

SCOTTISH POLICE  
AUTHORITY

<b>Meeting</b>	<b>Public SPA Board Meeting</b>
<b>Date and Time</b>	<b>22 March 2017</b>
<b>Location</b>	<b>Stirling Court Hotel, Stirling</b>
<b>Title of Paper</b>	<b>Financial Report Period 10</b>
<b>Item Number</b>	<b>6.1</b>
<b>Presented By</b>	<b>James Gray, Interim Chief Financial Officer</b>
<b>Recommendation to Members</b>	<b>For Noting</b>
<b>Appendix Attached:</b>	<b>No</b>

**PURPOSE**

The purpose of this report is to advise Members of the financial position of the Scottish Police Authority (SPA) for the ten month period ending 31 January 2017.

## 1. BACKGROUND

1.1 A full Quarter 3 financial review was undertaken and reported to the Finance & Investment Committee on 22 February 2017 in relation to the year to date and forecast outturn position. This report presents a high level review, focusing on known changes in the forecast outturn at period 10 compared to period 9.

## 2. FURTHER DETAIL ON REPORT TOPIC

2.1 The forecast outturn position for the 2016/17 financial year is an overall overspend of £17.5m and is analysed as follows:

- Over-spend on revenue of £26.3m.
- An under-spend of £0.2m on capital expenditure;
- An under-spend against the reform budget of £8.6m.

2.2 There have been a number of movements and so there has been active management of the financial position to ensure that the outturn aligns to previous forecasts in relation to the overall financial position. The forecast outturn position has been consistently reported to Members and Scottish Government as an overspend of £17.5m since October 2016.

2.3 The table on the following page sets out the forecast position against the 3 main funding streams of revenue, capital and reform:

	Revenue £m	Capital £m	Reform £m	Overall position £m
<b>Forecast Net Expenditure</b>	<b>1,070.9</b>	<b>22.5</b>	<b>0</b>	
<u>Transfer of Reform Funding:</u>				
Reform allocation to revenue (includes VAT)	(41.2)		41.2	
Reform allocation to capital (VAT)		(2.5)	2.5	
<b>Forecast following allocation of Reform funding</b>	<b>1,029.7</b>	<b>20.0</b>	<b>43.7</b>	
<u>Funding:</u>				
Grant-in-aid	(1,003.4)	(16.2)		
Capital receipts		(2.0)		

SPA Public Board  
Financial Report Period 10  
22 March 2017

NOT PROTECTIVELY MARKED

Reform funding			(50.3)	
Additional Scottish Government funding		(2.0)	(2.0)	
<b>Total Funding</b>	<b>(1,003.4)</b>	<b>(20.2)</b>	<b>(52.3)</b>	
<b>Over/(under) spend</b>	<b>26.3</b>	<b>(0.2)</b>	<b>(8.6)</b>	<b>17.5</b>

2.4 The following table further analyses the revenue position, showing forecast outturn against full year budget.

Revenue	Full Year budget £m	Forecast Outturn £m	Variance £m
Police Scotland	1,023.1	1,039.1	(16.0)
Forensics	27.8	27.8	0
SPA Corporate	4.0	4.0	0
<b>Net Expenditure</b>	<b>1,054.9</b>	<b>1,070.9</b>	<b>(16.0)</b>
Allocation from Reform	(38.8)	(41.2)	
<b>TOTAL</b>	<b>1,016.1</b>	<b>1,029.7</b>	
Funded by:			
Grant in Aid	1,003.4	1,003.4	
Other Funding	12.7	-	
<b>TOTAL</b>	<b>1,016.1</b>	<b>1,003.4</b>	
<b>Over/(Under) Spend</b>	<b>0</b>	<b>26.3</b>	

2.5 An earlier presentation of the budget (Board in public session June 2016) reported the full year budget as a total figure of £1,063.5m and not £1,054.9m as shown above, a movement of £8.6m. The difference was in the Police Scotland budget figure only which had been reported to the Board in June at £1,031.7m but subsequently reported to Finance & Investment Committee as £1,023.1m. The figures per the June Board report incorporated the assumption that the full balance remaining on the reform fund at that time (£8.6m) would be applied to the revenue base. This was later amended to retain a balance on reform and so no longer represented supporting funding to the revenue base. These movements are shown in the table over-leaf.

