

Meeting	Finance & Investment Committee
Date and Time	8 February 2016
Location	Pacific Quay, Glasgow
Title of Paper	Finance Report
Item Number	3.1
Presented By	Janet Murray
For Approval / Information	FOR INFORMATION
Appendix Attached:	Yes

PURPOSE

The purpose of this report is to advise Members of the financial position of the Scottish Police Authority (SPA) for the nine month period ending 31 December 2015.

This paper is being submitted in accordance with the Scheme of Administration and the paper relates to a Standing Agenda Item of the Committee.

1. BACKGROUND

1.1 This report forms part of the regular financial monitoring process and is a standing agenda item.

2. FURTHER DETAIL ON REPORT TOPIC

2.1 The detailed financial monitoring report for the nine month period to 31 December 2015 covering: revenue, capital and reform budgets is attached.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are outlined within the attached report.

4. PERSONNEL IMPLICATIONS

4.1 Any personnel implications arising from the financial position will be discussed and negotiated with staff associations as appropriate.

5. LEGAL IMPLICATIONS

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

6. REPUTATIONAL IMPLICATIONS

6.1 There are reputational implications associated with this paper. The revised overspend position may call into question the capacity of SPA,

Police Scotland and Forensics Services to balance the budget within the third year of budget reductions resulting from Police Reform.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications directly associated with this report.

8. COMMUNITY IMPACT

8.1 There are no community impact implications directly associated with this paper.

9. EQUALITIES IMPLICATIONS

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

RECOMMENDATIONS

Member are requested to:

1. note the financial position for the nine month period to 31 December 2015 and the forecast year end position.

Finance Report

Nine month Period to 31 December 2015



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Summary

Funding

The Scottish Government has provided a budget allocation to the Scottish Police Authority (SPA) of £985.8m of revenue cash funding and £28.1m of capital funding. This amount is after Police Reform savings have been applied to reduce the available funding.

The financial year 2015/16 is the third and final year of the current spending review period and is also the final year of budget reductions based on the Police Reform Outline Business Case.

At this point in the financial year, additional reform funding has been recognised in the revenue and capital budgets of £43.353 and £10.000m respectively.

Revenue Budget

At the SPA Board meeting on 31 March 2015, Members approved the revenue budget allocation of £985.8m. This budget allocation reflected the requirement to achieve significant cost reductions and includes agreed budget pressures.

For the period to 31 December 2015 the total SPA revenue budget position is a deficit of £8.853m against a year to date budget of £765.767m. The total revenue budget is forecast to overspend by £22.052m.

Capital Budget

The SPA Board approved a capital budget allocation of £48.840m (incl VAT) for 2015/16. A revised capital plan, to reprioritise projects and ensure effective application of the available capital funding, was approved by the SPA Board on 27 October 2015.

For the period to 31 December 2015 £17.361m has been spent. The forecasted year end expenditure is £37.539m which represents an underspend of £7.938m.

Reform Budget

The Scottish Government holds a Police Reform budget which is intended to meet costs associated with achieving the objectives of Police Reform. Total funding of £67.666m is available to the SPA and proposals have been approved to utilise £59.867m, leaving a further investment resource of £7.799m available.

Forecast Outturn

A financial recovery plan was requested by Members to address the forecast overspend. This plan was approved by Members and set out actions to reduce the overspend considering the three funding sources.

This plan has been implemented by the service and the revised year-end financial position is: a revenue budget overspend of £22.052m; capital budget underspend of £7.938m and reform budget underspend of £7.799m. Discussions are ongoing with the Scottish Government on this forecast financial outturn.

Funding Position

Scottish Government Grant Funding

The Scottish Government has provided a budget allocation to the SPA of £985.8m of revenue cash funding and £28.1m of capital funding. These sums form part of the allocated Grant in Aid budget. A revised budget allocation letter has been issued by the Scottish Government on 25 November 2015 and there are no significant revisions to the funding allocation. A further revision will occur in respect of additional £1.4m of funding for C3.

