated with this report.

## 6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no direct reputational implications associated with this report.

## 7. SOCIAL IMPLICATIONS

- 7.1 There are no direct social implications associated with this report.

**8. COMMUNITY IMPACT**

8.1 There are no direct community impact implications associated with this report.

**9. EQUALITIES IMPLICATIONS**

9.1 There are no direct equalities implications associated with this report.

**10 ENVIRONMENTAL IMPLICATIONS**

10.1 There are no direct environmental implications associated with this report.

**RECOMMENDATION:**

Members are asked to:

- Note the year to date and forecast financial position for the SPA and Police Scotland.

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# Financial Review

## 2017-18

## Period 7

For presentation to  
**SPA Finance Committee**  
**18 December 2017**

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- Appendix D – Temporary Promotions (Police Officers)

## 1. Executive Summary

- 1.1 This report sets out the 2017/18 financial performance of SPA and Police Scotland for the seven month period to 31 October 2017, as well as forecasting the full year outturn to 31 March 2018.

The current forecast is an overall revenue underspend of £10.3m. The overall SPA budget was set with a revenue deficit of £47.2m, therefore the projected underspend decreases that in year deficit to £36.9m.

The forecast at the end of quarter two (period six) was a deficit of £36.6m. The worsening of the position by £0.3m is due to a further reduction in Police Officers costs (£0.1m) and an increase in income of £0.1m offset by an increase in non-pay cost of £0.5m.

On a recurring basis the deficit stands at £45.9m (£45.6m at Quarter 2)

There is a contingency held by the DCC Designate in respect of overtime and the current projection assumes that this will be spent in full. However, as at the end of period 7, the balance remaining on this budget is £1.1m.

Further to this, overtime costs incurred in relation to policing in Manchester and London is currently reported as an unfunded overspend. A claim in respect of these costs has been submitted under the Hertfordshire Agreement and reimbursement is anticipated. However, as this has not yet been confirmed, this reimbursement has not been included in the forecast until there is greater certainty over the receipt of this income.

The financial implications arising from judicial review (the Lady Wise Ruling) in relation to 'held in reserve' payments are currently being assessed. An accrual has been made in this regard but will be insufficient to meet the likely cost. This liability arises as a result of additional overtime payments due to some Officers (i.e. those meeting the qualifying criteria) following the ruling. The petitioner successfully argued that he was working away from his normal place of duty and was not allowed home, and so was therefore 'held in reserve' giving rise to the entitlement to overtime payments in line with the relevant PNB Circulars.

**Revenue Budget**

- 1.2 The table below sets out the year to date and forecast outturn position (excluding VAT) against an approved revenue budget for the 2017/18 financial year of £1,069.6m.

Revenue	Year to Date			Full Year Forecast		
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend
	£m	£m	£m	£m	£m	£m
Police Scotland	597.2	588.2	9.0	1,039.1	1,029.0	10.1
Forensics	16.0	16.0	0.0	26.8	26.8	0.0
SPA Corporate	2.1	1.9	0.2	3.7	3.5	0.2
<b>Total Expenditure (excl VAT)</b>	<b>615.3</b>	<b>606.1</b>	<b>9.2</b>	<b>1,069.6</b>	<b>1,059.3</b>	<b>10.3</b>
Funded By						
Grant in Aid				1,022.4	1,022.4	0.0
Operating Deficit				47.2	47.2	0.0
<b>Total</b>				<b>1,069.6</b>	<b>1,069.6</b>	<b>0.0</b>

- 1.3 This reports provides further information in relation to the variances arising against budget. The high level variances are:

- Police Scotland

The overall forecast is a £10.1m underspend against budget. The key variances, explained in greater detail later in this report, are: Police Officer costs (£0.8m over); Police Staff costs (£3.6m under); TOIL/annual leave costs (£1.0m over); non-pay costs (£6.6m under) and income (£1.7m favourable).

This represents a reduction in the previously reported underspend of £0.3m; the forecast reported at quarter two (period 6) being a favourable variance of £10.4m.

- Forensics

There are no material variances and the forecast is a break even position.

- SPA Corporate

There is a forecast underspend of £0.2m mainly due to gapping of vacant posts.

### **Capital Plan**

- 1.4 The year to date position on capital is expenditure of £4.0m (£3.4m excluding VAT) and capital receipts of £4.6m.
- 1.5 Work was carried during August and September to identify capital investment opportunities that would enable additional expenditure relating to Policing 2026 objectives to be progressed in year. This has resulted in an increase in the projected spend to £37.8m, however, in the subsequent period, slippage of £4.2m has been identified.
- 1.6 Within funding, capital receipts of £4.6m have been secured to date (a position unchanged from that reported at Quarter 2) against a full year budget of £10.0m. The income to date mainly relates to a £3.2m receipt in respect of the sale of Chambers Street. The budgeted receipts will not be realised in full due to a delay in the disposal of the Pitt Street site. This means that the associated proceeds will now slip into financial year 2018/19 and the loss of the associated revenue savings in the current financial year.

### **Reform Budget**

- 1.7 The Scottish Government has allocated a total Reform budget to the SPA of £59.5m. This is being provided through the Police Change and Transformation Fund (Reform) to support 'the delivery of a police service capable of meeting the changing demands of crime and society over the next ten years'.
- 1.8 The year to date position is total expenditure of £16.9m as at the end of period seven. This spend comprises irrecoverable VAT of £11.5m and Corporate Services transformation costs of £5.4m (transformation resources and Policing 2026 costs). The full year forecast spend is £53.1m which represents a forecast underspend of £6.4m.



### **Autumn Budget Review**

- 1.9 The purpose of the Autumn Budget Revision (ABR) is to amend the Budget (Scotland) Act 2017, which authorises the Scottish Government's spending plans for the financial year 2017/18, and to seek parliamentary approval for these amendments. These changes can include: restructuring of Government portfolios; funding changes; technical changes, transfers between Scottish Government portfolio budgets and transfers from the UK Government.
- 1.10 The ABR impacts the SPA/ Police Scotland by formally allocating additional funding as well as formalising the transfer of Reform funding. An updated budget allocation letter has been issued to the SPA on 2 November 2017.
- 1.11 This letter transfers funding of £0.2m for VISOR (Violent & Sex Offenders register) to the SPA from the Scottish Government Communities Operation Unit. The funding (and associated costs) have been ongoing for a number of years. This funding is not included in the original budget announcement by Scottish Government and transfer has historically occurred at the ABR.
- 1.12 This letter also transfers approved reform funding to the SPA. This includes funding for: Commercial Excellence (£1.1m) and VAT (£26m). The remaining Reform funding will be transferred at the Spring Budget Revision (SBR) in January 2018, based on a forecast position agreed in November 2017.
- 1.13 At the SBR the SPA may receive additional funding from the Proceeds of Crime Act (POCA). This is part of the Scottish Government's 'Cashback for Communities' programme and the amount of funding provided to the SPA, if any, will depend on the amount of funds recovered and the demands on the scheme from other partner bodies.

## 2. 2017-18 Budget Analysis

### Revenue Budget

#### 2.1 Police Scotland – Summary Revenue Budget

Revenue - Police Scotland	Year to Date			Full Year Forecast		
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend
	£m	£m	£m	£m	£m	£m
Salaries & On-costs	407.1	406.4	0.7	716.1	715.7	0.4
Overtime	7.7	8.2	-0.5	15.5	16.8	-1.3
Allowances	10.8	10.6	0.2	19.0	18.8	0.2
Injury & Ill Health	12.0	11.0	1.0	20.6	20.7	-0.1
<b>Total Police Officer Costs</b>	<b>437.6</b>	<b>436.2</b>	<b>1.4</b>	<b>771.2</b>	<b>772.0</b>	<b>-0.8</b>
Salaries & On-costs	88.9	86.8	2.1	154.8	149.8	5.0
VR VER Saving	-0.2	0.0	-0.2	-2.3	0.0	-2.3
Overtime	1.1	1.0	0.1	2.2	2.1	0.1
Allowances	8.1	7.6	0.5	13.8	13.0	0.8
Special Constables	0.0	0.0	0.0	0.8	0.8	0.0
<b>Total Police Staff Costs</b>	<b>97.9</b>	<b>95.4</b>	<b>2.5</b>	<b>169.3</b>	<b>165.7</b>	<b>3.6</b>
<b>TOIL &amp; Annual Leave Costs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>-1.0</b>
Other Employee Costs	0.8	0.9	-0.1	1.4	1.6	-0.2
Premises	40.2	37.7	2.5	59.6	56.4	3.2
Transport	13.2	12.9	0.3	23.2	22.7	0.5
Supplies & Services	19.8	19.9	-0.1	36.2	36.3	-0.1
ICT	9.7	9.0	0.7	18.1	16.2	1.9
Administration	3.0	2.7	0.3	5.9	5.3	0.6
Third Party Payments	5.6	5.4	0.2	14.7	14.6	0.1
Capital Financing	2.6	2.6	0.0	4.4	4.4	0.0
Other Costs	-0.5	0.0	-0.5	-0.5	-1.1	0.6
<b>Total Non-Pay Costs</b>	<b>94.4</b>	<b>91.1</b>	<b>3.3</b>	<b>163.0</b>	<b>156.4</b>	<b>6.6</b>
<b>Income</b>	<b>-24.1</b>	<b>-25.9</b>	<b>1.8</b>	<b>-42.7</b>	<b>-44.4</b>	<b>1.7</b>
<b>Net Expenditure (incl VAT)</b>	<b>605.8</b>	<b>596.8</b>	<b>9.0</b>	<b>1,059.8</b>	<b>1,049.7</b>	<b>10.1</b>
Less: VAT (Reform Funded)	-8.6	-8.6	0.0	-20.7	-20.7	0.0
<b>Net Expenditure (excl VAT)</b>	<b>597.2</b>	<b>588.2</b>	<b>9.0</b>	<b>1,039.1</b>	<b>1,029.0</b>	<b>10.1</b>

