

Meeting	SPA Board Meeting
Date and Time	24 June 2015, 11.30 – 14.30
Location	Tollcross International Swimming Centre, Glasgow
Title of Paper	Financial Monitoring Report
Item Number	11
Presented By	Ms Janet Murray, Director of Financial Services, Police Scotland
For Approval / Information	For Consultation
Appendix Attached:	Yes

PURPOSE

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

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

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 two month period to 31 May 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 legal implications directly associated with this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications directly associated with this report.

7. SOCIAL IMPLICATIONS

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

8. EQUALITIES IMPLICATIONS

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

RECOMMENDATIONS

Members are requested to note the contents of this report.

Finance Report

Two Month Period to 31 May 2015



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Summary

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.

Additional reform funding has been recognised in the revenue and capital budgets of £19.936m and £13.040m respectively.

Revenue Budget

At the Scottish Police Authority (SPA) Board meeting on 31 March 2015 the SPA 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 May 2015 the total SPA revenue budget position is a surplus of £0.117m against a year to date budget of £165.526m.

The approved budget identified cost reductions of £46.510m with a further balance of £10.994m to be identified. This target has been allocated to each approved budget to

identify cost reduction proposals. The total revenue budget is forecast to overspend by £10.994m, however, as further saving options are developed and delivered this forecast shortfall will reduce.

The SPA has developed a process for budget monitoring through the SPA budget action plan which has been presented to and approved by the SPA Board and Finance and Investment Committee.

Capital Budget

The SPA Board approved a capital budget allocation of £40.800m for 2015/16. For the period to 31 May 2015 £1.898m has been spent. Further detail is provided in the capital plan financial summary that will be provided to the Finance and Investment Committee.

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 £68.7m is available to the SPA and proposals have been approved to utilise £64.807m, leaving a further investment resource of £3.893m available.

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.

To date there have been no revisions to this funding allocation.

In addition, the Scottish Government has a Police Reform budget of up to £68.7m available to the SPA to utilise. Within the original budget approved by the SPA Board £19.936m has been allocated revenue and £13.040m to capital.

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 Scheme of Administration between the SPA and Police Scotland requires Committee

approval of virements of budget between business areas.

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

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

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

- There have been no virements that require approval by the SPA Board.

Unidentified Cost Reductions

Within all business areas the unidentified cost reduction target is held as a negative budget. As cost reductions are identified budget virements will be processed and reported as a budget virement 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	1,650	8,040	(9,690)	0
	+	+		
Other reform funding	18,286	5,000	(23,286)	0
	+	+		
Total Police Reform Funding	19,936	13,040	(32,976)	0
	+	+		
<u>Changes to Funding</u>				
	+	+		
None	0	0	0	0
	+	+		
Revised Scottish Government Funding	1,005,736	41,140	35,724	1,082,600

Table 1: Revised total Scottish Government funding

Revenue Budget

Summary Revenue Budget Analysis by Business Area

SPA Corporate is currently underspent by £0.001m and Forensic Services is overspent by £0.159m. Within Forensics this net position relates to an overspend of £0.202m on Police Staff costs.

Within the Police Scotland business areas there is an underspend of £0.275m for the year to date. This primarily relates to net underspends in staff costs (£0.632m) offset by lower income than estimated to date (£0.356m). Further detail follows in this report.

The budget approved by Members included an unidentified cost reduction target of £10.994m. The original budget submission highlighted

that achieving this reduction would be a significant challenge. The basis of SPA Members approving the budget included an addendum that an action plan should be developed by SPA officers to monitor the delivery and achievement of identified savings and further savings required.

Given the challenge of delivering £10.994m, this saving has been phased from quarter two onwards to allow the SPA budget action plan to be addressed.

It is a requirement of the SPA to deliver a balanced budget. At this early stage in the financial year there is a forecast overspend of £10.994m representing the unidentified savings target. As the SPA budget action plan is developed and delivered this will impact on the identified shortfall.

Revised Annual Budget		Year to Date			Full Year		
		Budget	Actual	Variance	Budget	Forecast	Variance
£000		£000	£000	£000	£000	£000	£000
4,196	SPA Corporate Services	696	695	1	4,196	4,240	(44)
25,793	Forensic Services	4,746	4,905	(159)	25,793	26,035	(242)
635,955	DCC Local Policing	97,234	96,823	411	635,955	635,955	0
172,813	DCC Crime & Operational Support	26,552	26,264	288	172,813	172,813	0
166,980	DCC Designate	36,298	36,722	(424)	166,980	177,688	(10,708)
975,748	Police Scotland	160,084	159,809	275	975,748	986,456	(10,708)
1,005,737	Total	165,526	165,409	117	1,005,737	1,016,731	(10,994)

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 May 2015. This shows a current underspend of £0.117m. Significant variances are described below.