In addition, the Scottish Government has a Police Reform budget of up to £68.7m available to the SPA to utilise. Within the full year budget £43.353m has been allocated to revenue and £10m to capital (see table one).

All funding including Police Reform funding is drawn down to match the anticipated expenditure profile. The Scottish Public Finance Manual requires that funding is not drawn down in advance of need.

Budget Virement

The SPA Scheme of Administration requires approval of virements of budget between business areas.

Virements between business areas above £0.2m but not exceeding £0.5m require to be approved by the SPA Finance and Investment Committee.

- There have been no virements that require SPA Finance and Investment Committee approval.

Virements between business areas greater than £0.5m require to be approved by the SPA Board.

- The SPA Board approved the transfer of £11.347m from individual budget lines to the unallocated savings budget line on 27 October 2015.
- There are no further virements requested for approval.

	Revenue £000	Capital £000	Reform £000	Total £000
Original Budget Approved	985,800	28,100	68,700	1,082,600
<u>Reallocate Approved Reform Funding</u>				
VAT funding	13,174	6,158	(19,332)	0
Other reform funding	30,179	3,842	(34,021)	0
Total Police Reform Funding	43,353	10,000	(53,353)	0
<u>Changes to Funding</u>				
None	0	0	0	0
Revised Scottish Government Funding	1,029,153	38,100	15,347	1,082,600

Table 1: Revised total Scottish Government funding

Revenue Budget

Summary Revenue Budget Analysis by Business Area

The overall year to date financial position in relation to SPA Corporate is an overspend of £0.037m. Forensic Services is overspent by £1.189m in the year to date; £0.929m of this overspend specifically relating to supplies and services.

Within the Police Scotland business areas there is an overspend of £7.701m for the year

to date. This position relates to a number of under and overspends. The position within DCC Local Policing and DCC Crime and Operational Support relates primarily to underspends in Police Officers costs. Unallocated savings targets are held within the corporate finance budget and this is reflected in the current overspend position on the DCC Designate portfolio. Further detail of significant variances are detailed on page four.

The current financial forecast is an overspend of £22.052m at the financial year end.

Revised Annual Budget £000		Year to Date			Full Year		
		Budget £000	Actual £000	Variance £000	Budget £000	Forecast £000	Variance £000
4,196	SPA Corporate Services	2,771	2,734	37	4,196	4,172	24
25,794	Forensic Services	19,403	20,592	(1,189)	25,794	27,305	(1,511)
624,169	DCC Local Policing	464,671	461,046	3,625	624,169	615,471	8,698
174,070	DCC Crime & Operational Support	128,280	127,364	916	174,070	171,945	2,125
200,924	DCC Designate	150,642	162,884	(12,242)	200,924	232,312	(31,388)
999,163	Police Scotland	743,593	751,294	(7,701)	999,163	1,019,728	(20,565)
1,029,153	Total	765,767	774,620	(8,853)	1,029,153	1,051,205	(22,052)

Table 2: Total expenditure by business area

Revenue Budget (continued)

Revenue Variance Analysis

Appendix one shows an analysis of the total Authority expenditure by cost type for the year to 31 December 2015. This shows a current overspend of £8.853m. Significant variances are described below.

Police Officer Costs – Under £8.526m (1.6%)

The Police Officer salary budget is underspent in the main due to underspends in salaries and national insurance (£8.731m). This position is offset by an overspend on other allowances e.g. call allowances (£0.338m).

The budget for Police Officers has been estimated using average salary points. Therefore, this budgeting approach will always produce variances where the actual pay point is different from the average salary point. It should be highlighted that this underspend is particularly small in percentage terms given the value of the budget.

Police Staff Costs – Over £1.116m (0.8%)

This position relates mainly to an overspend on salaries and on costs (£1.054m).

This position includes the achievement of savings from the VR VER programme. Monitoring of actual expenditure and this budgeted position continues throughout the year.