## 2.2 Variance Analysis

### 2.2 (i) **Police Officer Costs**

#### **Year to date £1.4m under (YTD at Quarter 2 £0.9m under)**

This net underspend of £1.4m arises from underspends on salaries, on-costs and allowances of £0.9m and ill health and injury pensions costs of £1.0m, partially offset by an overspend on overtime costs of £0.5m. The year to date position has improved largely due to the incurrence of overtime costs which are slowing down following the peak experienced earlier in the year due to the increased activity relating to the terrorism threat (further detail provided in the narrative below).

#### ***Salaries, On-Costs & Allowances (Year to date underspend £0.9m)***

- The main reason for year to date underspend is largely unchanged from that reported at Quarter 2 and relates to the timing of the intakes of new recruits. The underspend £0.7m reported last period is due to a full month budget for new recruits in June and September, however, these recruits joined towards the end of the month (26 June 2017 and 25 September 2017) resulting in a reduced salary cost compared with budget.
- Officer salary costs are further underspent, by £0.3m in the year to date largely as the result of reduced maternity and sick pay being lower than the level budgeted.
- The overspend of £0.1m in the year to date is consistent with last period and relates to an under-budgeting for salary increments related to probationer Police Officers.

#### ***Ill Health & Injury Pension Costs (Year to date underspend £1.0m)***

This underspend is mainly due to the timing of approvals of ill health retirement awards (£0.8m), however, the budget at this stage is forecast to be fully spent by the end of the financial year. There is also an underspend of £0.2m on pension admin costs relates to the timing of payments to the SPPA. This year to date underspend is due to timing and is forecast to be on fully spent by the end of the financial year.

#### ***Overtime Costs (Year to date overspend £0.5m)***

There are two elements to this adverse variance – an overspend on core police overtime costs (£1.1m) and an underspend on non-core police overtime costs (£0.6m).

- Core overtime reflects all routine Officer overtime costs within the mainstream revenue budget (i.e. supported through Police Scotland's grant-in-aid funding). The reason for this overspend is as previously reported (additional overtime incurred in responding to the increased

terrorism threat level and the incidents in Manchester and London). A claim has been submitted in respect of these costs under the Hertfordshire Agreement. This anticipated income that may arise from this claim has not been included in the forecast until there is greater certainty over the receipt of this income.

- Non-core overtime reflects overtime costs funded from externally generated income or grants (i.e. not from Police Scotland's grant-in-aid) and is underspent by £0.6m in the year to date (compared to a YTD underspend of £0.4m at Quarter 2). The main reasons for this underspend are as previously reported i.e. the cancellation of one nuclear decommissioning movement in relation to Operation Ailey (£0.2m) and a reduction in the number of abnormal load movements (£0.3m). These do not represent delays but true cancellations/reductions and so these activities will now not occur in this financial year. There are also various non material underspends within Local Policing Divisions (£0.1m)

**Full year projection £0.8m overspend (YTD at Quarter 2 £0.9m under)**

This net overspend of £0.8m arises from underspends on salaries, on-costs and allowances of £0.6m as offset by overspends on ill health/ injury pensions costs of £0.1m and overtime costs of £1.3m.

***Salaries, On-Costs & Allowances (Forecast underspend £0.6m)***

The full year forecast on salaries, on-costs and allowances is largely unchanged from the previous period position. The reasons for the forecast underspend are set out below.

- An underspend arising due to the timing of new recruit intakes which were assumed within the budget to take place at the beginning of the months of June, September and December. The recruits joined much later in the month (26 June 2017, 25 September 2017 and forecast 18 December 2017 respectively) resulting in reduced salary costs forecast of £1m.
- A net underspend of £0.4m is due to the cost of staff on service breaks and maternity pay/sick pay being lower than budgeted. .
- A net additional cost of probationers salaries (£0.8m) due to an under budgeting of probationer increments. The budget was based on the entry point and increments assumed as annual. However, increments are in fact due after 31 weeks of service.

It should be highlighted that the budgetary provision of £4m approved for the anticipated cost pressure expected to arise from the Court of Appeal ruling in relation to the Allard case, which is forecast to end in full in this financial year. A prudent approach has been taken in this regard as, at this stage, there is insufficient information to fully assess the adequacy or otherwise of this sum. Work is on-going in assessing the claims and

exploring a means of deriving a formula to be applied in determining the potential settlement value of claims. An update will be provided in each monitoring report in this regard.

### ***Overtime Costs (Forecast overspend £1.3m)***

The main elements of this overspend are as previously reported (the forecast overspend has reduced marginally from that reported last month when it stood at £1.5m). The key factors are set out below.

- additional overtime incurred, related to the increased threat level and the support provided following the incidents in Manchester and London (£1.1m). As described above, claims have been submitted to recover this additional overtime cost (although the anticipated income is not included in the forecast at this stage); and
- a recent legal ruling which found against the service in relation to a dispute over the requirement to pay 'held on reserve' overtime for Royal Court duties and other historic claims (£0.3m).

It should be noted that £1.2m of the total Officer overtime budget is held centrally and managed by the DCC Designate. From this budget, £0.1m has been released to date to meet approved overtime pressures. At this stage, the remaining budget is forecast to be fully utilised in the year. This position is being continually assessed given the requirement to balance service delivery with the unfavourable overarching financial position.

### ***Held in Reserve Overtime Payments***

The Lady Wise judicial review clarified the criteria whereby Officers were deemed to be 'Held in Reserve' and so due additional overtime payments. Police Scotland has set out the revised criteria for 'held in reserve' as well as a claims process and form by which historic overtime claims can be submitted (there is a five year legal time limit on claims) The deadline for submission of retrospective claims was 30 November 2017.

To date, 1,375 claims have been approved (but not yet paid) with an associated cost of £0.2m. In addition, a large number of historic claims have been submitted that have still to be assessed and so the likely cost of these claims is not yet known. Once the historic overtime claims have been resolved, there will also be an ongoing additional overtime cost as a result of the Lady Wise ruling.

***Temporary Promotions***

Details of temporary Officer promotions to date are shown at appendix D.

