

Meeting	Public SPA Board Meeting
Date	24 August 2017
Location	Stirling Court Hotel, Stirling
Title of Paper	2017/18 Financial Performance Report – Quarter 1
Item No	9
Presented by	James Gray, Chief Financial Officer
Recommendation to members	For Noting
Appendix Attached	Yes

**PURPOSE**

The purpose of this report is to provide an update on the financial position as at 30 June 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 30 June 2017 (Quarter 1).
- 1.2 The detailed financial performance report and supporting appendices are attached to this report.

## 2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The financial position in relation to revenue, capital and reform is summarised below.
- 2.2 The full year forecast is as follows:
  - **Revenue** –The overall SPA budget was set with a deficit of £47.2m and the forecast is that net expenditure for the year will be £1.9m less than budgeted. Therefore, this reduces the overall projected revenue deficit to £45.3m.
  - **Capital** – an underspend of £15.7m 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 £19.8m as plans are not as yet sufficiently developed to utilise this budget which will enable transformational change across the organisation. Work is underway to accelerate change initiatives and it is expected that this will result in plans which will require reform spending in 2017-18.
- 2.3 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 position for financial year 2017/18 is 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 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 to:

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

SCOTTISH POLICE  
AUTHORITY



# **Financial Review**

## **2017-18**

### **Quarter 1**

**For presentation to  
SPA Board  
24<sup>th</sup> August 2017**

**Contents**

1. Executive Summary.....3

2. 2017-18 Budget Analysis.....5

## 1. Executive Summary

- 1.1 This reports set out the financial performance for SPA/Police Scotland for the 2017-18 financial year to the quarter ending 30 June 2017, as well as forecasting the full year outturn to 31 March 2018.

### Revenue Budget

- 1.2 The table below sets out the year to date and forecast outturn position for the 2017-18 revenue budget:

Revenue (excl VAT)	Year to Date			Full Year Forecast		
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend
	£m	£m	£m	£m	£m	£m
Police Scotland	256.4	255.5	0.9	1,039.1	1,036.9	2.2
Forensics	6.6	6.6	0.0	26.8	27.1	-0.3
SPA Corporate	1.4	1.3	0.1	3.7	3.7	0.0
<b>Total Expenditure</b>	<b>264.4</b>	<b>263.4</b>	<b>1.0</b>	<b>1,069.6</b>	<b>1,067.7</b>	<b>1.9</b>

- 1.3 This report outlines the variances against the budget in detail. The high level variances are:

- Police Scotland

The overall forecast is a £2.2m underspend against budget. The key variances explained later in the report are Officers overtime (£1.0m over); Police Staff costs (£1.7m under); non-pay costs (£1.0m under) and income (£0.6m favourable).

- Forensics

The forecast is for a £0.3m overspend against budget and this entirely relates to the uplift in staff allowances which exceed the budgetary provision.

- SPA Corporate

No material variances arising at this stage with a break even position for the year forecast.

### Capital Plan

- 1.4 The annual capital budget approved by the SPA Board on 22 March 2017 amounted to £42.4m. The funding to support this investment comprised £30m 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).
- 1.5 The year to date position on capital is gross expenditure of £1.2m (£1.0m net of VAT) and has been incurred on ICT (£1.0m), Fleet (£0.1m) and Estates (£0.1m). Within funding, capital receipts of £3.2m have been secured in respect of the sale of the former police office in Edinburgh.

- 1.6 The receipts level anticipated when the budget was set will now not be realised in full as the result of 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.
- 1.7 The forecast spend on the Capital Programme is £26.8m. The current position is such that the projected expenditure can be supported from the available capital grant and asset disposal proceeds. This means that additional funding from Reform for Transformational spend is unlikely to be required as at this stage, as it is forecast that capital spending will be £3.1m less than the available capital funding from the Scottish Government grant, Reform VAT costs and capital receipts . However, work is on-going to identify other capital investment opportunities that may enable additional expenditure relating to Policing 2026 objectives to be progressed in year. A more detailed update will be provided to a future meeting of the Finance Committee.

### **Reform Budget**

- 1.8 The Scottish Government has allocated a total Reform budget to 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'.
- 1.9 The year to date position is total expenditure of £6.3m as at the end of Quarter 1. This spend comprises irrecoverable VAT of £4.4m and Corporate Services transformation costs of £1.9m (transformation resources and Policing 2026 costs).
- 1.10 The full year forecast spend is £39.7m. At this stage, the forecast indicates that all of the available Reform funding will not be required, with a forecast underspend of £19.8m.

