

<b>Meeting</b>	<b>SPA Board Meeting</b>
<b>Date and Time</b>	<b>16 December 2015, 1300hrs -1545hrs</b>
<b>Location</b>	<b>Tollcross International Swimming Centre, Glasgow</b>
<b>Title of Paper</b>	<b>Finance Report Month 7</b>
<b>Item Number</b>	<b>8</b>
<b>Presented By</b>	<b>Ms Janet Murray, Director of Financial Services, Police Scotland</b>
<b>For Approval / Information</b>	<b>FOR INFORMATION</b>
<b>Appendix Attached:</b>	<b>Yes</b>

## **PURPOSE**

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

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

### **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 seven month period to 31 October 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 direct legal implications associated with this report.

## **6. REPUTATIONAL IMPLICATIONS**

- 6.1 There are reputational implications associated with this paper. The revised overspend position may call into question the capacity of SPA, Police Scotland and Forensic Services to balance the budget within the third year of budget reductions resulting from Police Reform.

## **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 paper.

## **9. EQUALITIES IMPLICATIONS**

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

## **RECOMMENDATIONS**

Members are requested to:

note the financial position for the seven month period to 31 October 2015 and the forecast year end position.

# Finance Report

Seven month Period to 31 October 2015



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**AUTHORITY**

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# Summary

## Funding

The Scottish Government has provided a budget allocation to the Scottish Police Authority (SPA) of £985.8m of revenue cash funding and £28.1m of capital funding. This amount is after Police Reform savings have been applied to reduce the available funding.

The financial year 2015/16 is the third and final year of the current spending review period and is also the final year of budget reductions based on the Police Reform Outline Business Case.

At this point in the financial year, additional reform funding has been recognised in the revenue and capital budgets of £40.584 and £13.040m respectively.

## Revenue Budget

At the SPA Board meeting on 31 March 2015, Members 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 October 2015 the total SPA revenue budget position is a deficit of £7.363m against a year to date budget of £595.196m.

The approved budget identified cost reductions options of £46.510m with a further balance of £10.994m to be identified. This target was

always acknowledged to be challenging and following review of the status of savings options it is clear that not all will be delivered in the current financial year.

The total revenue budget is forecast to overspend by £25.298m. At the SPA Board meeting in October an action was raised to deliver a financial recovery plan to manage this anticipated overspend with the aim of reducing the budget gap. This work has been taken forward and discussed with SPA Members.

## Capital Budget

The SPA Board approved a capital budget allocation of £48.840m (incl VAT) for 2015/16. A revised capital plan, to reprioritise projects and ensure effective application of the available capital funding, was approved by the SPA Board on 27 October 2015.

For the period to 31 October 2015 £12.325m has been spent. The forecasted year end expenditure is £41.069m.

## 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. These sums form part of the allocated Grant in Aid budget. A revised budget allocation letter has been issued by the Scottish Government on 25 November 2015 and there are no significant revisions to the 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 full year budget £40.584m has been allocated to revenue and £13.040m to capital (see table one).

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 SPA Scheme of Administration requires approval of virements of budget between business areas.

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

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

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

- The SPA Board approved the transfer of £11.347m from individual budget lines to the unallocated savings budget line on 27 October 2015.
- There are no further virements requested 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	10,407	8,040	(18,447)	0
Other reform funding	30,177	5,000	(35,177)	0
<b>Total Police Reform Funding</b>	<b>40,584</b>	<b>13,040</b>	<b>(53,624)</b>	<b>0</b>
<u>Changes to Funding</u>				
None	0	0	0	0
<b>Revised Scottish Government Funding</b>	<b>1,026,384</b>	<b>41,140</b>	<b>15,076</b>	<b>1,082,600</b>

Table 1: Revised total Scottish Government funding

# Revenue Budget

## Summary Revenue Budget Analysis by Business Area

The overall year to date financial position in relation to SPA Corporate is an overspend of £0.009m. Forensic Services is overspent by £0.883m in the year to date; £0.691m of this overspend specifically relating to supplies and services.

Within the Police Scotland business areas there is an overspend of £6.471m for the year to date. This position relates to a number of

under and overspends. The position within DCC Local Policing and DCC Crime and Operational Support relates primarily to underspends in Police Officers costs. Unallocated savings targets are held within the corporate finance budget and this is reflected in the current overspend position on the DCC Designate portfolio. Further detail of significant variances are detailed on page four.