2.2 (ii) **Police Staff Costs**

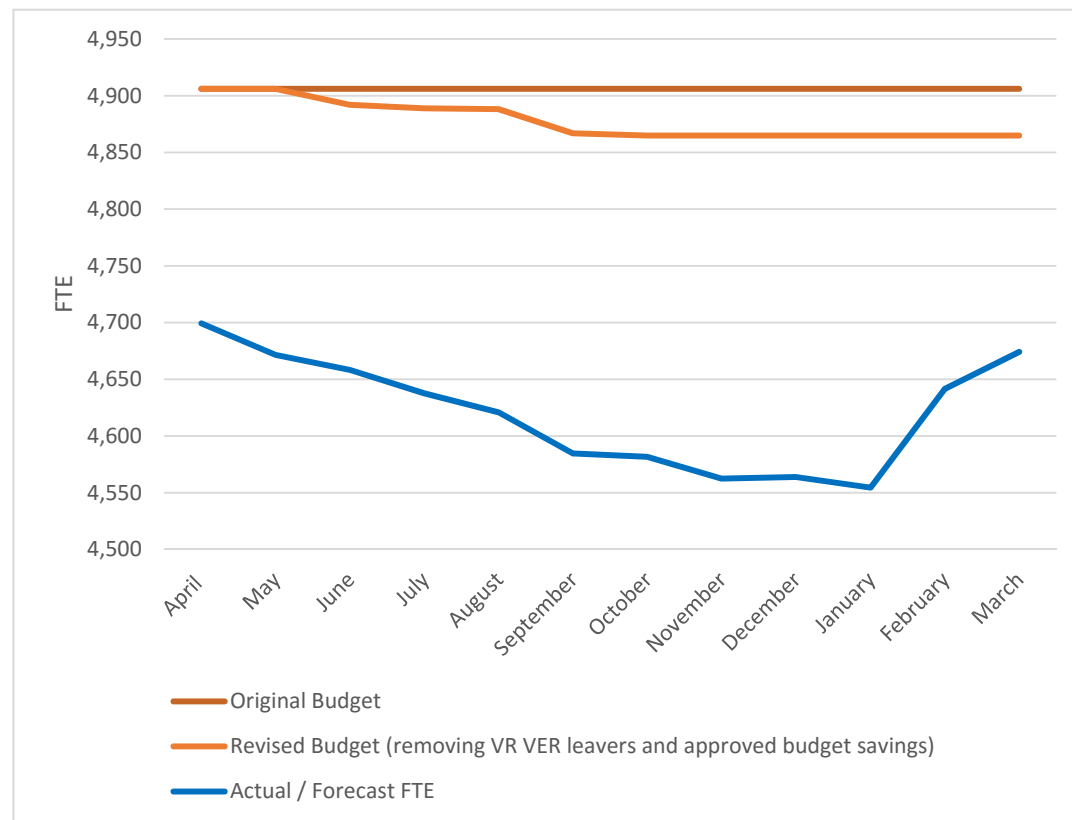
**Year to date (£2.5m underspend) (YTD at Quarter 2 £2.5m under)**

This underspend relates to salaries, on-costs and allowances which is underspent by £2.6m offset by an overspend on overtime £0.1m and an under-recovery of planned saving from VR VER (£0.2m).

The underspend on salaries, on-costs and allowances is mainly due to the number of budgeted vacant posts exceeding the budgeted vacancy factor (i.e. the turnover saving assumed within the budget base). The budget includes the full annual budget for vacant posts. The budget was approved on 22 March following which these approved vacancies had to progress through internal governance and subsequently the recruitment process itself. Therefore, the full budget is not required in full, creating a year to date and full year underspend.

The position in relation to staff numbers in 'business as usual' (BAU) posts in the current financial year is a continually reducing one (i.e. numbers have fallen every month in the year to date). The budgeted FTE for the year was 4,906 FTE (comprising 4,721 FTEs in post and 185 FTE vacant posts at the start of the year). This total staff in post has reduced from 4,721 FTE at 1 April 2017 to 4,582 at 31 October 2017, a total reduction of 139 FTE's. This reduction shown in the following graph and is due:

- a) 75 FTE leavers on VR VER, comprising 54 FTE leavers from C3 and 21 FTE leavers from other business areas. The budget for C3 leavers was required to be retained within the C3 Division to fund the uplift in posts elsewhere in the Division. The budget for the remaining 21 FTE leavers has been removed as a saving.
- b) 64 FTE net reduction in staff. This is the overall reduction in staff comprised of the net effect of starters and leavers.





This reduction in staff posts is partly due to controls put in place over the recruitment of posts given the financial position of Police Scotland. However, there has been active recruitment in relation to roles associated with the on-going transformation programme. The cost of these transformational roles is not monitored within base BAU expenditure (as referenced above) in the mainline revenue budget but is managed separately within the reform budget. Many transformation posts have been filled by existing Police Scotland employees which has had the effect of generating additional turnover savings in the BAU revenue budget.

The key reasons for the year to date underspend are as follows:

Explanation (salaries, on-costs and allowances)	£m Under/ (Over)
The average level of vacancies generating savings of £4.0m to date (the turnover factor accruing at a consistent rate from prior periods). This represents a saving over and above the budgeted 2.3% vacancy factor (£1.9m).	2.1
Greater number of staff on half or nil pay than level budgeted (i.e. nil or half pay whilst on maternity, paternity or sick leave) and budgetary provision for posts where staff left the service between the budget build exercise and the finalisation of budgets	0.7
Additional agency expenditure	(0.1)
Reduction in capitalisation of ICT staff costs	(0.2)
Dual running costs budgeted as part of the C3 restructuring in the North not required in full	0.1
<b>Total</b>	<b>2.6</b>

#### Supernumery Pool

The supernumery budget was established based on those staff in the pool at the time the staff budget was set. The value of the annual budget in this regard is £0.7m. At 31 October 2017, the year to date cost was £0.5m.

#### **Full year projection £3.6m underspend (YTD at Quarter 2 £3.6m under)**

There is a £5.8m forecast underspend on staff costs (salaries, on-costs and allowances) and a £0.1m underspend on staff overtime which is partially offset by the under-recovery of planned staff savings from VR VER of £2.3m.

The total forecast underspend on staff costs of £5.8m is due to the level of budgeted staff vacancies as outlined above. The forecast is based on an assumption of when each vacant post will be filled (approximately three months from an employee leaving the organisation to a replacement new start joining). The forecast also assumes a general attrition rate based on the actual turnover rate for the year to date.

The forward forecast of staff numbers is also shown in the previous graph. This shows a further reduction in staff numbers which will increase from January onwards but will not rise to the budgeted levels by the end of the year. As such the level of underspend seen to date will continue and at a higher rate for the forthcoming three months before reducing.

The reason for the forecast underspend on staff salaries, on-costs and allowances can be explained by the following factors:

<b>Explanation (salaries, on-costs and allowances)</b>	<b>£m Under/ (Over) £m</b>
Forecast level of vacancies generating savings of £7.1m (turnover saving of 4.9%) significantly exceeding the budgeted 2.3% vacancy factor	3.8
Dual running costs (non-recurring) budgeted as part of the C3 restructuring in the North not required (new operating model now in place) and budgetary provision for posts where staff left the service between the budget build exercise and the finalisation of budgets	1.4
Greater number of staff on half or nil pay than level budgeted (i.e. nil or half pay whilst on maternity, paternity or sick leave)	1.1
Additional agency expenditure	(0.2)
Reduction in capitalisation of ICT staff costs	(0.3)
<b>Total</b>	<b>5.8</b>

This forecast assumes a forward recruitment plan based on finance business partners working with budget holders. If there is any changes to staff recruitment strategy or turnover rate this will have a consequent impact on the forecast.

***VR VER Savings***

The original budget approved a full year saving from staff leaving on VR VER of £3.0m. As staff leave the service on VR VER, their salary budget is removed from the particular Division / Department and offset against the savings target. In the year to date there has been 25.3 FTE leavers on VR VER which have realised savings of £0.4m to date with forecast savings in 2017/18 of £0.7m.

At this stage there are no detailed plans in place around staff efficiencies that will enable the delivery of this saving in full. Work is on-going in this regard and the expectation at this stage is that these plans will enable release of approximately 200 FTE by the end of the financial year. This means that a full year saving would be delivered in 2018/19. Having the posts approved for release prior to 31 March 2018 will mean that the full extent of the associated release costs will be incurred in the current financial year. The overall financial impact in 2017/18 is an under achievement of £2.3m against the planned saving.

### ***TOIL & Annual Leave Costs***

Annual leave and time off in lieu (TOIL) entitlement due but untaken at the end of the financial year must be accounted for in that year and so a financial value is attached to this for accounting purposes in accordance with accounting standards. .

Where the total untaken balance increases between one financial year end and the next, the accrual correspondingly increases representing a cost to the revenue budget. However, where the balances decrease, the level of accrual reduces generating a credit (or benefit) to revenue in the year (assuming that the TOIL has been managed down through time off rather than payment).

In the 2017/18, the budget includes an assumption that the TOIL/ annual leave balance at 31 March 2018 will be less than that at 31 March 2017 with an associated credit balance being released to revenue in the sum of £1m.

As described in detail in the quarter two report, Police Officers electing to take TOIL are required to take time off within a period of no more than three months from the time the overtime was incurred. If TOIL is not taken within that timeframe, then this converts to payment. However, this rule applies only to TOIL claimed after 1 April 2015. To clear the accumulated historic balances pre April 2015, Police Scotland has taken the decision to buy out these balances. This cost will be funded in full by the release of the associated accrual. Therefore, although this does not result in a cost to revenue, neither does it generate the budgeted saving. HR representatives have held discussions with staff associations on this matter and formal communication to Officers will be issued in due course. It is anticipated that the remaining historic balances will be bought out nearer the end of the financial year.