The National Voluntary Release Panel has received 2,886 applications for VR VER of which 1,204 have been reviewed and 1,076 (89%) of applications have been approved by the NVRP for further progression.

Since 1 April 2013 a total of 1,013 VR VER releases have been approved and accepted.

- There were 527 employees who left under the scheme during 2013/14 and 407

employee who left in 2014/15. This has realised full year savings of £14.7m and £12.8m respectively.

- There are a further 79 confirmed VR VER releases for 2015/16. The 79 employees who have accepted the offer will result in savings in 2015/16 of £1.9m and full year savings of £2.8m.

Premises Costs – Over £1.585m (3.6%)

This position is mainly due to the phasing of premises efficiency savings (£1.712m). Work continues to be progressed in the management of this saving through the financial recovery plan.

Supplies & Services – Over £2.729m (6.2%)

This position is mainly due to the phasing of procurement efficiency savings (£1.479m). Work continues to be progressed in the management of this savings through the financial recovery plan.

In addition, operational kits is overspent by (£0.691m) which is mainly due to budgetary pressure from within Forensic services.

Unallocated Saving – Over £7.987m (100%)

Following on-going scrutiny of savings plans and discussion with Members, assessment has been made of those unlikely to deliver in the current year. This has had the effect of increasing the unallocated savings total to £22.341m. A virement of these items was approved by Members on 27 October 2015. This overspend includes the year to date unallocated saving that has not been realised.

Income – Adverse £3.142m (8.1%)

The organisation has received £3.142m, less income than the budget to date.

Other Budget Lines

There are no significant issues within general budget lines.

Capital Expenditure

The capital plan for 2015/16 was approved by Members on 31 March 2015. A revised capital plan, to reprioritise projects and ensure effective application of the available capital funding, was approved by the SPA Board at its meeting of 27 October 2015. As part of the financial recovery plan a further Members agreed to further reduce the capital plan in order to partially offset the revenue overspend.

The following table details the actual cash spend to date against the capital plan.

Appendix two and three provide further detail of the funding available and capital expenditure to date. In addition, appendix four provides detail of the capital receipts received to date.

Revised Budget £000		Year to Date	Full Year
		Actual £000	Forecast £000
	Funds Available for Allocation		
41,140	Scottish Government Funding	12,733	38,100
7,700	Capital Receipts	4,629	7,367
48,840	Total Funds Available	17,362	45,467
	Capital Scheme Expenditure		
22,865	ICT	10,549	17,416
7,587	Fleet Replacement	2,566	6,800
10,223	Building Works (incl Dalmarnock)	4,090	8,246
2,587	Other Capex	7	1,270
4,258	Crime & OSD	97	2,957
1,320	Forensics	52	840
48,840	Total Capital Schemes	17,361	37,529

Table 3: Summary capital expenditure position

Police Reform Budget

The Scottish Government holds a Police Reform budget which is intended to meet the costs associated with achieving the objectives of Police Reform. These costs include VR VER costs, VAT and funding for investment particularly in relation to major ICT projects. In the current financial year, total reform funding of up to £68.7m is available of which £67.7m is available to the SPA.

The Scottish Government must approve the use of reform funding prior to the SPA drawing down funding. The application of this funding

in 2015/16 is shown in table four. The available reform funding has increased as part of the financial recovery plan which approved the release of £6.7m of VR VER funding.

Of the total funding already approved for distribution £43.355m and £10.000m have been applied to the full year revenue and capital budgets shown within this report (see table one).

Cash funding is drawn down to match the anticipated expenditure.

	Total Available £000	Recognised in Revenue Budget £000	Recognised in Capital Budget £000
Available Funding (up to)	68,700		
Less Funds allocated by Scottish Government to SPPA	-1,034		
Available Funding to SPA	67,666	57,666	10,000
Expenditure			
VAT	25,500	13,174	6,158
VR VER	2,048	8,748	-
Investment (Principally funding for ICT development programme)	8,090	1,400	3,842
Transition (Costs incurred to reform the Police service)	24,229	20,031	-
Total Reform Expenditure	59,867	43,353	10,000
Further Investment Resource	7,799	14,313	0

Table 4: Police reform budget and expenditure

Forecast Outturn

Review of Financial Position

The forecast outturn position on the revenue, capital and reform budget is as previously outlined in this report and is summarised in the table below.

