

Meeting	Public SPA Board Meeting
Date	28 September 2017
Location	Jurys Inn Hotel, Inverness
Title of Paper	Revised Forecast Quarter 1 2017/18
Item No	7
Presented by	James Gray
Recommendation to members	For Noting
Appendix Attached	Yes

PURPOSE

The purpose of this report is to provide an update on the quarter one financial position and the projected outturn position for the financial year.

1. BACKGROUND

- 1.1 This report presents an update to the year to date and forecast outturn financial position as at 30 June 2017 (Quarter 1). The report was originally presented to the SPA Board on 24 August 2017 and Members requested that a revised forecast is presented to the Board on 28 September 2017.
- 1.2 The detailed revised financial performance report 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 revised forecast is that net expenditure for the year will be £0.1m higher than budgeted;
 - **Capital** – a revised underspend of £3.4m is forecast following a review of capital investments opportunities relating to Policing 2026 objectives being progressed;
 - **Reform** – a revised underspend of £6.9m is forecast.
- 2.3 Further detail on the year to date and forecast outturn positions are contained within the monitoring 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 revised forecast financial position for SPA/Police Scotland.

SCOTTISH POLICE
AUTHORITY



Financial Review

2017-18

Quarter 1

**For presentation to
SPA Board**

28 September 2017

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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	1,038.9	0.2
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
Total Expenditure	264.4	263.4	1.0	1,069.6	1,069.7	-0.1

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

- Police Scotland

The overall forecast is a £0.2m underspend against budget. The key variances explained later in the report are Officers overtime (£1.0m over); Police Staff costs (breakeven); non-pay costs (£0.1m under) and income (£1.1m 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 £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).
- 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 there will be a loss of the associated revenue savings.

- 1.7 Work has been carried out to identify other capital investment opportunities that may enable additional expenditure relating to Policing 2026 objectives to be progressed in year. This has resulted in the revised forecast spend on the Capital Programme of £34.9m; an increase of £8.1m from the previous forecast of £26.8m. This revised forecast results in an underspend of £3.4m against the revised forecast funding.

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 £52.6m which represents a forecast underspend of £6.9m.

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
Police Officer Costs	181.0	181.3	-0.3	771.2	772.2	-1.0	754.4	17.8
Police Staff Costs	42.1	41.1	1.0	170.5	170.5	0.0	170.0	0.5
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	161.6	0.1	173.6	-12.0
Income	-10.4	-11.0	0.6	-42.6	-43.7	1.1	-62.1	18.4
Net Expenditure (incl VAT)	260.2	259.3	0.9	1,059.8	1,059.6	0.2	1,032.2	27.4
Less: VAT (Reform Funded)	-3.8	-3.8	0.0	-20.7	-20.7	0.0	-19.9	-0.8
Net Expenditure (excl VAT)	256.4	255.5	0.9	1,039.1	1,038.9	0.2	1,012.3	26.6

2.2 *Police Officer Costs*

Full year projection (£1.0m overspend)

The most significant element of the projected overspend relates to overtime which is forecast to overspend by £1.2m. 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 (£0.9m); 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.

Against prior year spend (£17.8m 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 (break even forecast)

The most significant element of the full year projection relates to a £2.3m projected underspend in Police Staff salaries, on-costs, overtime and allowances which is offset by an under-recovery of planned staff savings of £2.3m to give a break even forecast.

Of the total forecast underspend on staff costs of £2.3m (excluding VR/VER), the most significant element relates to a £2.1m 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 year to date. 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 which is being forecast to generate an underspend 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 £0.3m forecast overspend in overtime costs for C3 as a result, however, that does not show as an overall variance on staff overtime (£0.2m under) due to underspends across budget lines in other service areas.

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 budget. In the year to date there has been 20.3 FTE leavers on VR VER which have realised savings of £0.1m to date with full in year savings of £0.7m forecast.

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 staff 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.

Against prior year spend (£0.5m 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) which is offset by the forecast VR VER savings.