The net effect of this is that the forecast saving of £1m will not now be made. As set out in the Quarter 2 Financial Performance report, there are currently no plans in place that enable a reduction in TOIL (at no cost to the organisation) or annual leave balances to achieve the savings target. Therefore the assumption at this stage is that this saving will not be realised.

This will be kept under constant review to take account of any proposed changes arising from the work ongoing.

2.2 (iii) **Non-Pay Costs**Year to Date (£3.3m under) & Full Year Projection (£6.6m underspend)

The following table provides an analysis of non-pay variances by cost category along with explanations for both the year to date and full year positions.

	Year to Date Variance		Full Year Variance	
	£m	Explanation	£m	Explanation
Other Employee Costs	-0.1	No issues to highlight.	-0.2	No issues to highlight.
Premises	2.5	<p>The key variances which comprise this underspend are in relation to:</p> <ul style="list-style-type: none"> <li>Underspends on non-domestic rates (NDR) (£1.2m); property maintenance costs (£1.6m); gas and electricity (£0.3m); water and sewerage (£0.1m) and lease dilapidations (£0.1m); and</li> <li>Overspends on cleaning and domestic supplies (£0.2m) and premises efficiency saving (£0.6m).</li> </ul> <p>The current underspend on NDR of £1.2m arises due to: a non-recurring saving of £0.3m from a successful rates appeal in relation to radio masts in the Highlands and Western Isles; £0.6m of vacant/rural property appeals and an overestimate of the West Lothian Civic centre costs reducing the actual cost in comparison to the budgeted amount. An additional £0.3m has also been identified in respect of vacant/rural property relief.</p> <p>The current underspend on property maintenance costs (£1.6m) is due to delays in the mobilisation of the new contract associated with vetting required for staff and sub-contractors which in some cases has led to the replacement of some subcontractors. These delays have been due to the volume of vetting requests and delays in obtaining all information from applications. In addition, there have also been a number of vacancies within the estates department. These posts have been key to the management and delivery of maintenance works.</p>	3.2	<p>The key variances which comprise this underspend are the forecasts in relation to:</p> <ul style="list-style-type: none"> <li>Underspends on non-domestic rates (NDR) (£1.3m); property maintenance costs (£1.9m); gas and electricity (£0.5m); water and sewerage (£0.1m) and lease dilapidations (£0.2m); and</li> <li>Overspends on cleaning and domestic supplies (£0.3m) and premises efficiency saving (£0.5m).</li> </ul> <p>The forecast underspend on NDR of £1.3m arises due to: a non-recurring saving of £0.3m from a successful rates appeal in relation to radio masts in the Highlands and Western Isles; £0.6m of vacant/rural property appeals and an overestimate of the West Lothian Civic centre costs reducing the actual cost in comparison to budgeted amount. A further review of the forecast has identified savings of £0.4m from vacant and rural property relief.</p> <p>The forecast underspend on property repairs and maintenance is £1.9m. This is explained in the year to date variance position. This rate of underspend is forecast to reduce as the delays in vetting have been mostly overcome and a fuller programme of work is able to be undertaken.</p> <p>Gas and electricity costs are forecast to be underspent by £0.5m. This follows a critical review of utilities costs by estates staff based on recent usage and price data. The SPA buys utilities from a collective Government buying arrangement which purchases supply in advance and there is no indication of forecast price changes for the remainder of the financial year.</p>

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	Year to Date Variance		Full Year Variance	
	£m	Explanation	£m	Explanation
Transport	0.3	This underspend is partly timing however there is also a true underspend due to fuel prices in the year to date being lower than the level set in the budget.	0.5	<p>Primarily due to a £0.4m forecast underspend in vehicle servicing and maintenance costs. The budget was increased due to increasing vehicle maintenance costs. However, the additional capital investment in fleet towards the end of last financial year means that this cost pressure will not materialise.</p> <p>In addition, a full year underspend is forecast on fuel (£0.4m) as previously described.</p> <p>These underspends are partially offset by a projected overspend on accident damage repairs (£0.3m).</p>
Supplies & Services	-0.1	<p>The key variances which comprise this underspend are in relation to:</p> <ul style="list-style-type: none"> <li>underspends on investigative expenses (£0.2m); medical fees &amp; reports (£0.2m); interpreters &amp; translators (£0.2m); health and safety costs (£0.1m); telecoms (£0.1m); and</li> <li>overspends on clothing &amp; uniforms (£0.3m); mortuary costs (£0.2m) and other variances largely related to timing (£0.4m).</li> </ul>	-0.1	<p>The key variances which comprise this underspend are the forecasts in relation to:</p> <ul style="list-style-type: none"> <li>underspends on investigative expenses (£0.1m); medical fees &amp; reports (£0.2m); interpreters &amp; translators (£0.2m); other non-material variances (£0.1m); and</li> <li>overspends on clothing &amp; uniforms (£0.5m) and mortuary costs (£0.2m).</li> </ul> <p>The forecast overspend on clothing &amp; uniforms (£0.5m) primarily relates to an overspend of £0.4m within OSD specialist services which relates to the uplift in armed policing numbers.</p>
ICT	0.7	ICT maintenance costs are underspent by £0.5m and IT licences/subscriptions by £0.2m. These are timing issues.	1.9	There is an underlying forecast full year overspend of £0.1m on ICT costs. The underspend has been created due to the review of accruals and prepayments as reported last period, which generated a non-recurring benefit of approx. £2m. There are other non-material overspends of £0.1m.
Administration	0.3	Mainly due to printing and stationery underspends which are forecast to continue to the end of the financial year.	0.6	This position is due to forecast underspends in printing and stationery costs (£0.4m). There is also a forecast underspend of £0.1m re photocopier costs as well as other non-material underspends of £0.1m.

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	Year to Date Variance		Full Year Variance	
	£m	Explanation	£m	Explanation
Third Party Payments	0.2	<p>There is an underspend of £0.2m in relation to the air weapons licensing project (destruction of air weapons following the amnesty). The cost of destruction of air weapons is less than budgeted.</p> <p>In addition, there is a £0.2m underspend due to the receipt of a credit note for a historical disputed charge with the Home Office, who have now agreed to cancel the charge. This has now been recognised as a non-recurring savings against the savings target.</p>	0.1	<p>Per the year to date narrative there is a forecast underspend in relation to air weapons destruction (£0.4m) and an underspend in costs for the national intelligence unit (£0.1m)</p> <p>There are additional costs forecast related to Operation Border Reiver (£0.2m) which is being fully funded by the Home Office.</p> <p>This is offset by a forecast overspend in liability claims of £0.2m due to two large public liability claims raised against Police Scotland which are being finalised.</p>
Capital Financing	0.0	No issues to highlight.	0.0	No issues to highlight.
Other Costs	-0.5	This overspend relates to the efficiency targets not forecast to be achieved.	0.6	<p>This underspend is comprised of a £1.1m gain on disposal and an overspend of £0.5m in relation to the efficiency targets forecast to be under recovered against the original £5m non pay target.</p> <p>The forecast includes a £1.1m gain on disposal which had not been budgeted for. This relates almost entirely to the sale of Chambers Street which resulted in a one-off accounting gain which is recognised as a benefit to the revenue budget.</p>
<b>Total Non-Pay Costs</b>	<b>3.3</b>		<b>6.6</b>	

2.2 (iv) **Income**Year to Date (£1.8m favourable) & Full Year Projection (£1.7m favourable)

The following table provided an analysis of the variances by income category which describe the reasons for the year to date and full year positions.