## 2. 2017-18 Budget Analysis

### Police Scotland

2.1 The table below set out the Police Scotland 2017-18 revenue budget year to date position and forecast outturn for the full financial year.

Revenue - Police Scotland	Year to Date			Full Year Forecast			Prior Year	
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend	Draft Outturn	Variance (17/18 Project less 16/17 Outturn) £m
	£m	£m	£m	£m	£m	£m	£m	£m
Police Officer Costs	181.0	181.3	-0.3	771.2	772.3	-1.1	754.4	17.9
Police Staff Costs	42.1	41.1	1.0	170.5	168.8	1.7	170.0	-1.2
TOIL & Annual Leave Costs	0.0	0.0	0.0	-1.0	-1.0	0.0	-3.7	2.7
Non-Pay Costs	47.5	47.9	-0.4	161.7	160.7	1.0	173.6	-12.9
Income	-10.4	-11.0	0.6	-42.6	-43.2	0.6	-62.1	18.9
<b>Net Expenditure (incl VAT)</b>	<b>260.2</b>	<b>259.3</b>	<b>0.9</b>	<b>1,059.8</b>	<b>1,057.6</b>	<b>2.2</b>	<b>1,032.2</b>	<b>25.4</b>
Less: VAT (Reform Funded)	-3.8	-3.8	0.0	-20.7	-20.7	0.0	-19.9	-0.8
<b>Net Expenditure (excl VAT)</b>	<b>256.4</b>	<b>255.5</b>	<b>0.9</b>	<b>1,039.1</b>	<b>1,036.9</b>	<b>2.2</b>	<b>1,012.3</b>	<b>24.6</b>

### 2.2 *Police Officer Costs*

#### Full year projection (£1.1m overspend)

The most significant element of the projected overspend relates to overtime which is forecast to overspend by £1.0m. The main elements of this are as follows:

- i) additional overtime incurred related to the increased threat level and the support provided following the incidents in Manchester and London (£0.8m); and
- ii) a recent court judgement which found against the service in relation to a dispute over the requirement to pay 'held on reserve' overtime for Royal Court duties £0.2m.

It should be noted that £1.2m of the total Officer overtime budget is held centrally and managed by the DCC Designate. At this stage, this budget is forecast to be fully utilised in the year and this position will continue to be assessed as the year progresses.

The full year projection in relation to Officers salaries and on-costs is a £0.1m overspend. This compares to a year to date underspend of £0.3m. This movement is mainly due to salary increments for probationers being under budgeted. Probationers receive a pay increment after 31 weeks which has not been included in the budgeted.

#### Against prior year spend (£17.9m higher)

This is due to the effect of an increased pay base (due to the 1% pay award, increments and the introduction of the apprenticeship levy).

### 2.3 *Police Staff Costs*

#### Full year projection (£1.7m underspend)

The most significant element of the forecast underspend relates to a £1.6m projected underspend in Police Staff salaries, on-costs and allowances. This is due to the level of staff vacancies as outlined above. The forward forecast for staff costs is based on an



estimate of the period in which each vacant post will be filled and so this anticipated recruitment moving forward erodes the level of underspending seen in the first quarter. The forecast assumes that the majority of posts will be filled by October 2017.

Within the C3 business area, a new staff operating model has been agreed and, at this stage, an underspend is being forecast against the agreed budget. However, additional planned overtime will be used to boost capacity during periods of estimated peak demand e.g. during the festive period. There is a £0.2m forecast overspend in overtime costs for C3 as a result, however, that does not show as an overall variance on staff overtime due to underspends across budget lines in other service areas.

#### **Against prior year spend (£1.2m lower)**

This is due to the effect of an increased pay base (due to the 1% pay award, increments and the introduction of the apprenticeship levy) which is offset by £3.0m staff saving within the 2017/18 budget (which is being forecast to be realised in full at this stage).