This plan has been implemented by the service and the revised year-end financial position is: a revenue budget overspend of £22.052m; capital budget underspend of £7.938m and reform budget underspend of £7.799m. The projected year end overspend takes accounts of actions agreed in the

financial recovery plan which realised total saving across all three budgets of £19.079m.

The financial recovery plan has been the focus of both the SPA and Police Scotland. These reductions have been applied to budget from January to March 2016 and Members will be requested to approve the virement of budgets in line with the scheme of administration.

Finance staff led by the Director of Financial Services and Director of Financial Accountability are engaged in regular discussion with Scottish Government colleagues on the financial position and progress of the financial recovery plan. Final confirmation on the approach to the projected overspend is expected in February 2016.

	Revenue £000	Capital £000	Reform £000	Total Financial Position £000
Original Budget / Funding	985,800	28,100	68,700	1,082,600
Add Capital receipts	-	7,367	-	7,367
Less SG Reform Costs	-	-	(1,034)	(1,034)
Reallocate Reform Funding	49,867	10,000	(59,867)	0
Total Funding	1,035,667	45,467	7,799	1,088,933
Total Forecast Expenditure	1,057,719	37,529	0	1,095,248
(Over) / Underspend	(22,052)	7,938	7,799	(8,315)

Table 5: Summary Financial Position

Appendix One

Revenue Budgetary Control Report Period 9: 1 April 2015 to 31 December 2015

Original Budget ¹	Virements ²	Identified Cost Reductions	Revised Annual Budget	Narrative	Year to Date			Full Year		
					Budget	Actual	Variance	Budget	Forecast	Variance
£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
729,960			729,960	Police Officer Costs	540,146	531,620	8,526	729,960	716,124	13,836
185,781	2,516		188,297	Police Staff Costs	142,910	144,026	(1,116)	188,297	189,562	(1,265)
14,873	2,550		17,423	Police Officer Pensions	13,135	13,673	(538)	17,423	18,154	(731)
9,862			9,862	Other Employee Costs	844	839	5	9,862	9,837	25
940,476	5,066	0	945,542	Total Employee Costs	697,035	690,158	6,877	945,542	933,677	11,865
55,152	3,847		58,999	Property Costs	44,510	46,095	(1,585)	58,999	60,445	(1,446)
23,744			23,744	Transport Costs	17,517	17,169	348	23,744	23,252	492
52,564	4,434		56,998	Supplies & Services	43,768	46,497	(2,729)	56,998	61,051	(4,053)
7,315			7,315	Administration Costs	5,467	6,034	(567)	7,315	7,722	(407)
12,513			12,513	Third Party Payments	4,139	4,207	(68)	12,513	12,543	(30)
8,231	(2,000)		6,231	Other Costs	0	0	0	6,231	6,228	3
1,099,995	11,347	0	1,111,342	Total Revenue Expenditure	812,436	810,160	2,276	1,111,342	1,104,918	6,424
59,848			59,848	External Income	38,669	35,527	(3,142)	59,848	53,713	(6,135)
1,040,147	11,347	0	1,051,494	Net Expenditure	773,767	774,633	(866)	1,051,494	1,051,205	289
(10,994)	(11,347)	0	(22,341)	Unidentified Cost Reductions	(8,000)	(13)	(7,987)	(22,341)	0	(22,341)
1,029,153	0	0	1,029,153	Total Expenditure	765,767	774,620	(8,853)	1,029,153	1,051,205	(22,052)

Note

- 1) Original budget includes virements not requiring Committee approval and includes reform funding applied.
- 2) Virements shows budget adjustments that require Committee approval.