The current financial forecast is an overspend of £25.298m at the financial year end.

Revised Annual Budget £000		Year to Date			Full Year		
		Budget £000	Actual £000	Variance £000	Budget £000	Forecast £000	Variance £000
4,196	SPA Corporate Services	2,511	2,520	(9)	4,196	4,265	(69)
25,794	Forensic Services	15,174	16,057	(883)	25,794	27,305	(1,511)
622,840	DCC Local Policing	360,166	356,364	3,802	622,840	618,090	4,750
174,164	DCC Crime & Operational Support	99,647	98,886	761	174,164	171,777	2,387
199,390	DCC Designate	117,698	128,732	(11,034)	199,390	230,245	(30,855)
<b>996,394</b>	<b>Police Scotland</b>	<b>577,511</b>	<b>583,982</b>	<b>(6,471)</b>	<b>996,394</b>	<b>1,020,112</b>	<b>(23,718)</b>
<b>1,026,384</b>	<b>Total</b>	<b>595,196</b>	<b>602,559</b>	<b>(7,363)</b>	<b>1,026,384</b>	<b>1,051,682</b>	<b>(25,298)</b>

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 October 2015. This shows a current overspend of £7.363m. Significant variances are described below.

### **Police Officer Costs – Under £6.839m (1.6%)**

The Police Officer salary budget is underspent in the main due to underspends in salaries and national insurance (£7.064m). This position is offset by an overspend on other allowances eg call allowances (£0.246m) and a small overspend on overtime (£0.178m).

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 £1.591m (1.4%)**

This position relates mainly to an overspend on salaries and on costs (£1.331m).

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

The National Voluntary Release Panel has received 2,886 applications for VR VER of which 1,204 have been reviewed and 1,076 (89%) of applications have been approved by the NVRP for further progression.

Since 1 April 2013 a total of 996 VR VER releases have been approved and accepted.

- There were 527 employees who left under the scheme during 2013/14 and 407 employee who left in 2014/15. This has realised full year savings of £14.7m and £12.8m respectively.
- There are a further 79 confirmed VR VER releases for 2015/16. The 79 employees who have accepted the offer will result in savings in 2015/16 of £1.9m and full year savings of £2.8m.

### **Premises Costs – Over £1.030m (2.9%)**

This position is mainly due to the phasing of premises efficiency savings (£1.331m). Work continues to be progressed in the management of this saving through the financial recovery plan.

### **Supplies & Services – Over £1.121m (5.1%)**

This position is mainly due to the phasing of procurement efficiency savings (£0.429m). Work continues to be progressed in the management of this savings through the financial recovery plan.

In addition, operational kits is overspent by (£0.666m) which is mainly due to budgetary pressure from within Forensic services.

### **Unallocated Saving – Over £6.582m (100%)**

Following on-going scrutiny of savings plans and discussion with Members, assessment has been made of those unlikely to deliver in the current year. This has had the effect of increasing the unallocated savings total to £22.341m. A virement of these items was approved by Members on 27 October 2015. This overspend includes the year to date unallocated saving that has not been realised.

### **Income – Adverse £3.924m (13.7%)**

The organisation has received £3.924m, less income than the budget to date.

### **Other Budget Lines**

There are no significant issues within general budget lines.



# Capital Expenditure

The capital plan for 2015/16 was approved by Members on 31 March 2015. Following detailed review and assessment of the capital programme, slippage of approximately £7.771m has been identified within the plan.

A revised capital plan, to reprioritise projects and ensure effective application of the available capital funding, was approved by the

SPA Board at its meeting of 27 October 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.

Revised Budget £000		Year to Date	Full Year
		Actual £000	Forecast £000
	<b>Funds Available for Allocation</b>		
41,140	Scottish Government Funding	8,599	41,140
7,700	Capital Receipts	3,726	7,700
<b>48,840</b>	<b>Total Funds Available</b>	<b>12,325</b>	<b>48,840</b>
	<b>Capital Scheme Expenditure</b>		
22,865	ICT	7,023	20,465
7,587	Fleet Replacement	335	6,644
10,223	Building Works (incl Dalmarnock)	4,564	9,450
2,587	Other Capex	168	1,620
4,258	Crime & OSD	179	2,410
1,320	Forensics	56	480
<b>48,840</b>	<b>Total Capital Schemes</b>	<b>12,325</b>	<b>41,069</b>

Table 3: 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 for 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 four and it is

anticipated that this funding will be fully utilised in the financial year.