## 2.4 **Non Pay Costs**

### **Full year projection (£1.0m underspend)**

- Premises costs forecast £0.4m overspent. This main element of the overspend is the efficiency saving which will not be fully realised in year due to slippage on the planned disposal of Pitt Street into 2018/19. The Estates service is currently reviewing all spend to assess where other potential efficiencies can be made.
- Transport costs forecast £0.5m underspent. Primarily relates to a £0.4m forecast underspend in vehicle servicing and maintenance costs. A cost pressure budget of £0.4m is being held centrally in relation to this, however, the additional capital investment in fleet towards the end of last financial year means that this is no longer likely to be required. This cost pressure was originally approved on the basis of increasing vehicle maintenance costs consistent with the level being experience in 2016/17. The full year forecast underspend on fuel (£0.25m) is offset by a projected overspend on accident damage repairs in the same amount
- Admin costs forecast £0.3m underspent. This position is due to forecast underspends in printing and stationery costs (£0.3m). This is an area being targeted in order to achieve the required efficiency savings.
- Capital financing costs forecast £0.5m underspent. This underspend is due lower interest rates charge following a reduction in the outstanding loan principal and lower interest rates forecast compared with our budget (£0.5m). At the time of the budget set, full information on the loan charges budget was not available from the local authorities' Treasury services when requested. A recent exercise involving engagement with the local authorities concerned indicates that there will be a underspend in the current year.
- Other costs forecast on budget. The assumption made at this stage is that the efficiency targets of £5m will be achieved in full. As detailed plans are still in development, there is a real risk that these may not be delivered as forecast.

**Against prior year spend (£12.9m lower)**

The reduction in spend from the previous year is partly due to the new treatment of reform funding in the current year. Within 'Other Employee Costs', VR VER costs of £7.7m were incurred in financial year 2016/17. In the current financial year, this will be accounted for separately and will not be reported against the revenue budget (per paragraph 2.7). In addition, the 2017/18 forecast assumes that the £5.0m of efficiency savings targets. The current year forecast assumes that these savings will be delivered in full and so this reduces the cost base from that of the prior year.

2.5 ***Income***

**Full year projection (£0.6m favourable )**

- Public fees (£0.3m favourable). This relates to air weapons licenses year to date variance.
- Seconded Officer income is forecast to be £0.3m less than budget due to a £0.5 adverse forecast for CT secondments, partially offset by additional income of £0.2m from officers seconded to Manchester.
- Mutual aid income (£0.2m favourable) per the year to date position.
- Additional income is forecast to be received in 'Services of Police' (£0.2m favourable) from various events not within the budget base – additional income arising from European football matches.

**Against prior year spend (£18.9m lower)**

The income is forecast to be lower than the previous year due to the i6 compensation received in the previous year.

**Forensics & SPA Corporate**

Revenue Forensics & SPA Corporate	Year to Date			Full Year Forecast			Prior Year	
	Budget	Actual	Variance (Over) / Underspend	Budget	Forecast	Variance (Over) / Underspend	Draft Outturn	Variance (17/18 Project less 16/17 Outturn)
	£m	£m	£m	£m	£m	£m	£m	£m
Forensics	6.8	6.8	0.0	27.8	28.1	-0.3	27.7	0.4
SPA Corporate	1.4	1.3	0.1	4.0	4.0	0.0	10.6	-6.6
<b>Net Expenditure (incl VAT)</b>	<b>8.2</b>	<b>8.1</b>	<b>0.1</b>	<b>31.8</b>	<b>32.1</b>	<b>-0.3</b>	<b>38.3</b>	<b>-6.2</b>
Less: Forensics VAT	-0.2	-0.2	0.0	-1.0	-1.0	0.0	-0.9	-0.1
Less: SPA Corporate VAT	0.0	0.0	0.0	-0.3	-0.3	0.0	-0.3	0.0
<b>Net Expenditure (excl VAT)</b>	<b>8.0</b>	<b>7.9</b>	<b>0.1</b>	<b>30.5</b>	<b>30.8</b>	<b>-0.3</b>	<b>37.1</b>	<b>-6.3</b>

**2.6 Forensics**Full year projection (£0.3m overspend)

There is a forecast overspend of £0.2m which is mainly related to increasing allowances costs. The budgeted pay award was based on a 1% increase to staff budget. However, the final agreed pay award included an increase in the rates for standby and on-call allowance. This mainly impacts staff employed on legacy SPSA contracts (particularly Forensics staff).

Against prior year spend (£0.4m higher)

This is due to the effect of an increased pay base (due to the 1% pay award, increments and the introduction of the apprenticeship levy). Savings of £0.1m have been built into the budget and it is assumed that these will be fully realised.

**2.7 SPA Corporate**Full year projection (break-even)

There are no significant issues to highlight.