Police Officer Costs – Under £0.608m (0.5%)

The Police Officer salary budget is underspent in the main due to underspends in salaries and national insurance (£0.367m).

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 £0.408m (1.3%)

This position relates mainly to an overspend on salaries (£0.394m) arising from Forensic Services (£0.154m) and Police Scotland (£0.208m).

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

The National Voluntary Release Panel has received 2,778 applications for VR VER of which 1,168 have been reviewed and 1,035

(88%) of applications have been approved by the NVRP for further progression.

Since 1 April 2013 a total of 951 VR VER releases have been approved and accepted.

- There were 527 employees who left under the scheme during 2013/14 and 406 employee who left in 2014/15. This will achieve combined full year savings of £27.5m.
- There are a further 18 confirmed VR VER releases for 2015/16. The 18 employees who have accepted the offer will result in savings in 2015/16 of £0.610m

There are currently 722 live applications for VR VER including 398 applications who would wish their post to be considered as a backfill opportunity for displaced staff wishing to remain within the organisation.

Admin Costs – Under £0.118m (12.1%)

This position is due to various low value underspends across a number of budget lines. It is anticipated that this underspend relates to the timing of expenditure at this stage in the financial year.

Income – Adverse £0.193m (3.0%)

The organisation has received £0.193m, less income than the budget to date. Budget analysis of this variance is ongoing including reviewing Police Scotland's processes for recording and charging income.

Other Budget Lines

There are no significant issues within general budget lines.

Unidentified Cost Reduction

The 2015/16 revenue budget indicated a total recurring cost reduction of £57.504m. As a result of work previously undertaken, £46.510m of this target was included when the budget was set with a further £10.994m cost reduction required to be identified. This target has been allocated to each business area.

In approving the revenue budget Members requested an action plan be developed to monitor the delivery of and achievement of the listed budget options and the progression of the identification of required further savings options.

This action plan has to be led by the SPA and developed with the engagements of Members of the Finance and Investment Committee and with regular updates provided on progress throughout the financial year.

The SPA have undertaken a number of tasks to establish appropriate working forums for progressing the 2015/16 budget discussions. These forums extend to:

- Regular meetings with Scottish Government.
- Police Scotland and SPA Senior Executive budget meetings.
- The budget is now a standing agenda item for all Police Scotland and SPA Directors meetings.
- The SPA Budget Action Plan is a standing item on every Members meeting agenda.

Additionally there has been discussion between Police Scotland and the SPA looking at the areas of the 2015/16 expenditure which can be considered as potential avenues to alleviate budget pressure over the coming months.

The proposed process for budget monitoring through the SPA budget action plan was presented to the SPA Board on 29 April 2015 with an update provide to the Finance and Investment Committee on 29 May 2015.

	Unidentified Cost Reduction
	£000
SPA Corporate Services	44
Forensic Services	242
Police Scotland	10,708
Total	10,994

Table 3: Unidentified cost reduction

Capital Expenditure

A Capital Plan for 2015/16 was approved by Members on 31 March 2015. 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.

The SPA is committed to utilising all capital funding in the financial year and there are no issues to highlight at this point. Further detail on the progress of each capital project is reported to the Finance and Investment Committee.

Annual Budget £000		Year to Date	Full Year
		Actual £000	Forecast £000
	Funds Available for Allocation		
41,140	Scottish Government Funding	1,661	41,140
7,700	Capital Receipts	234	7,700
48,840	Total Funds Available	1,895	48,840
	Capital Scheme Expenditure		
25,320	ICT	975	25,320
7,800	Fleet Replacement	0	7,800
12,300	Building Works	377	12,300
1,500	Other Capex	59	1,500
600	Dalmarnock (FFE & ICT)	486	600
1,320	Forensics	1	1,320
48,840	Total Capital Schemes	1,898	48,840

Table 4: 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 associated investment particularly in relation to major ICT projects. In the current financial year total reform funding of up to £68.7m 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 five.

The budget approved by Members on 31 March 2015 noted the use of £64.807m of

funding which leaves a balance of funding available of £3.893m. Proposals have been developed to utilise the balance of funding available which are subject to approval.

Of the £64.807m already approved for distribution £19.936m and £13.040m 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. Reform funding is due to commence in quarter two.