	Year to Date Variance		Full Year Variance	
	£m	Explanation	£m	Explanation
Grant funding	1.3	<p>There is a £0.4m favourable variance related to the timing of grant claim for partnership funding.</p> <p>Additional income is being received from the Home Office related counter terrorism, negotiators and planning exercises (£0.9m).</p>	1.1	<p>Net additional grant income is being received within Local Policing (£0.1m).</p> <p>Additional income is being received from the Home Office related to counter terrorism, negotiators and planning exercises (£1.0m).</p>
Fees & Charges	-0.1	<p>The key variances which comprise this unfavourable position are in relation to:</p> <ul style="list-style-type: none"> <li>favourable variances on public fees (£0.5m); fees &amp; charges (£0.1m); services of police (£0.1m); mutual aid (£0.3m); and</li> <li>adverse variances on seconded officers (£1.1m).</li> </ul> <p>Public fees income (£0.5m favourable). This additional income relates to the new air weapons license fees.</p> <p>Services of police (£0.1m favourable). This is due to additional income received to date against budget which includes football policing and concerts, events. The budget is forecast to break even by the year-end.</p> <p>Mutual aid income (£0.3m favourable). This additional income relates to work undertaken for the Police Service of Northern Ireland (£0.1m) and Metropolitan Police (£0.2m).</p> <p>Seconded Officers (£1.1m adverse). The adverse variance is mainly a reduction in income from counter terrorism (CT) network secondments. The income budget was based on an assumption that 24 Officers would be seconded to this Home Office project, however, there are currently only 14 seconded Officers. In addition, there is a year to date underspend on charges to external agencies which is timing only and this income is forecast to be on budget.</p>	0.1	<p>The key forecast variances which comprise this favourable position are in relation to:</p> <ul style="list-style-type: none"> <li>favourable variances on public fees (£0.3m); mutual aid (£0.5m); and</li> <li>adverse variances on seconded officers (£0.6m) and catering income (£0.1m).</li> </ul> <p>The significant variances are explained in the year to date position.</p>



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	Year to Date Variance		Full Year Variance	
	£m	Explanation	£m	Explanation
Other Income	0.6	This relates to the recognition of deferred income in relation to the C3 transformational works that have now been completed (£0.3m). There is also additional income (£0.1m) from the Crown Office in relation to the transportation of deceased persons. There is other non-material income variance (£0.2m favourable).	0.5	This relates to the recognition of deferred income in relation to the C3 transformational works that have now been completed (£0.3m). There is also additional income (£0.2m) related to cost recovery from the Crown Office in relation to the transportation of deceased persons.
<b>Total Income</b>	<b>1.8</b>		<b>1.7</b>	

2.3 Forensics & SPA Corporate

Revenue Forensics & SPA Corporate	Year to Date			Full Year Forecast		
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend
	£m	£m	£m	£m	£m	£m
Forensics	16.4	16.4	0.0	27.8	27.8	0.0
SPA Corporate	2.2	2.0	0.2	4.0	3.8	0.2
<b>Net Expenditure (incl VAT)</b>	<b>18.6</b>	<b>18.4</b>	<b>0.2</b>	<b>31.8</b>	<b>31.6</b>	<b>0.2</b>
Less: Forensics VAT	-0.4	-0.4	0.0	-1.0	-1.0	0.0
Less: SPA Corporate VAT	-0.1	-0.1	0.0	-0.3	-0.3	0.0
<b>Net Expenditure (excl VAT)</b>	<b>18.1</b>	<b>17.9</b>	<b>0.2</b>	<b>30.5</b>	<b>30.3</b>	<b>0.2</b>

Variance analysis**Forensics**Year to date and full year forecast (break-even)

There are no significant year to date issues to highlight.

**SPA Corporate**Year to date (£0.2m underspend) and full year projection (£0.2m underspend)

The year to date underspend mainly reflects gapping of a number of senior posts. These posts will not be considered for recruitment until a conclusion is reached on the future SPA operating model.

2.4 Revenue Budget by Business Area

The table below sets out the Police Scotland budget by DCC/ DCO business area.

Revenue Police Scotland	See Paragraph	Year to Date			Full Year Forecast		
		Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend
		£m	£m	£m	£m	£m	£m
DCC Local Policing	2.5	33.4	30.7	2.7	59.4	56.7	2.7
DCC Crime & Operational Support	2.6	39.1	37.2	1.9	73.9	71.9	2.0
Deputy Chief Officer	2.7	114.3	110.2	4.1	188.2	183.9	4.3
DCC Designate (incl Officers salaries)	2.8	420.0	419.0	1.0	739.9	739.3	0.6
Other Business Areas		-1.0	-0.3	-0.7	-1.6	-2.1	0.5
<b>Net Expenditure (incl VAT)</b>		<b>605.8</b>	<b>596.8</b>	<b>9.0</b>	<b>1,059.8</b>	<b>1,049.7</b>	<b>10.1</b>
Less: VAT (Reform Funded)		-8.6	-8.6	0.0	-20.7	-20.7	0.0
<b>Net Expenditure (excl VAT)</b>		<b>597.2</b>	<b>588.2</b>	<b>9.0</b>	<b>1,039.1</b>	<b>1,029.0</b>	<b>10.1</b>

The tables (2.5 to 2.8) below set out the Police Scotland year to date actual against budget, and forecast projected outturn by DCC / DCO business area.

Table 2.9 also provides further detail of the Forensic services position.

## 2.5 Revenue – DCC Local Policing

	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
Police Officer Costs	4.3	4.3	0.0	No issues to highlight.	8.7	9.1	-0.4	Overtime overspend due to £0.1m re Operation Mantleline (counter terrorism activities) and £0.1m re Operation Engagement (Glasgow firearms). There are also overtime overspends in custody of £0.2m to provide essential cover.
Police Staff Costs	24.3	23.6	0.7	Due to vacant posts as explained earlier in the report	42.2	40.9	1.3	Due to vacant posts as explained earlier in the report
Non-pay Costs	10.0	8.8	1.2	Underspend in fuel costs (£0.4m); stationery costs (£0.2m); timing of spend in relation to supplies and services (£0.3m); third party payments (£0.1m) and other variances (£0.2m).	17.6	16.8	0.8	Largely relates to the fuel underspend (£0.3m); printing & stationery underspend (£0.3m) and other net savings (£0.2m).
Income	-5.2	-6.0	0.8	Additional year to date income from football and other events (£0.6m) which is forecast to continue; income from transfer of deceased person from the Crown Office (£0.1m) and other additional income (£0.1m).	-9.1	-10.1	1.0	Additional income from football and other events (£0.5m). There is also additional forecast grant income (£0.3m) and income from the Crown Officer in relation to the transportation of deceased persons (£0.2m).
<b>Net Expenditure</b>	<b>33.4</b>	<b>30.7</b>	<b>2.7</b>		<b>59.4</b>	<b>56.7</b>	<b>2.7</b>	

## 2.6 Revenue – DCC Crime &amp; Operational Support

	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
Police Officer Costs	3.2	3.8	-0.6	Overtime costs incurred assisting with the incidents in Manchester, London and the increased threat level (£0.9m). Offset by underspends in non-core grant or income funded overtime (£0.3m).	5.5	6.5	-1.0	Mainly due to overtime costs incurred assisting with the incidents in Manchester, London and the increased threat level (£0.9m).
Police Staff Costs	36.5	35.0	1.5	Due to unfilled vacant posts with the majority related to C3.	62.7	60.3	2.4	Due to unfilled vacant posts with the majority related to C3. There is also a change to the C3 staff operating model.
Non-pay Costs	11.3	11.7	-0.4	Overspend on clothing and uniforms (£0.5m) and third party payments (£0.3m). There is also a favourable variance of £0.3m related to saving identified in excess of the allocated DCC savings target. There are net other underspends of £0.1m.	26.0	26.2	-0.2	Overspend on clothing and uniforms mainly related to specialist firearms and public order units (£0.5m). There are also overspends on third party payments of £0.3m due to the cost of Operational Reiver (funded from income received) and the national CT negotiator programme. There are also other non-material net overspends of £0.3m.  There is also a favourable variance of £0.9m forecast related to savings identified in excess of the allocated DCC savings target.
Income	-11.9	-13.3	1.4	Additional grant income (£1.2m); other income (£0.3m) offset by a reduction in fees and charges (£0.1m).	-20.3	-21.1	0.8	Additional income from: <ul style="list-style-type: none"> <li>grant income (£0.8m) mainly from the Home Office;</li> <li>public fees income (£0.3m) from firearms licensing;</li> <li>mutual aid income (£0.5m) due to increased services requested; and</li> <li>other income sources (£0.3m).</li> </ul> This is offset by: <ul style="list-style-type: none"> <li>reduced seconded Officers income £0.7m from CT secondments; and</li> <li>services of police (£0.4m)</li> </ul>
<b>Net Exp.</b>	<b>39.1</b>	<b>37.2</b>	<b>1.9</b>		<b>73.9</b>	<b>71.9</b>	<b>2.0</b>	