2.4 Non Pay Costs

Full year projection (£0.1m underspend)

The key variances within the full year projected underspend are as outlined below.

- Premises costs forecast £0.3m underspent. This main element of this underspend relates to a £0.6m underspend on non-domestic rates. This is due to a non-recurring saving of £0.3m arising from a successful rates appeal plus additional savings from budget of £0.3m from vacant and rural property relief. This position is offset by overspends in cleaning and domestics supplies (£0.2m) and other property costs (£0.1m).
- Transport costs forecast £0.5m underspent. This 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 financial year 2016/17. The full year forecast underspend on fuel (£0.3m) is offset by a projected overspend on accident damage repairs in the same amount.

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- Supplies and services costs forecast £0.6m underspent. This position is primarily due to a forecast underspend on the occupational health contract (£0.3m). There are also forecast underspends across a number of budget lines including: specialist operational equipment (£0.1m); firearms (£0.1m); detainee welfare costs (£0.1m) and other supplies (£0.2m). These underspends are partially offset by a forecast overspend in clothing and uniform costs (£0.5m) and other non-material variances which net to create the remaining underspend (£0.3m).
- Administration costs forecast £0.6m underspent. This position is due to forecast underspends in printing and stationery costs (£0.4m). This is an area being targeted in order to achieve the required efficiency savings. There is also a forecast underspend in legal costs of £0.2m. This is partly due to a reduction in the requirement to purchase external legal advice following the appointment of two additional solicitors.
- Capital financing costs forecast £0.5m underspent. This underspend is due to lower interest rate charges following a reduction in the outstanding loan principal and lower interest rates forecast compared with 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 an underspend in the current year.
- Other costs forecast £2.0m overspend. The assumption made at this stage is that £2m of the total non-pay efficiency target of £5m will not be achieved. This means that an assumption that 60% of the target saving (£3m) will be delivered.

Efficiency targets have been allocated to individual budget holders and deadlines set for the return of detailed savings plans, however, at this point there are no specific savings plans in place. One third of the financial year has now passed and so it seems prudent to assume that a proportion of the non-pay efficiency target will not be met.

Against prior year spend (£12.0m 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. In addition, the 2017/18 forecast assumes that the £3.0m of efficiency savings will be achieved.

2.5 Income

Full year projection (£1.1m favourable)

- Grant funding (£0.3m favourable). Net additional grant income has been received in Local Policing (£0.1m) and from the Home Office in relation to counter terrorism, negotiators and planning exercises (£0.5m). This is offset by other non-material variances (£0.3m adverse).

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- Public fees (£0.3m favourable). This relates to additional income (£0.4m) from air weapons licences above the expected income level in respect of the new license requirements. This is offset by a £0.1m adverse variance on firearms licenses.
- Seconded Officer income is forecast to be £0.4m less than budget largely due to a £0.5m adverse forecast for CT secondments, partially offset by additional income of £0.2m from Officers seconded to Manchester.
- Mutual aid income (£0.2m favourable) relates to work being undertaken for the Police Service of Northern Ireland and the Metropolitan Police.
- Additional income is forecast to be received in 'Services of Police' (£0.4m favourable) from various events not within the budget base e.g. additional income arising from European football matches.

Against prior year spend (£18.4m lower)

The income is forecast to be lower than the previous year due to the i6 compensation received in 2016/17.

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
Net Expenditure (incl VAT)	8.2	8.1	0.1	31.8	32.1	-0.3	38.3	-6.2
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
Net Expenditure (excl VAT)	8.0	7.9	0.1	30.5	30.8	-0.3	37.1	-6.3

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 £0.04m 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	2.9	8.7	7.5	1.2	37.5	36.2	1.3
DCC Crime & Operational Support	2.10	20.4	21.0	-0.6	93.1	93.2	-0.1
Deputy Chief Officer	2.11	57.5	57.5	0.0	191.1	192.5	-1.4
DCC Designate (incl Officers salaries)	2.12	173.7	173.3	0.4	739.7	739.3	0.4
Other Business Areas		-0.1	0.0	-0.1	-1.6	-1.6	0.0
Net Expenditure (incl VAT)		260.2	259.3	0.9	1,059.8	1,059.6	0.2
Less: VAT (Reform Funded)		-3.8	-3.8	0.0	-20.7	-20.7	0.0
Net Expenditure (excl VAT)		256.4	255.5	0.9	1,039.1	1,038.9	0.2