	Total Available £000	Recognised in Revenue Budget £000	Recognised in Capital Budget £000
Available Funding	68,700	55,660	13,040
Expenditure			
VAT	25,500	1,650	8,040
VR VER	8,748	-	-
Investment (Principally funding for ICT development programme)	10,518	-	5,000
Transition (Costs incurred to reform the Police service)	20,041	18,286	-
Total Reform Expenditure	64,807	19,936	13,040
Further Investment Resource	3,893	35,724	0

Table 5: Police reform budget and expenditure

Appendix One

Revenue Budgetary Control Report
Period 2: 1 April 2015 to 31 May 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
729,006			729,006	Police Officer Costs	110,637	110,029	608	729,006	729,006	0
183,322			183,322	Police Staff Costs	31,115	31,523	(408)	183,322	183,322	0
14,742			14,742	Police Officer Pensions	1,787	1,745	42	14,742	14,742	0
1,060			1,060	Other Employee Costs	184	151	33	1,060	1,060	0
928,130	0	0	928,130	Total Employee Costs	143,723	143,448	275	928,130	928,130	0
51,802			51,802	Property Costs	9,167	9,179	(12)	51,802	51,802	0
22,974			22,974	Transport Costs	2,701	2,656	45	22,974	22,974	0
44,750			44,750	Supplies & Services	15,133	15,131	2	44,750	44,750	0
6,006			6,006	Administration Costs	976	858	118	6,006	6,006	0
11,699			11,699	Third Party Payments	407	480	(73)	11,699	11,699	0
8,228			8,228	Other Costs	(7)	(9)	2	8,228	8,228	0
1,073,589	0	0	1,073,589	Total Revenue Expenditure	172,100	171,743	357	1,073,589	1,073,589	0
56,858			56,858	External Income	6,527	6,334	(193)	56,858	56,858	0
1,016,731	0	0	1,016,731	Net Expenditure	165,573	165,409	164	1,016,731	1,016,731	0
(10,994)	0	0	(10,994)	Unidentified Cost Reductions	(47)	0	(47)	(10,994)	0	(10,994)
1,005,737	0	0	1,005,737	Total Expenditure	165,526	165,409	117	1,005,737	1,016,731	(10,994)

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 2: 1 April 2015 to 31 May 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	1,345	28,100	28,100	0
5,000		5,000	Allocation from Police Reform	0	5,000	5,000	0
8,040		8,040	VAT Funding	316	8,040	8,040	0
41,140	0	41,140	Total Scottish Government Funding	1,661	41,140	41,140	0
6,300		6,300	Property Capital Receipts	234	6,300	6,300	0
1,400		1,400	Vehicle Capital Receipts	0	1,400	1,400	0
7,700	0	7,700	Total Capital Receipts	234	7,700	7,700	0
48,840	0	48,840	Total Funding	1,895	48,840	48,840	0

Appendix Three

Capital Expenditure Summary
Period 2: 1 April 2015 to 31 May 2015

Original Budget	Virements	Revised Annual Budget	Capital Expenditure	Year to Date	Full Year		
				Actual	Budget	Forecast	Variance
£000	£000	£000		£000	£000	£000	£000
			ICT				
9,720		9,720	ICT Infrastructure Blueprint	653	9,720	9,720	0
3,550		3,550	Capitalisation of Salaries	3	3,550	3,550	0
4,750		4,750	C3	2	4,750	4,750	0
7,300		7,300	I6 - Operational System	317	7,300	7,300	0
25,320	0	25,320	Total ICT	975	25,320	25,320	0
			Building Works				
5,460		5,460	Condition, Building & Minor Works	372	5,460	5,460	0
4,728		4,728	Criminal Justice Bill Works	5	4,728	4,728	0
2,112		2,112	Edinburgh Custody Upgrade	0	2,112	2,112	0
12,300	0	12,300	Total Building Works	377	12,300	12,300	0
7,800		7,800	Total Fleet Replacement	0	7,800	7,800	0
1,500		1,500	Total Other Capex	59	1,500	1,500	0
600		600	Dalmarnock Fit Out	486	600	600	0
1,320		1,320	Forensics	1	1,320	1,320	0
48,840	0	48,840	Total Capital Expenditure	1,898	48,840	48,840	0

Appendix Four

Capital Receipts

Two properties have been sold to date with proceeds of £0.234m. These are detailed below and are shown net of relevant selling expenses. A number of surplus properties have been marketed, with offers being dealt with by the Legal Department.

	Actual £000
Property Capital Receipts	
Police Station / House, Laurencekirk	192
Police Station / House, Earlston	42
Total Property Capital Receipts	234
Vehicle Capital Receipts	
Sale of Cars	0
Sale of Motorcycles	0
Sale of Vans / Other	0
Total Vehicle Capital Receipts	0
Total Capital Receipts	234