## 2.7 Revenue – Deputy Chief Officer

	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
Police Officer Costs	12.0	11.0	1.0	Due to the timing of ill health payments.	20.6	20.7	-0.1	Based on an average of costs over the last 2 financial years it has been considered prudent to provide for additional potential backdated injury costs (£0.1m).
Police Staff Costs	36.2	35.8	0.4	Underspend is mainly due to the number of budgeted vacant posts exceeding the budgeted vacancy factor (i.e. the turnover saving assumed within the budget base) (£0.5m), savings on overtime (£0.1m); and year to date savings on VR VER not achieved (£0.2m).	62.6	62.6	0.0	Underspend on salaries and on costs (£2.0m) as previously described plus an underspend on overtime costs (£0.2m). This is offset by £2.2m of budgeted savings from VR VER that are forecast to not be achieved.
TOIL / AL	0.0	0.0	0.0		-1.0	0.0	-1.0	There was a budgeted £1m saving from the reduction in TOIL and annual leave accrued balances. There are no detailed plans in place for the reduction of TOIL or annual leave balances.
Non-pay Costs	71.5	68.9	2.6	a) Premises costs (£2.4m under). Due to an underspend in non-domestic rates (£1.2m under) and property repairs costs (£1.6m under) as previously explained. This is offset by an overspend in cleaning and domestic supplies (£0.3m over)  b) Transport costs (£0.2m over) - No issues to highlight.  c) Supplies and services costs (£0.5m under). This relates to savings in the occupational health contract (£0.2m) and telecoms (£0.3m under).	116.4	111.0	5.4	a) Premises costs (forecast £3.2m under). Due to £1.3m underspend in non-domestic rates, utilities costs (£0.6m under) following a critical review by Estates, property repairs costs (£1.9m under) as previously explained. Lease dilapidation costs are under by £0.2m due to minimal dilapidations now forecast to occur in the current financial year. This is offset by an overspend in cleaning and domestic supplies (£0.3m over) and premises efficiency savings (£0.5m over) due to the delay in disposing of the Pitt Street site.  b) Transport costs - Vehicle servicing and maintenance forecast underspent by £0.4m as a result of the purchase of new vehicles at the end of the last financial year.  c) Supplies & services costs forecast underspend by £0.5m - £0.3m related to occupational health costs following a

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	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
				<p>d) ICT costs (£0.6m under), mainly related to non-recurring accounting adjustments affecting ICT maintenance costs (£0.5m).</p> <p>e) Admin Costs (£0.1m under) – No issues to highlight.</p> <p>f) Third party payments (£0.2m under). This is mainly related to a refund of a disputed Home Office invoice (£0.2m).</p> <p>g) Savings not achieved (£0.9m over)</p>				<p>contractual review and underspends in telecoms following an ongoing reviews of the telecoms estates (£0.3m). Other forecast underspends includes: other supplies and services (£0.1m); and health &amp; safety costs (£0.1m).</p> <p>d) ICT costs forecast (£1.9m underspent). This is primarily related to a non-recurring accounting adjustment of £2.1m offset by a £0.2m overspend in ICT maintenance.</p> <p>e) Admin Costs forecast underspend of £0.1m. Result of rebates received for the return for photocopiers no longer required (£0.2m) offset by charges for reinstating copiers at Osprey House (£0.1m).</p> <p>f) Third party payments – no forecast issue as the year to date underspend has been forecast against the savings target.</p> <p>g) Savings not achieved (£1.5m over).</p>
Income	-5.4	-5.5	0.1	No issues to highlight.	-10.4	-10.4	0.0	No issues to highlight.
<b>Net Exp</b>	<b>114.3</b>	<b>110.2</b>	<b>4.1</b>		<b>188.2</b>	<b>183.9</b>	<b>4.3</b>	

2.8 Revenue – DCC Designate

	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
Police Officer Costs	417.9	416.9	1.0	Under of £0.7m due to a full month budget for new recruits in June and September, however, these recruits joined towards the end of the month.  A net underspend of £0.2m due to the cost of staff on: service breaks, suspensions, reduced maternity pay and reduced sick pay being lower than budgeted.  A net additional cost of probationers salaries (£0.1m) due to an under budgeting of probationer increments. The budget was based on the entry point for a probationer and budgeted for an annual increment, however, the increment after 31 weeks of service was not budgeted for.	736.3	735.7	0.6	Underspend of approximately £1.0m due to a full month budget for new recruits in June, September and December, however, these recruits joined towards the end of the resulting in a reduced salary costs.  A net underspend of £0.3m is due to the cost of staff on: service breaks, suspensions, reduced maternity pay and reduced sick pay being lower than budgeted.  A net additional cost of probationers salaries (£0.8m) due to an under budgeting of probationer increments. The budget was based on the entry point for a probationer and budgeted for an annual increment, however, the increment after 31 weeks of service was not budgeted for.
Police Staff Costs	0.9	0.9	0.0	No issues to highlight.	1.5	1.5	0.0	No issues to highlight.
Non-pay Costs	1.2	1.2	0.0	Timing variance, broadly on line with budget by end of the year.	2.3	2.3	0.0	No issues to highlight.
Income	0.0	0.0	0.0	No issues to highlight.	-0.2	-0.2	0.0	No issues to highlight.
<b>Net Expenditure</b>	<b>420.0</b>	<b>419.0</b>	<b>1.0</b>		<b>739.9</b>	<b>739.3</b>	<b>0.6</b>	



2.9 Revenue – Forensics

	Year to Date				Full Year Forecast			
	Budget £m	Actual £m	Variance £m	Explanation	Budget £m	Forecast £m	Variance £m	Explanation
Police Officer Costs	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Police Staff Costs	13.2	13.2	0.0	There are savings in salaries and on-costs (£0.1m) due to vacant posts which is being offset by increased overtime costs (£0.1m).	22.6	22.6	0.0	There are savings in salaries and on-costs (£0.1m) due to vacancy and maternity leave management which is being offset by increased overtime costs (£0.1m). The additional overtime cost is also partly due to an increased workload in Biology and Scene Examination.
Non-pay Costs	3.3	3.3	0.0	There are no significant issues to highlight.	5.3	5.3	0.0	There are no significant issues to highlight.
Income	-0.1	-0.1	0.0	There are no significant issues to highlight.	-0.1	-0.1	0.0	There are no significant issues to highlight.
<b>Net Expenditure</b>	<b>16.4</b>	<b>16.4</b>	<b>0.0</b>		<b>27.8</b>	<b>27.8</b>	<b>0.0</b>	

### 3 Capital Plan

- 3.1 The annual capital budget approved by the SPA Board on 22 March 2017 amounted to £42.4m. The funding to support this investment comprised £20m of capital grant from Scottish Government, capital receipts of £10m and an allocation from Reform in the sum of £12.4m (£6.4m to support irrecoverable VAT and £6m for transformational capital investment).
- 3.2 In line with Police Scotland's new investment governance framework, business cases are required to support capital investment and capital projects can only progress once the required approvals are in place. This has had an impact on spend being incurred in the year to date, with only minimal capital expenditure progressed to date.
- 3.3 The year to date position on capital is gross expenditure of £4.0m (£3.4m net of VAT) and has been incurred on ICT (£2.7m), Fleet (£0.7m), Estates (£0.5m) and other (£0.1m). In the year to date, total capital receipts of £4.6m have been secured (net of selling costs). This includes £3.2m in respect of the sale of the former police office in Chambers Street, Edinburgh.
- 3.4 The receipts level anticipated when the budget was set will now not be realised in full due to the delay in the disposal of the Pitt Street site. This means that the associated proceeds will now slip into financial year 2018/19 and loss of the associated revenue savings.
- 3.5 The forecast spend on the Capital Plan is shown in the following table at paragraph 3.8. Work was carried out to identify capital investment opportunities that would enable additional expenditure relating to Policing 2026 objectives to be progressed in year. This resulted in a revised forecast spend on the Capital Programme of £37.9m.
- 3.6 In the subsequent period, slippage of £4.2m has been identified, this primarily relates to:
- Delays in spend on the ADEL project (£1.4m)
  - Airwave Replacement Devices coming in cheaper than anticipated at FBC (£2.8m)
- 3.7 The table at paragraph 3.9 presents the Capital Plan across alternative headings which will be used in future reports:
- Capital Reform – Projects to be funded from Reform.
  - Annual Programmes of Work – Approved BAU budgets to be managed by relevant professional department.
  - Approved Non Reform Projects – Approved Projects, not seeking Reform funding.
  - Anticipated Non Reform Projects - Anticipated Projects, not seeking Reform funding.

3.8 The following table shows the budget and forecast spend on the capital programme in the format provided in previous financial monitoring reports.

