

**SCOTTISH POLICE
AUTHORITY**

Meeting	SPA Board Public Session
Date	24 February 2017
Location	Stirling Court Hotel, Stirling
Title of Paper	Q3 Financial Report
Item Number	8.2
Presented By	DCO David Page/Alison Dougall
Recommendation to Members	For Noting
Appendix Attached	YES

PURPOSE

This paper is submitted in line with the SPA Governance Framework section 24.

1. BACKGROUND

- 1.1 A detailed quarterly financial review has been undertaken at the end of Period 9 (year to 31 December 2016) to set out the year to date position against the budget, and to forecast the full year outturn against budget to 31 March 2017. This was presented to the Finance Committee on 22 February. This report is a high level summary of that detailed report.
- 1.2 The forecast net outturn position of £17.5m when revenue, capital and reform are taken together remains consistent with the position reported since Period 5.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The detail is contained in the attached Appendix

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising as a direct result of this report.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no 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 direction reputational implications arising from with report.

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 report.

9. EQUALITIES IMPLICATIONS

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

10 ENVIRONMENTAL IMPLICATION

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are requested note the content of appendix A

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Quarter 3 Financial Report 2016/17

**Board Meeting
24 February 2017**

1.1 This report sets out the full year forecast outturn against budget for financial year 2016/17.

1.2 The table below sets out the overall budget forecast for 2016-17:

	Revenue £m	Capital £m	Reform £m	Overall position £m
Forecast Expenditure (following allocation of Reform funding)	1,032.7	15.3	43.6	
<u>Funding:</u>				
Grant-in-aid	(1,003.4)	(18.5)		
Capital receipts		(2.0)		
Reforming funding			(50.2)	
Total Funding	(1,003.4)	(20.5)	(50.2)	
Over/(under) spend	29.3	(5.2)	(6.6)	17.5

- The net forecast outturn is unchanged from that reported to the Board in December 2016 (Mid Year Financial Review) which was a forecast over-spend of £17.5m.
- However, there are a number of compensating movements between budget lines, none of which are material, and they do not have an overall net effect on the overall position
- Scottish Government has indicated that it will make an additional £2m of reform funding available to the SPA in the current financial year. This is not included in the table above at this stage but would reduce the forecast overspend by that sum.

Revenue Budget

1.3 The table below sets out the forecast outturn position for the 2016-17 revenue budget:

Revenue	Full Year budget £m	Forecast Outturn £m	Variance £m
Police Scotland	1,023.1	1,042.0	(18.9)
Forensics	27.8	27.8	0
SPA Corporate	4.0	4.0	0
Net Expenditure	1,054.9	1,073.8	(18.9)
Allocation from Reform	-38.8	-41.1	
TOTAL	1,016.1	1,032.7	
Funded by:			
Grant in Aid	1,003.4	1,003.4	
Other Funding	12.7		
TOTAL	1,016.1	1,003.4	
Over/(Under) Spend	0	29.3	

1.4 There are no material variances within Forensics and SPA budgets.

1.5 The main variances arising in relation to the full year Police Scotland budget are summarised in the table on the following page.

Category	(Over)/Underspend (£m)	% of Budget	
Police Officer Costs	(2.4)	0.3%	Salaries and national insurance costs are forecast to overspend by the end of the year. The main reason is that officer numbers were above the budgeted number of 17,234 and rank in the earlier part of the financial year, but are now in more in line with 17,234.
Police Staff Costs	(1.6)	1.0%	Additional costs have been estimated in relation the increased holiday pay entitlement (legislative ruling that overtime should be included in holiday pay) and the estimated cost of annual leave due but untaken at 31 March 2017. A delay in the timing of VR/VER releases is expected to result in savings being less than the level planned in the budget
Non-Pay Costs	(32.1)	31.2%	This adverse variance is due to targeted savings and efficiencies not having been identified in the year.
Income	17.2	39%	The additional income is from a one-off compensation payment received in the year.
Net Expenditure	(18.9)	1.8%	

Reform Budget

1.6 The table below shows the movement in the application of the Reform budget from that reported at period 6 to the current forecast position.

Reform	Reported at Period 6 £m	Forecast Outturn £m	Movement £m
Irrecoverable Revenue VAT allocated to revenue budget	20.7	20.7	0
Other revenue change expenditure allocated to revenue budget	21.6	20.4	(1.2)
Total Reform allocation to revenue budget	42.3	41.1	(1.2)
Irrecoverable Capital VAT allocated to capital budget	2.5	2.5	0
Total Reform funding applied	44.8	43.6	(1.2)
Funding:			
SG Reform funding to SPA (net of top-slice)	(50.3)	(50.2)	0.1
Over/(under) Spend	(5.5)	(6.6)	(1.1)

1.7 The reasons for these movements are:

- A decrease in reform funding of £1.7m allocated to the revenue budget to support the development of the 2026 Strategy and some initial transformation costs.
- Release costs of all planned leavers are £0.5m greater than previously estimated (assuming all planned releases occur).

Capital Plan

- 1.8 The table below sets out the forecast outturn position against budget for the 2016-17 capital plan:

Capital	Full Year Budget £m	Forecast Outturn £m	Variance £m
Capital expenditure	18.8	17.8	1.0
Reform allocation for capital VAT	(2.5)	(2.5)	0
Capital Excluding Reform	16.3	15.3	1.0
Capital Funding	(23.9)	(20.5)	(3.4)
Over/(under) spend	(7.6)	(5.2)	(2.4)

- 1.9 The budget was set with a view to underspending against the approved capital programme in the sum of £7.6m (fleet of £5.5m and estates of £2.1m) in order that this would be applied to partially off-set the revenue over-spend. This planned under-spend position is shown in the 'Full Year Budget' column in the table above.

The forecast position to the end of the financial year is a total underspend of £5.2m (which is consistent with last reporting period). This means that the forecast underspend is less than the planned underspend by £2.4m and the reasons are as follows:

- The revised capital expenditure forecast is an underspend against plan of £1m;
- This is more than offset by reduced capital receipts of £3.4m (arising from slippage in planned property sales);
- The net effect of these two factors an adverse movement against plan of £2.4m giving a revised forecast net under-spend on capital of £5.2m.

END OF REPORT