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. Of the £64.807m already approved for distribution £40.584m 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.

	Total Available £000	Recognised in Revenue Budget £000	Recognised in Capital Budget £000
<b>Available Funding</b>	68,700	55,660	13,040
<b>Expenditure</b>			
VAT	25,500	8,858	8,040
VR VER	8,748	8,748	-
Investment (Principally funding for ICT development programme)	10,518	1,400	5,000
Transition (Costs incurred to reform the Police service)	20,041	20,031	-
<b>Total Reform Expenditure</b>	<b>64,807</b>	<b>39,037</b>	<b>13,040</b>
<b>Further Investment Resource</b>	<b>3,893</b>	<b>16,623</b>	<b>0</b>

Table 4: Police reform budget and expenditure

# Forecast Outturn

## Review of Financial Position

The forecast outturn position on the revenue, capital and reform budget is as previously outlined in this report and is summarised in the table below.

The projected year end overspend against the Revenue Budget remains in line with that reported within the Month 6 Financial Report.

Following the presentation of the Month 6 report, Members requested that a Financial Recovery Plan be produced to manage down the projected overspend with the intention to

balance the overall position by the end of the financial year.

This plan has been the focus of both the SPA and Police Scotland over recent weeks and proposals considered to achieve deliverable cost reductions in order to balance the budget.

SPA Members and Police Scotland remain committed to achieving a successful reduction of the forecast deficit and this process will continue until 31 March 2016.

	Funding Available £000	Forecast Outturn £000	Variance £000
Revenue	985,800	1,011,098	(25,298)
Capital	28,100	20,329	7,771
Reform (up to)	68,700	68,700	0

Table 5: Summary Forecast Outturn

# Appendix One

## Revenue Budgetary Control Report Period 7: 1 April 2015 to 31 October 2015

Original Budget <sup>1</sup>	Virements <sup>2</sup>	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
729,697			729,697	Police Officer Costs	417,266	410,427	6,839	729,697	718,254	11,443
185,492	2,516		188,008	Police Staff Costs	111,376	112,967	(1,591)	188,008	191,211	(3,203)
14,873	2,550		17,423	Police Officer Pensions	9,170	9,059	111	17,423	17,864	(441)
9,841			9,841	Other Employee Costs	659	638	21	9,841	9,841	0
<b>939,903</b>	<b>5,066</b>	<b>0</b>	<b>944,969</b>	<b>Total Employee Costs</b>	<b>538,471</b>	<b>533,091</b>	<b>5,380</b>	<b>944,969</b>	<b>937,170</b>	<b>7,799</b>
54,047	3,847		57,894	Property Costs	36,066	37,096	(1,030)	57,894	59,161	(1,267)
23,283			23,283	Transport Costs	13,733	13,491	242	23,283	22,896	387
51,502	4,434		55,936	Supplies & Services	34,359	35,480	(1,121)	55,936	58,763	(2,827)
7,129			7,129	Administration Costs	5,034	5,290	(256)	7,129	6,972	157
12,171			12,171	Third Party Payments	2,672	2,744	(72)	12,171	12,518	(347)
8,231	(2,000)		6,231	Other Costs	37	37	0	6,231	6,228	3
<b>1,096,266</b>	<b>11,347</b>	<b>0</b>	<b>1,107,613</b>	<b>Total Revenue Expenditure</b>	<b>630,372</b>	<b>627,229</b>	<b>3,143</b>	<b>1,107,613</b>	<b>1,103,708</b>	<b>3,905</b>
58,888			58,888	External Income	28,581	24,657	(3,924)	58,888	52,026	(6,862)
<b>1,037,378</b>	<b>11,347</b>	<b>0</b>	<b>1,048,725</b>	<b>Net Expenditure</b>	<b>601,791</b>	<b>602,572</b>	<b>(781)</b>	<b>1,048,725</b>	<b>1,051,682</b>	<b>(2,957)</b>
(10,994)	(11,347)	0	(22,341)	Unidentified Cost Reductions	(6,595)	(13)	(6,582)	(22,341)	0	(22,341)
<b>1,026,384</b>	<b>0</b>	<b>0</b>	<b>1,026,384</b>	<b>Total Expenditure</b>	<b>595,196</b>	<b>602,559</b>	<b>(7,363)</b>	<b>1,026,384</b>	<b>1,051,682</b>	<b>(25,298)</b>