Capital Expenditure	Budget £m	Forecast £m	Variance £m	Further Detail	Para 3.9
Airwave Replacement	1.8	4.8	-3.0	Slippage in ESMCP requires additional devices to be purchased to support interim period.	3
Pegasus	0.2	0.1	0.1	Business Justification Case approved	3
Roadside Breath Screening Devices	0.1	0.1	0.0	Business Justification Case approved	3
Asset Maintenance Program	5.9	5.9	0.0	Business Justification Case approved	2
EDMRS	0.3	0.0	0.3	No longer in 2017/18 Capital Plan	n/a
<b>Total Category One – Statutory (A)</b>	<b>8.3</b>	<b>10.9</b>	<b>-2.6</b>		
Fleet Replacement	5.6	5.9	-0.3	Business Justification Case approved	2
Infrastructure Modernisation (incl intranet/ Internet Capability)	12.6	6.5	6.1	Business Justification Case approved	1 / 3
National Intelligence System	0.5	0.0	0.5	No longer in 2017/18 Capital Plan	n/a
Child Protection Video Interview Equipment Replacement	0.6	0.0	0.6	Capital project completed in 2016/17, no 17/18 spend	n/a
Weaponry	0.0	0.2	-0.2	Reflecting a change in capitalisation policy to ensure consistent treatment of expenditure	2
<b>Total Category Two – Stay in Business (B)</b>	<b>19.3</b>	<b>12.6</b>	<b>6.7</b>		
Telematics	3.2	0.7	2.5	Business Justification Case approved	1
C3 / THRIVE	3.5	1.0	2.5	Previously approved Business Case	3
Cybercrime	4.0	3.6	0.4	Previously approved Business Case	3
Cyber Defence	2.8	0.0	2.8	No longer in 2017/18 Capital Plan	n/a
Custody	0.5	0.0	0.5	No longer in 2017/18 Capital Plan	n/a
ANPR	0.0	1.2	-1.2	Initial Business Case approved	3
Unicorn	0.0	0.2	-0.2	Business Justification Case approved	3
Payroll	0.0	0.2	-0.2	Initial Business Case approved	1
Water Safety	0.0	0.2	-0.2	Business Justification Case approved	3
SEARCH	0.0	0.0	0.0	No longer in 2017/18 Capital Plan	n/a
DSU Vehicles	0.0	0.4	-0.4	Anticipated BAU project	4
400 Telephones – ACC Crime	0.0	0.1	-0.1	Anticipated BAU project	4
Tasers (X2)	0.0	0.2	-0.2	Reflecting a change in capitalisation policy	4
Priority Projects	0.0	0.8	-0.8	17 priority projects as identified through the Capital Bid process in August / September.	4
Armed Policing	0.0	0.1	-0.1	Business Justification Case approved	1
Digital ICCS	0.0	0.2	-0.2	Business Justification Case approved	1
Tasers (STOs)	0.0	0.3	-0.3	Business Justification Case in progress	1
<b>Total Category Three – Transformation/ Policing 2026/ BAU Improvements (C)</b>	<b>14.0</b>	<b>9.1</b>	<b>4.9</b>		
<b>Total Police Scotland (A) + (B)+ (C)</b>	<b>41.6</b>	<b>32.6</b>	<b>9.0</b>		
<b>Total SPA / Forensics</b>	<b>0.9</b>	<b>1.1</b>	<b>-0.2</b>		
<b>Total Expenditure</b>	<b>42.5</b>	<b>33.7</b>	<b>8.8</b>		
Scottish Government grant	20.0	20.0	0		
Capital receipts	10.0	5.4	4.6	Chambers St receipt of £3.2m, slippage on Pitt St into 2018/19.	
Reform – VAT	6.4	6.4	0		
<b>Reform – Transformational Capital</b>	<b>6.0</b>	<b>6.0</b>	<b>0</b>		

NOT PROTECTIVELY MARKED

<b>Total Funding</b>	<b>42.4</b>	<b>37.8</b>	<b>4.6</b>	
<b>Variance</b>		<b>4.1</b>		

3.9 The table below presents the Capital Plan categorised between Capital Reform Projects, Annual Programmes of Work, Approved Non Reform Projects and Anticipated Non Reform Projects.

	2017/18 £m
<b>Capital Reform (1)</b>	
National Network	0.4
ADEL	1.8
Telematics	0.7
Payroll	0.2
Armed Policing	0.1
Digital ICCS	0.2
Tasers (STOs)	0.3
<b>Capital Reform Total</b>	<b>3.7</b>
<b>Annual Programmes of Work (2)</b>	
Fleet Replacement	5.9
Asset Maintenance Program	5.9
Weaponry	0.2
<b>Annual Programmes of Work Total</b>	<b>12.0</b>
<b>Approved Non Reform Projects (3)</b>	
National Cyber Crime Unit	3.6
ICT Modernisation	3.0
Alliance	1.3
ANPR	1.2
Airwave Replacement	4.8
C3	1.0
Minor Approved Business Justification Cases	0.5
<b>Approved Non Reform Projects Total</b>	<b>15.4</b>
<b>Anticipated Non Reform Projects (4)</b>	
DSU Vehicles	0.4
400 Telephones - ACC Crime	0.1
Tasers (X2)	0.2
Priority Projects	0.8
<b>Anticipated Non Reform Projects Total</b>	<b>1.5</b>
<b>SPA / Forensics</b>	<b>1.1</b>
<b>Total Proposed Capital Plan</b>	<b>33.7</b>

## 4 Reform Budget

- 4.1 On 15 December 2016, the Cabinet Secretary for Finance & the Constitution presented the Scottish Government's Draft Budget for 2017/18 which included a Reform funding allocation of £34.5m to the SPA. In addition to this, a further £25m of funding was announced by the Scottish Government on 2 February 2017 bringing the total Reform budget to £59.5m. This is being provided through the Police Change and Transformation Fund (Reform) to support 'the delivery of a police service capable of meeting the changing demands of crime and society over the next ten years'.
- 4.2 In line with Police Scotland's new investment governance framework, business cases are required to support the investment sought and must demonstrate that it is reforming spend. Further to this, these business cases also require the approval of the SPA and then Scottish Government prior funding being released. The use of this funding is being separately monitored and reported as a distinct funding source (i.e. separate from the revenue and capital budgets).
- 4.3 A summary of the Reform budget as approved by the SPA at its Board meeting of 22 March 2017 is shown below.

	Capital £m	Revenue £m	Total £m
Initial allocation			34.5
Additional funding announced (02/02/17)			25.0
<b>Funding Available to the SPA</b>			<b>59.5</b>
Irrecoverable VAT	6.4	22.0	28.4
Corporate services transformation	0.0	10.0	10.0
Operational policing transformation	0.0	6.2	6.2
Other Transformational Expenditure	6.0	8.9	14.9
<b>Total Applied</b>	<b>12.4</b>	<b>47.1</b>	<b>59.5</b>

- 4.4 The year to date position is total expenditure of £16.9m as at the end of period seven. This spend comprises irrecoverable VAT of £11.5m (£10.9m revenue, £0.6m capital) and Corporate Services transformation costs of £5.4m (transformation resources, VR/VER costs and Policing 2026 costs). The reduction in Corporate Services transformation costs from that reported at the end of quarter two (£6.9m) is primarily due to the release of the balance of the accrual for VR/VER pension strain costs.

4.5 The full year forecast spend is shown in the following table. This forecast underspend of £6.4m represents an increase in the forecast previously reported (£5.2m underspend), due to the slippage on capital transformation expenditure and corporate services transformation.