Subsequently
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	Board Report June 2016 £m	Reported to Finance Committee £m	Difference £m
<u>Revenue Budget:</u>			
Police Scotland	1,031.7	1,023.1	(8.6)
SPA Corporate	4.0	4.0	-
Forensics	27.8	27.8	-
<b>Total</b>	<b>1,063.5</b>	<b>1,054.9</b>	<b>(8.6)</b>
<u>Funding:</u>			
Grant-in-aid	(1,003.4)	(1,003.4)	-
Reform (Change) Fund	(38.8)	(38.8)	-
Funding Flexibility - Capital	(7.6)	(7.6)	-
Funding Flexibility – Balance on Reform	(8.6)	0	8.6
Anticipated SG Funding	(5.1)	(5.1)	0
<b>Total Funding</b>	<b>(1,063.5)</b>	<b>(1,054.9)</b>	<b>8.6</b>
<b>Net Difference</b>	<b>0</b>	<b>0</b>	<b>0</b>

2.6 The movement on the Reform budget at May 2016 (as reported to the Board in June 2016) and the subsequent reporting to Finance Committee is summarised in the table below.

	Board Report June 2016 £m	Subsequently Reported to Finance Committee £m	Difference £m
<u>Reform Budget:</u>			
Allocation to Revenue	38.8	38.8	-
Allocation to Capital (VAT)	2.8	2.8	-
Funding Flexibility to Support Revenue	8.6	0	(8.6)
<b>Total Applied</b>	<b>50.2</b>	<b>41.6</b>	<b>(8.6)</b>
<b>Funding Available</b>	<b>(50.2)</b>	<b>(50.2)</b>	<b>-</b>

<b>Balance</b>	<b>0</b>	<b>(8.6)</b>	<b>(8.6)</b>
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2.7 As a result of £8.6m being removed from the Police Scotland budget (per table 2.5 above), a balance is restored to Reform as set out at table 2.6 above (i.e. from a nil balance to an available balance of £8.6m). The overall impact, when Revenue and Reform are taken together, is nil.

2.8 The table below sets out the movement in the forecast outturn between period 9 and period 10.

	<b>Revenue £m</b>	<b>Capital £m</b>	<b>Reform £m</b>	<b>Overall £m</b>
Forecast Over/(under) spend Period 9	29.3	(5.2)	(6.6)	17.5
Forecast Over/(under) spend Period 10	26.3	(0.2)	(8.6)	17.5
<b>Movement Adverse/(positive)</b>	<b>(3.0)</b>	<b>5.0</b>	<b>(2.0)</b>	<b>0</b>

2.9 The reasons for the movements are as follows –

- **Revenue** – The projected overspend has reduced due to the removal of the holiday pay accrual of £1.5m, a decrease in the loan charge figure borne by revenue of 1m (as a result of a change in the budget scoring treatment confirmed by Scottish Government) and a general net underspend across revenue budget lines of £0.5m.
- **Capital** – This adverse variance, which has seen the forecast under-spend on capital reduce to £0.2m, has resulted from the progression of spend predominately in relation to Fleet. This enables the reduction of expected revenue cost pressures expected to arise from managing an ageing fleet.
- **Reform** – The increase in underspend of £2.0m has arisen as a result of additional funding being made available by Scottish Government.

2.10 The overall net overspend therefore remains at £17.5m.

### 3. FINANCIAL IMPLICATIONS

3.1 The financial implications are outlined within this report.

**4. PERSONNEL IMPLICATIONS**

4.1 There are no personnel implications associated with this report. 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 no reputational implications associated with this 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 IMPLICATIONS**

10.1 There are no Environmental Implications associated with this report.

**RECOMMENDATIONS**

Members are requested to:

1. Note the financial forecast for the ten month period ending 31 January 2017.