Appendix Two

Capital Funding Summary Period 9: 1 April 2015 to 31 December 2015

Original Budget	Virements	Revised Annual Budget	Narrative	Year to Date	Full Year		
				Actual	Budget	Forecast	Variance
£000	£000	£000		£000	£000	£000	£000
28,100		28,100	Formula Capital	10,019	28,100	28,100	0
5,000		5,000	Allocation from Police Reform	0	5,000	3,842	1,158
8,040		8,040	VAT Funding	2,714	8,040	6,158	1,882
41,140	0	41,140	Total Scottish Government Funding	12,733	41,140	38,100	3,040
6,300		6,300	Property Capital Receipts	4,048	6,300	6,436	(136)
1,400		1,400	Vehicle Capital Receipts	581	1,400	931	469
7,700	0	7,700	Total Capital Receipts	4,629	7,700	7,367	333
48,840	0	48,840	Total Funding	17,362	48,840	45,467	3,373

Appendix Three

Capital Expenditure Summary Period 9: 1 April 2015 to 31 December 2015

Original Budget	Virements	Revised Annual Budget	Capital Expenditure	Year to Date	Full Year (Revised)		
				Actual	Budget	Forecast	Variance
£000	£000	£000		£000	£000	£000	£000
			ICT				
9,720	0	9,720	ICT Infrastructure Blueprint	4,836	9,720	8,808	912
3,550	(70)	3,480	Capitalisation of Salaries	1,932	3,480	3,480	0
4,750	(3,322)	1,428	C3	896	1,428	1,525	(97)
0	937	937	i6 - IDAP	667	937	975	(38)
7,300	0	7,300	i6 - Operational System	2,218	7,300	2,628	4,672
25,320	(2,455)	22,865	Total ICT	10,549	22,865	17,416	5,449
			Building Works				
5,460	442	5,902	Condition, Building & Minor Works	2,927	5,902	5,446	456
4,728	(1,032)	3,696	Criminal Justice Bill Works	782	3,696	2,080	1,616
2,112	(2,087)	25	Edinburgh Custody Upgrade	83	25	0	25
12,300	(2,677)	9,623	Total Building Works	3,792	9,623	7,526	2,097
7,800	(213)	7,587	Total Fleet Replacement	2,566	7,587	6,800	787
1,500	1,087	2,587	Total Other Capex	7	2,587	1,270	1,317
0	4,258	4,258	Crime and OSD	97	4,258	2,957	1,301
600	0	600	Dalmarnock Fit Out	298	600	720	(120)
1,320	0	1,320	Forensics	52	1,320	840	480
48,840	0	48,840	Total Capital Expenditure	17,361	48,840	37,529	11,311

Appendix Four

Capital Receipts

Property Capital Receipts (net of expenses)	Actual £000	Vehicle Capital Receipts (net of expenses)	Actual £000
Police Station / House, Laurencekirk	192	Sale of Cars	310
Police Station / House, Earlston	42	Sale of Vans / Other	249
Police Station / House, Cromarty	178	Sale of Motorcycles	22
Police Station / Office - Ardersier	119		
Police Station - Fort William	107		
Police Station - Kennoway	75		
Police Station - Aberdeen	50		
Police Station - Kinlochleven	172		
Police Office - Tomintoul	112		
Police Office - Danderahll	22		
Police Office - Brora	75		
Police Office - Fortrose	125		
Police Office - Evanton	140		
Commerical - Brand St, Glasgow	367		
Commerical - Helen St, Glasgow	435		
Commerical - Salkeld, Glasgow	351		
Police House - Viewfield, Inverness	160		
Police House - Viewfield, Inverness	145		
Police House - Broom, Inverness	160		
Police House - Wimberley, Inverness	145		
Police House - Viewfield, Aberdeen	327		
Police House - Deevale, Aberdeen	165		
Police House - Glentinar, Aberdeen	180		
Police House - Lerwick	6		
Police House - Glencoe	160		
Police House - Elgin	131		
Various disposal expenses	(93)		
Total Property Capital Receipts	4,048	Total Vehicle Capital Receipts	581