The tables (2.9 to 2.12) 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.	8.4	8.7	-0.3	Overtime overspend due to incidents in Manchester/ London.
Police Staff Costs	5.4	5.1	0.3	Due to vacant posts as explained earlier in the report	21.8	21.3	0.5	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	15.7	0.3	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	-9.5	0.8	Additional income from football and other events (£0.5m). There is also additional forecast grant income (£0.2m)
Net Expenditure	8.7	7.5	1.2		37.5	36.2	1.3	

Note: The non-pay costs position assumes that a target efficiency saving of £0.4m within the budget of which 40% (£0.16m) will not be achieved in year.

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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	Overtime 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.	81.1	79.4	1.7	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	27.8	-1.0	Overspend on clothing and uniforms mainly related to specialist firearms and public order units (£0.4m). There is also an overspend related to the unidentified savings target (£0.4m).
Income	-5.3	-5.3	0.0	No issues to highlight.	-20.7	-20.8	0.1	Additional public fees income of £0.3m from firearms licensing and other income sources (£0.2m) offset by reduced seconded Officers income £0.4m from CT secondments.
Net Expenditure	20.4	21.0	-0.6		93.1	93.2	-0.1	

Note: The non-pay costs position assumes that a target efficiency saving of £1.1m within the budget 40% (£0.4m) will not be achieved in year.

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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	20.8	-0.2	No issues to highlight.
Police Staff Costs	16.1	15.8	0.3	Underspend reflects budgeted vacant posts.	65.7	67.9	-2.2	Underspend due to budgeted vacant posts (£0.1). Offset by £2.3m of staff saving not achieved.
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.	115.1	114.3	0.8	a) Efficiency savings of £2.0m are forecast to not be realised. b) Premises forecast under by £0.2m due to underspend in NDR (£0.6m) partially offset by an overspend in cleaning and domestic supplies (£0.2m) and other net overspends (£0.2m). 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 & services costs forecast underspend by £0.8m - £0.3m related to occupational health costs following a contractual review. Other forecast underspends includes: specialist operational equipment (£0.1m); other supplies and services (£0.3m); and health & 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. f) Third party payments forecast under by £0.2m as a result of a credit refund from the Home Office related to a historic disputed charge.
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.	-10.3	-10.5	0.2	No issues to highlight.
Net Exp	57.5	57.5	0.0		191.1	192.5	-1.4	

Note: The non-pay costs position assumes that a target efficiency saving of £3.4m within the budget, 40% (£1.4m) will not be achieved in year.

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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.	736.3	735.8	0.5	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	2.1	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.
Net Expenditure	173.7	173.3	0.4		739.7	739.3	0.4	

Note: The non-pay costs position assumes that efficiency saving of £0.1m, 40% (£0.04m) will not be 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 £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).
- 2.14 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.
- 2.15 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.
- 2.16 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 there will be a loss of the associated revenue savings.
- 2.17 Work has been carried out to identify other capital investment opportunities that may enable additional expenditure relating to Policing 2026 objectives to be progressed in year. The revised forecast spend on the Capital Programme is shown in the following table. This has resulted in a revised forecast spend of £34.9m; an increase of £8.1m from the previous forecast of £26.8m. This revised forecast results in an underspend of £3.4m against the revised forecast funding.