Against prior year spend (£6.6m lower)

This is due to the treatment of capital financing costs of £6.8m which were accounting for as SPA corporate costs in 2016/17 and have been moved to the Police Scotland finance department costs in the current year. Savings of £0.038m have been built into the budget and it is assumed that these will be fully realised.

**2.8 Police Scotland – 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	8.7	7.5	1.2	37.4	36.3	1.1
DCC Crime & Operational Support	2.6	20.4	21.0	-0.6	92.8	93.4	-0.6
Deputy Chief Officer	2.7	57.5	57.5	0.0	189.9	188.2	1.7
DCC Designate (incl Officers salaries)	2.8	173.7	173.3	0.4	739.8	739.8	0.0
Other Business Areas		-0.1	0.0	-0.1	-0.1	-0.1	0.0
<b>Net Expenditure (incl VAT)</b>		<b>260.2</b>	<b>259.3</b>	<b>0.9</b>	<b>1,059.8</b>	<b>1,057.6</b>	<b>2.2</b>
Less: VAT (Reform Funded)		-3.8	-3.8	0.0	-20.7	-20.7	0.0
<b>Net Expenditure (excl VAT)</b>		<b>256.4</b>	<b>255.5</b>	<b>0.9</b>	<b>1,039.1</b>	<b>1,036.9</b>	<b>2.2</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 areas.

2.9 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	1.7	1.7	0.0	No issues to highlight.	8.3	8.4	-0.1	No issues to highlight.
Police Staff Costs	5.4	5.1	0.3	Due to vacant posts as explained earlier in the report	21.8	21.4	0.4	Due to vacant posts as explained earlier in the report
Non-pay Costs	3.9	3.2	0.7	Year to date underspend in fuel costs (£0.2m), and timing of spend in relation to supplies and services (£0.3m) and third party payments (£0.2m).	16.0	15.8	0.2	Largely relates to the fuel underspend.
Income	-2.3	-2.5	0.2	Additional year to date income from football and other events (£0.2m) which is forecast to continue.	-8.7	-9.3	0.6	Additional income from football and other events (£0.2m). There is also additional forecast grant income (£0.2m)
<b>Net Expenditure</b>	<b>8.7</b>	<b>7.5</b>	<b>1.2</b>		<b>37.4</b>	<b>36.3</b>	<b>1.1</b>	

Note: The non-pay costs position assumes that a target efficiency saving of £0.4m within the budget will be fully achieved in year.

**2.10 Revenue – DCC Crime & 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	1.4	2.1	-0.7	Costs incurred assisting with the incidents in Manchester, London and the increased threat level.	5.9	6.8	-0.9	Costs incurred assisting with the incidents in Manchester, London and the increased threat level.
Police Staff Costs	19.9	19.6	0.3	Due to unfilled vacant posts.	80.8	79.8	1.0	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	4.4	4.6	-0.2	Overspend on clothing and uniforms mainly related to specialist firearms and public order units.	26.8	27.4	-0.6	Overspend on clothing and uniforms mainly related to specialist firearms and public order units.
Income	-5.3	-5.3	0.0	No issues to highlight.	-20.7	-20.6	-0.1	Additional public fees income of £0.3m from firearms licensing offset by reduced seconded Officers income £0.4m from CT secondments.
<b>Net Expenditure</b>	<b>20.4</b>	<b>21.0</b>	<b>-0.6</b>		<b>92.8</b>	<b>93.4</b>	<b>-0.6</b>	

Note: The non-pay costs position assumes that a target efficiency saving of £1.1m within the budget will be fully achieved in year.