Reform Plan by Category	Budget £m	Forecast £m	Variance £m	Further Detail
<b>Capital</b>				
Irrecoverable VAT	6.4	6.4	0.0	Approved
Other Transformational Expenditure	6.0	3.7	2.3	As per capital plan
<b>Total Capital</b>	<b>12.4</b>	<b>10.1</b>	<b>2.3</b>	
<b>Revenue</b>				
Irrecoverable VAT	22.0	22.0	0.0	Approved
Corporate Services Transformation	10.0	6.5	3.5	Based on roles approved roles through Police Scotland's Transformation Resource Control Group.
Commercial Excellence Programme	0.0	1.1	-1.1	Full Business Case approved by CFIB, SPA & SG
<b>Sub-total</b>	<b>32.0</b>	<b>29.6</b>	<b>2.4</b>	
<i>Other Policing Transformation</i>				
C3 THRIVE/Mental Health Nursing Support	5.7	0.0	5.7	Plans in development - expected 2018/19
Armed policing uplift training requirement	0.1	0.0	0.1	Captured within 'Tasers'
National CCTV Capability Review	1.0	0.0	1.0	Under review
Tasers	0.0	0.4	-0.4	Business Justification Case in progress
Offset Required	-0.6	0.0	-0.6	Adjustment to match approved budget
<b>Total Other Policing Transformation</b>	<b>6.2</b>	<b>0.4</b>	<b>5.8</b>	
<i>Other Transformational Expenditure</i>				
VR/VER Leavers	8.5	8.5	0.0	Business Justification Case completed
Professional services (Pay Harmonisation)	0.1	0.1	0.0	Support commissioned
Staff survey	0.1	0.1	0.0	Business Justification Case completed
Recruitment project	0.2	0.2	0.0	Business Justification Case completed
Wellbeing – small change fund	0.0	0.1	-0.1	Business Justification Case completed
Intranet / social media	0.0	0.1	-0.1	Business Justification Case completed
Payroll	0.0	0.7	-0.7	Business Justification Case completed
P2P	0.0	0.2	-0.2	Business Justification Case completed
Professional services	0.0	3.0	-3.0	Business Justification Case put forward for consideration at November CFIB
<b>Total Other Transformational</b>	<b>8.9</b>	<b>13.0</b>	<b>-4.1</b>	
<b>Total Revenue</b>	<b>59.5</b>	<b>53.1</b>	<b>6.4</b>	
<b>SPA/Forensics</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Total Planned Expenditure</b>	<b>59.5</b>	<b>53.1</b>	<b>6.4</b>	<b>Forecast £6.4m underspend</b>

## Appendix A - Monthly Budget Phasing – Police Scotland

Revenue - Police Scotland	Period													Total £m
	1 £m	2 £m	3 £m	4 £m	5 £m	6 £m	7 £m	8 £m	9 £m	10 £m	11 £m	12 £m	13 £m	
<b><u>Police Officer Costs</u></b>														
Salaries & On-costs	51.2	58.4	58.7	58.6	61.7	59.3	59.2	59.1	60.9	59.2	59.2	59.3	11.3	716.1
Overtime	1.1	1.0	1.1	1.0	1.1	1.1	1.3	1.3	2.2	2.0	1.1	1.2	0.0	15.5
Allowances	1.4	1.6	1.6	1.5	1.6	1.6	1.5	1.6	1.6	1.6	1.7	1.7	0.0	19.0
Injury & Ill Health	1.7	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8	0.0	20.6
<b><u>Police Staff Costs</u></b>														
Salaries & On-costs	12.2	12.7	13.1	12.7	12.7	12.8	13.1	13.1	13.1	13.1	13.1	13.1	0.8	155.6
VR VER Saving	-0.3	-0.3	0.6	0.1	0.0	0.0	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	0.0	-2.3
Overtime	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.0	2.4
Allowances	1.1	1.1	1.2	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	0.0	14.0
Special Constables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8
<b><u>TOIL &amp; Annual Leave Costs</u></b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0
<b><u>Non-pay Costs</u></b>														
Other Employee Costs	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.4
Premises	2.7	18.0	4.0	4.0	4.1	4.4	3.6	4.3	3.1	4.4	3.3	2.1	1.7	59.7
Transport	1.6	1.7	2.3	1.9	1.9	1.9	1.9	1.9	1.8	2.0	1.9	1.8	0.9	23.5
Supplies & Services	2.6	2.6	3.1	3.1	2.9	3.7	2.8	2.8	3.6	2.8	2.7	3.6	1.3	37.6
ICT	1.4	1.4	1.4	1.4	1.4	1.5	1.4	1.4	1.6	1.4	1.4	1.4	1.2	18.3
Administration	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.8	6.2
Third Party Payments	0.7	0.6	0.8	0.9	0.7	1.4	0.7	0.7	0.7	0.7	0.8	6.2	0.2	15.1
Capital Financing	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.0	4.9
Other Costs	-0.4	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.6	0.1	-5.0
<b><u>Income</u></b>	-3.3	-3.1	-3.9	-3.0	-3.3	-4.5	-3.0	-2.8	-4.0	-3.9	-2.6	-3.7	-1.5	-42.6
<b>Net Expenditure</b>	<b>74.8</b>	<b>98.2</b>	<b>86.6</b>	<b>85.8</b>	<b>88.4</b>	<b>86.7</b>	<b>85.7</b>	<b>86.6</b>	<b>87.9</b>	<b>86.5</b>	<b>85.8</b>	<b>90.1</b>	<b>16.7</b>	<b>1,059.8</b>

*Note: the budget assumes a pay award of 1% for Police Officers and Police staff with an effective date of 1 September 2017. This increase has been phased into the budget accordingly (i.e. from 1 September and so impacts from period 6).*

## Appendix B - Monthly Budget Phasing – Forensics

Revenue - Forensics	Period													Total £m
	1 £m	2 £m	3 £m	4 £m	5 £m	6 £m	7 £m	8 £m	9 £m	10 £m	11 £m	12 £m	13 £m	
<b>Police Staff Costs</b>														
Salaries & On-costs	1.7	1.7	1.8	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.7	0.3	20.9
VR VER Saving	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overtime	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.4
Allowances	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	1.3
Special Constables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-pay Costs</b>														
Other Employee Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Transport	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.4
Supplies & Services	0.1	0.6	0.3	0.5	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	3.7
ICT	0.0	0.2	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.6
Administration	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2
Third Party Payments	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.3
Capital Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Costs	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<b>Income</b>	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<b>Net Expenditure</b>	<b>1.9</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.4</b>	<b>2.6</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>2.0</b>	<b>2.4</b>	<b>0.7</b>	<b>27.8</b>

*Note: the budget assumes a pay award of 1% for Police Officers and Police staff with an effective date of 1 September 2017. This increase has been phased into the budget accordingly (i.e. from 1 September and so impacts from period 6).*



## Appendix C - Monthly Budget Phasing – SPA Corporate

Revenue - SPA Corporate	Period													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Police Staff Costs</b>														
Salaries & On-costs	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.0	2.6
<b>Non-pay Costs</b>														
Premises	0.0	0.0	0.5	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	1.0
Transport	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Supplies & Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Administration	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.7
Third Party Payments	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.5
Capital Financing	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.2
<b>Income</b>	0.0	0.0	0.0	-0.3	0.0	0.0	-0.3	0.0	0.0	-0.3	0.0	0.0	-0.3	-1.2
<b>Net Expenditure</b>	<b>0.2</b>	<b>0.3</b>	<b>0.9</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.7</b>	<b>-0.2</b>	<b>4.0</b>

*Note: the budget assumes a pay award of 1% for Police Officers and Police staff with an effective date of 1 September 2017. This increase has been phased into the budget accordingly (i.e. from 1 September and so impacts from period 6).*

## Appendix D – Officer Temporary Promotions

1) Temp Promotion to a Permanent / Establishment Post	Chief Superintendent	Superintendent	Chief Inspector	Inspector	Sergeant	Total (to Period 7)	Total (end of Q2)
Budget	0	7	31	128	246	412	412
Actual	3	9	31	138	272	453	412
<b>Variance</b>	<b>-3</b>	<b>-2</b>	<b>0</b>	<b>-10</b>	<b>-26</b>	<b>-41</b>	<b>0</b>

Temporary promotions to a permanent establishment post arise where an officer is filling a vacant establishment post. This promotion is, therefore, within the agreed rank establishment and does **not** create an additional cost to the organisation.

2) Temp Promotion to a Supernumerary Post	Chief Superintendent	Superintendent	Chief Inspector	Inspector	Sergeant	Total (to Period 7)	Total (end of Q2)
Budget	1	1	6	14	27	49	49
Actual	0	2	3	20	34	59	61
<b>Variance</b>	<b>1</b>	<b>-1</b>	<b>3</b>	<b>-6</b>	<b>-7</b>	<b>-10</b>	<b>-12</b>

Temporary promotions to a supernumerary post relate to those short term promotions (e.g. to address the short term needs of the business - generally on projects).

3) Temp Promotion to a Non Establishment Post	Chief Superintendent	Superintendent	Chief Inspector	Inspector	Sergeant	Total (to Period 7)	Total (end of Q2)
Budget	2	1	5	8	5	21	21
Actual	1	2	7	11	8	29	27
<b>Variance</b>	<b>1</b>	<b>-1</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-8</b>	<b>-6</b>

Temporary promotions to permanent non establishment posts relate to longer term project or work that is not part of the core police structure or business.

Note: There are no temporary promotions at ranks higher than Chief Superintendent

### Financial Implications

As temporary promotions to establishment posts are within the budgeted rank establishment, there are no additional financial implications arising. In terms of category 2 and 3 temporary promotions, the budgetary provision is £0.317m. There is no material budget pressure anticipated from these promotions.