### 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 7: 1 April 2015 to 31 October 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	6,545	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	2,054	8,040	8,040	0
<b>41,140</b>	<b>0</b>	<b>41,140</b>	<b>Total Scottish Government Funding</b>	<b>8,599</b>	<b>41,140</b>	<b>41,140</b>	<b>0</b>
6,300		6,300	Property Capital Receipts	3,224	6,300	6,300	0
1,400		1,400	Vehicle Capital Receipts	502	1,400	1,400	0
<b>7,700</b>	<b>0</b>	<b>7,700</b>	<b>Total Capital Receipts</b>	<b>3,726</b>	<b>7,700</b>	<b>7,700</b>	<b>0</b>
<b>48,840</b>	<b>0</b>	<b>48,840</b>	<b>Total Funding</b>	<b>12,325</b>	<b>48,840</b>	<b>48,840</b>	<b>0</b>

# Appendix Three

## Capital Expenditure Summary Period 7: 1 April 2015 to 31 October 2015

Original Budget	Virements	Revised Annual Budget	Capital Expenditure	Year to Date	Full Year (Revised)		
				Actual	Budget	Forecast	Variance
£000	£000	£000		£000	£000	£000	£000
			<b>ICT</b>				
9,720	0	9,720	ICT Infrastructure Blueprint	2,303	9,720	9,720	0
3,550	(70)	3,480	Capitalisation of Salaries	2,800	3,480	3,480	0
4,750	(3,322)	1,428	C3	108	1,428	1,428	0
0	937	937	i6 - IDAP	0	937	937	
7,300	0	7,300	i6 - Operational System	1,812	7,300	4,900	2,400
<b>25,320</b>	<b>(2,455)</b>	<b>22,865</b>	<b>Total ICT</b>	<b>7,023</b>	<b>22,865</b>	<b>20,465</b>	<b>2,400</b>
			<b>Building Works</b>				
5,460	442	5,902	Condition, Building & Minor Works	2,719	5,902	5,902	0
4,728	(1,032)	3,696	Criminal Justice Bill Works	860	3,696	2,923	773
2,112	(2,087)	25	Edinburgh Custody Upgrade	83	25	25	0
<b>12,300</b>	<b>(2,677)</b>	<b>9,623</b>	<b>Total Building Works</b>	<b>3,662</b>	<b>9,623</b>	<b>8,850</b>	<b>773</b>
7,800	(213)	7,587	Total Fleet Replacement	335	7,587	6,644	943
1,500	1,087	2,587	Total Other Capex	168	2,587	1,620	967
0	4,258	4,258	Crime and OSD	179	4,258	2,410	1,848
600	0	600	Dalmarnock Fit Out	902	600	600	0
1,320	0	1,320	Forensics	56	1,320	480	840
<b>48,840</b>	<b>0</b>	<b>48,840</b>	<b>Total Capital Expenditure</b>	<b>12,325</b>	<b>48,840</b>	<b>41,069</b>	<b>7,771</b>

# Appendix Four

## Capital Receipts

Eighteen properties have been sold to date with proceeds of £3.224m. 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.

Property Capital Receipts (net of expenses)	Actual £000	Vehicle Capital Receipts (net of expenses)	Actual £000
Police Station / House, Laurencekirk	192	Sale of Cars	258
Police Station / House, Earlston	42	Sale of Motorcycles	227
Police Station - Fort William	107	Sale of Vans / Other	17
Police Office - Tomintoul	112		
Police Office - Danderahll	22		
Commerical - Brand St, Glasgow	367		
Commerical - Helen St, Glasgow	435		
Commerical - Salkeld, Glasgow	351		
Police House - Viewfield, Inverness	160		
Police House - Viewfield, Inverness	145		
Police House - Broom, Inverness	160		
Police House - Wimberley, Inverness	145		
Police House - Viewfield, Aberdeen	327		
Police House - Deevale, Aberdeen	165		
Police House - Glentinar, Aberdeen	180		
Police House - Glencoe	160		
Police Office - Brora	75		
Police Office - Ardersier	120		
Various Marketing Costs	(41)		
<b>Total Property Capital Receipts</b>	<b>3,224</b>	<b>Total Vehicle Capital Receipts</b>	<b>502</b>