**2.11 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	5.1	5.1	0.0	No issues to highlight.	20.6	20.7	-0.1	No issues to highlight.
Police Staff Costs	16.1	15.8	0.3	Underspend reflects budgeted vacant posts.	64.8	64.4	0.4	Underspend reflects budgeted vacant posts. Assumes staff saving of £3m delivered in full.
Non-pay Costs	38.4	39.8	-1.4	a) Efficiency savings not yet achieved, adverse variance £0.8m but is forecast to be fully achieved by the end of the financial year. b) Under on occupational health contract (£0.1m). c) ICT costs are currently overspent by £0.4m which is forecast to come in on budget by the end of the year. d) Other net overspends £0.3m.	114.9	113.5	1.4	a) Efficiency savings of £3.4m assumed delivered in full – no variance b) Premises efficiency saving under-recovery due to slippage on Pitt Street £0.5m adverse. b) 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 and services costs are forecast to be underspent by £0.7m in total - £0.3m related to occupational health costs following a contractual review. Other forecast underspends includes: specialist operational equipment (£0.1m); other supplies and services (£0.2m); and health and safety costs (£0.1m). d) Administration costs are forecast to be underspent by £0.2m. This is comprised of printing and stationery costs (£0.1m) and other admin underspends (£0.1m). e) Loan charge interest is forecast to be under by £0.5m.
Income	-2.1	-3.2	1.1	There is £0.7m of additional rental income received to date compared with budget. This relates to the phasing of radio mast income which is forecast to be on budget.	-10.4	-10.4	0.0	No issues to highlight.
<b>Net Expenditure</b>	<b>57.5</b>	<b>57.5</b>	<b>0.0</b>		<b>189.9</b>	<b>188.2</b>	<b>1.7</b>	

**2.12 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	172.8	172.5	0.3	Officers' costs are underspent to date due to a later intake of probationers in June than expected in the budget.	736.4	736.2	0.2	No issues to highlight.
Police Staff Costs	0.4	0.4	0.0	No issues to highlight.	1.5	1.6	-0.1	A small overspend is forecast due to additional unbudgeted legal staff required as a result of under-resourcing in the service.
Non-pay Costs	0.5	0.4	0.1	Timing variance, broadly on line with budget by end of the year	2.1	2.2	-0.1	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>173.7</b>	<b>173.3</b>	<b>0.4</b>		<b>739.8</b>	<b>739.8</b>	<b>0.0</b>	

Note: The non-pay costs position assumes that efficiency saving of £0.1m will be fully achieved in year.



## **Capital Plan**

- 2.13 The annual capital budget approved by the SPA Board on 22 March 2017 amounted to £42.4m. The funding to support this investment comprised £30m 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).

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 of £1m spent as the end of the first quarter.

- 2.14 The year to date position on capital is gross expenditure of £1.2m (£1.0m net of VAT) and has been incurred on ICT (£1.0m), Fleet (£0.1m) and Estates (£0.1m). Within funding, capital receipts of £3.2m have been secured in respect of the sale of the former police office in Edinburgh.
- 2.15 The receipts level anticipated when the budget was set will now not be realised in full as the result of 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.
- 2.16 The forecast spend on the Capital Programme is shown in the following table. The current position is such that the projected expenditure can be supported from the available capital grant and asset disposal proceeds. This means that additional funding from Reform for Transformational spend is unlikely to be required as at this stage, as it is forecast that capital spending will be £3.1m less than the available capital funding from the Scottish Government grant, Reform VAT costs and capital receipts. However, work is ongoing to identify other capital investment opportunities that may enable additional expenditure relating to Policing 2026 objectives to be progressed in year. A more detailed update will be provided to a future meeting of the Finance Committee.