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Capital Expenditure - <u>FORECAST POSITION AT Q1</u>	Budget £m	Forecast £m	Variance £m	Further Detail
Airwave Replacement	1.8	7.0	-5.2	
Pegasus	0.2	0.2	0.0	Business Justification Case due in August
Roadside Breath Screening Devices	0.1	0.1	0.0	Business Justification Case due in August
Asset Maintenance Program	5.9	5.9	0.0	Business Justification Case approved
EDMRS	0.3	0.0	0.3	Business Justification Case due in August
Total Category One – Statutory (A)	8.3	13.2	-4.9	
Fleet Replacement	5.6	5.6	0.0	Business Justification Case approved
Infrastructure Modernisation (incl intranet/ Internet Capability)	12.6	8.0	4.6	Business Justification Case approved (CFIB 25/07/17)
National Intelligence System	0.5	0.0	0.5	Business Justification Case in progress
Child Protection Video Interview Equipment Replacement	0.6	0.0	0.6	Capital project completed in 2016/17, no 17/18 spend
Total Category Two – Stay in Business (B)	19.3	13.6	5.7	
Telematics	3.2	0.9	2.3	Business Justification Case approved (CFIB 25/07/17)
C3 / THRIVE	3.5	0.0	3.5	Business developing plans
Cybercrime	4.0	3.6	0.4	Financial plan being updated
Cyber Defence	2.8	0.0	2.8	Business to confirm status
Custody	0.5	0.0	0.5	Business to confirm status
ANPR	0.0	1.2	-1.2	Initial Business Case approved
Unicorn	0.0	0.2	-0.2	Business Justification Case approved
Payroll	0.0	0.3	-0.3	Initial Business Case approved
Water Safety	0.0	0.2	-0.2	Business Justification Case approved
SEARCH	0.0	0.0	-0.0	Business Justification Case progressing
DSU Vehicles	0.0	0.4	-0.4	Anticipated BAU project
400 Telephones – Domestic Violence Unit	0.0	0.1	-0.1	Anticipated BAU project
Taser	0.0	0.1	-0.1	Anticipated BAU project
Total Category Three – Transformation/ Policing 2026/ BAU Improvements (C)	14.0	7.0	7.0	
Total Police Scotland (A) + (B)+ (C)	41.6	33.8	7.8	
Total SPA / Forensics	0.9	1.1	-0.2	
Total Expenditure	42.5	34.9	7.6	
Scottish Government grant	20.0	20.0	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	0.0	
Reform - Transformational Capital	6.0	6.5	-0.5	
Total Funding	42.4	38.3	4.1	Forecast £3.4m underspend.

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Reform Budget

- 2.18 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’.
- 2.19 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).
- 2.20 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
Funding Available to the SPA			59.5
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
Total Applied	12.4	47.1	59.5

- 2.21 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).
- 2.22 The full year revised forecast spend is shown in the following table which forecasts an underspend of £6.9m.

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Reform Plan by Category	Budget £m	Forecast £m	Variance £m	Further Detail
Capital				
Irrecoverable VAT	6.4	6.4	0.0	
Other Transformational Expenditure	6.0	6.0	0.0	
Total Capital	12.4	12.4	0.0	
Revenue				
Irrecoverable VAT	22.0	22.0	0.0	
Corporate Services Transformation	10.0	4.2	5.8	Based on roles approved roles through Police Scotland's Transformation Resource Control Group. Full Business Case approved by CFIB, SPA & SG
Commercial Excellence Programme	0.0	1.1	-1.1	
Sub-total	32.0	27.3	4.7	
<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
Tasers	0.0	0.3	-0.3	
Offset Required	-0.6	0.0	-0.6	Adjustment to match approved budget
Total Other Policing Transformation	6.2	0.4	5.8	
<i>Other Transformational Expenditure</i>				
VR/VER Leavers	8.5	8.5	0.0	Assumes realisation of staff efficiencies
Professional 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	
Intranet / social media	0.0	0.3	-0.3	
Wellbeing – small change fund	0.0	0.3	-0.3	
Professional services	0.0	3.0	-3.0	
Total Other Transformational	8.9	12.5	-3.6	
Total Revenue	47.1	40.2	6.9	
Total Planned Expenditure	59.5	52.6	6.9	Forecast £6.9m underspend

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