## NOT PROTECTIVELY MARKED

Capital Expenditure	Budget £m	Forecast £m	Variance £m	Further Detail
Airwave Handset Replacement	1.80	1.80	0.00	
Pegasus	0.16	0.20	-0.04	Business Justification Case due in August
Roadside Breath Screening Devices	0.06	0.10	-0.04	Business Justification Case due in August
Asset Maintenance Program	5.90	5.90	0.00	Business Justification Case approved
EDMRS	0.30	0.00	0.30	Business Justification Case due in August
<b>Total Category One – Statutory (A)</b>	<b>8.22</b>	<b>8.00</b>	<b>0.22</b>	
Fleet Replacement	5.60	5.60	0.00	Business Justification Case approved
Infrastructure Modernisation (incl intranet/ Internet Capability)	12.60	8.02	4.58	Business Justification Case approved (CFIB 25/07/17)
National Intelligence System	0.52	0.50	0.02	Business Justification Case in progress
Child Protection Video Interview Equipment Replacement	0.60	0.00	0.60	Capital project completed in 2016/17, no 17/18 spend
<b>Total Category Two – Stay in Business (B)</b>	<b>19.32</b>	<b>14.12</b>	<b>5.20</b>	
Telematics	3.19	0.90	2.29	Business Justification Case approved (CFIB 25/07/17)
C3 / THRIVE	3.55	0.00	3.55	Business developing plans
Cybercrime	4.02	2.50	1.52	Financial plan being updated
Cyber Defence	2.83	0.00	2.83	Business to confirm status
Custody	0.45	0.00	0.45	Business to confirm status
ANPR	0.00	0.00	0.00	Initial Business Case approved
Unicorn	0.00	0.17	-0.17	Business Justification Case approved
Payroll	0.00	0.04	-0.04	Initial Business Case approved
Water Safety	0.00	0.15	-0.15	Business Justification Case approved
SEARCH	0.00	0.02	-0.02	Business Justification Case progressing
<b>Total Category Three – Transformation/ Policing 2026/ BAU Improvements (C)</b>	<b>14.03</b>	<b>3.78</b>	<b>10.25</b>	
<b>Total Police Scotland (A) + (B)+ (C)</b>	<b>41.57</b>	<b>25.90</b>	<b>15.67</b>	
<b>Total SPA / Forensics</b>	<b>0.90</b>	<b>0.90</b>	<b>0.00</b>	
<b>Total Expenditure</b>	<b>42.47</b>	<b>26.80</b>	<b>15.67</b>	
Scottish Government grant	20.00	20.00	0.00	
Capital receipts	10.00	5.00	5.00	Chambers St receipt of £3.2m, slippage on Pitt St into 2018/19.
Reform - VAT	6.40	4.00	2.40	
Reform - Transformational Capital	6.00	0.00	6.00	
<b>Total Funding</b>	<b>42.40</b>	<b>29.00</b>	<b>13.40</b>	

NOT PROTECTIVELY MARKED

**Reform Budget**

- 2.17 The Scottish Government has allocated a total Reform budget to 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’.
- 2.18 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).
- 2.19 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 (revenue)	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>

- 2.20 The year to date position is total expenditure of £6.3m as at the end of Quarter 1. This spend comprises irrecoverable VAT of £4.4m and Corporate Services transformation costs of £1.9m (transformation resources and Policing 2026 costs).

2.21 The full year forecast spend is shown in the following table. At this stage, the forecast indicates that all of the available Reform funding will not be required, with a forecast underspend of £19.8m.

Reform Plan by Category	Budget £m	Forecast £m	Variance £m	Further Detail
<b>Capital</b>				
Irrecoverable VAT	6.4	4.0	2.4	Slippage in Capital Plan impacting VAT incurred
Other Transformational Expenditure	6.0	0.0	6.0	With current position on Capital - it seems unlikely that an allocation from Reform is required (projects such as Telematics could be supported via a Capital Programme funded through capital grant and capital receipts only)
<b>Total Capital</b>	<b>12.4</b>	<b>4.0</b>	<b>8.4</b>	
<b>Revenue</b>				
Irrecoverable VAT	22.0	22.0	0.00	
Corporate Services Transformation	10.0	4.2	5.8	Based on roles approved roles through Police Scotland's Transformation Resource Control Group. Figure reduced (previously £4.66m) to remove roles funded directly through Commercial Excellence (see below)
Commercial Excellence Programme	0.0	1.1	-1.1	Full Business Case approved by CFIB, SPA & SG
<b>Sub-total</b>	<b>32.00</b>	<b>27.3</b>	<b>4.7</b>	
<i>Other Policing Transformation</i>				
C3 THRIVE/Mental Health Nursing Support	5.7	0.0	5.7	Plans in development
Armed policing uplift training requirement	0.1	0.1	0.0	
National CCTV Capability Review	1.0	0.0	1.0	Plans in development
Offset Required	-0.6	-0.6	0.0	Adjustment to match approved budget
<b>Total Other Policing Transformation</b>	<b>6.20</b>	<b>-0.5</b>	<b>6.70</b>	
<i>Other Transformational Expenditure</i>				
VR/VER Leavers	8.5	8.5	0.0	Assumes realisation of staff efficiencies
Prof services (Pay Harmonisation)	0.1	0.1	0.0	Support commissioned
Staff survey	0.1	0.1	0.0	
Recruitment project	0.2	0.2	0.0	
<b>Total Other Transformational</b>	<b>8.9</b>	<b>8.90</b>	<b>0.0</b>	
<b>Total Revenue</b>	<b>47.1</b>	<b>35.72</b>	<b>11.4</b>	
<b>Total Planned Expenditure</b>	<b>59.5</b>	<b>39.72</b>	<b>19.8</b>	<b>Forecast £19.8m underspend</b>