

Meeting	Scottish Police Authority Board Meeting
Date	30 August 2018
Location	Maryhill Burgh Halls, Glasgow
Title of Paper	Police Financial Report April to June 2018
Reference	B 07.2018/42
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Noting
Appendix Attached	Yes Appendix A – Quarter 1 Finance Report Appendix B – Spotlight Finance Report – Temporary Police Officer Promotions

PURPOSE

The purpose of this report is to provide an update on the financial position of the SPA and Police Scotland of the first three months of the 2018/19 financial year, as well as forecasting the full year outturn to 31 March 2019.

This paper is presented for noting.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budgets for 2018/19 on 29 March 2018. The budget provides the resources required to support the delivery of the Annual Policing Plan and the Corporate Services Plan, as well as providing the capital and reform investment necessary to drive forward with the Policing 2026 three year implementation plan.
- 1.2 The operating deficit in the 2018/19 budget of £35.6m has reduced from the £47.2m deficit included within the 2017/18 budget, and is in line with the deficit reduction trajectory set out in the 3 Year Financial Plan. Therefore, this budget continues to honour the commitment made to Scottish Government in relation to eliminating the budget deficit by 2020/21.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed quarter one finance report.
 - The revenue position at quarter one is a year to date underspend against budget of £5.6m, and a full year forecast underspend of £1.2m. The forecast underspend would reduce the original budget deficit of £35.6m to £34.4m.
 - Although a forecast underspend for the year has been reported, there are a number of emerging threats and opportunities that have been identified that could materially change this position. These include the potential effect of: working time directive (WTD) payments; resolution of Police Officers pay award and further income opportunities.
 - The year to date capital position is an underspend of £1.8m due to delays in the receipt and invoicing of capital spend. The forecast full year capital position is broadly in line with budget.
 - The year to date revenue reform budget is underspent by £1.2m, mainly related to TRCG transformational resourcing. The full year

forecast is in line with budget, inclusive of £1.5m available for reallocation the by Capital Investment Group.

- 2.2 Appendix B provides a specific spotlight report on temporary Police Officer promotions. The budget includes financial provision for temporary promotions and the current forecast is £0.01m over budget. The Board is asked to note this report.
- 2.3 Temporary promotions are monitored within Police Scotland on a regular basis and no further specific report is proposed on this matter to Members. If a material financial risk were to occur, it would be highlighted to Members as part of the routine finance report.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications are set out in detail within the attached appendices.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no direct personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no direct reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

- 7.1 There are no direct social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no direct equalities implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no direct environmental implications associated with this paper.

RECOMMENDATIONS

Members are requested to:

- Note the year to date and forecast financial position for the SPA and Police Scotland; and
- Note the Temporary Police Officers promotions spotlight report.



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Appendix A

Quarter 1 Finance Report

Year to 30 June, 2018-19

For presentation to the SPA Board
30 August 2018

Executive Summary

The revenue position at quarter one is a year to date underspend against budget of £5.6m, and a full year forecast underspend of £1.2m. The forecast underspend would reduce the original budget deficit of £35.6m to £34.4m.

- The full year forecast underspend of £1.2m is primarily driven by additional income (£4.0m), offset by higher non-pay costs (£2.3m) related to premises and transport.
- The costs of the recent US Presidential visit (Operational Roll) are being finalised and will be reflected in the quarter two forecast. The Chief Secretary to the Treasury has committed to providing ring fenced funding to cover these costs up to £5m, meaning this event should be cost neutral for Police Scotland.
- Although a forecast underspend for the year has been reported, there are a number of emerging threats and opportunities that have been identified that could materially change this position. These include the potential effect of: working time directive (WTD) payments, resolution of Police Officers pay award, and further income and cost saving opportunities.
- The year to date capital position is an underspend of £1.8m due to delays in the receipt and invoicing of capital spend. The forecast full year capital position is broadly in line with budget (see page 9).
- The year to date revenue reform budget is underspent by £1.2m, mainly related to TRCG transformation resourcing. The full year forecast is in line with budget, inclusive of £1.5m available for reallocation the by Capital Investment Group (see page 10-11).

Revenue	Year to 30 June			Full Year		
	Budget £m	Actual £m	Variance £m	Budget £m	Forecast £m	Variance £m
Police Scotland	272.3	266.7	5.6	1,065.7	1,064.5	1.2
Forensics	7.3	7.2	0.1 -	30.6	30.6	0.0
SPA Corporate	1.2	1.3	0.1	4.1	4.1	0.0
Total Net Expenditure	280.8	275.2	5.6	1,100.4	1,099.2	1.2
Funded By:						
Grant in Aid				1,064.8	1,064.8	0.0
Operating Deficit				35.6	34.4	1.2
Total				1,100.4	1,099.2	1.2

Table one: Overall revenue budget position

Revenue Budget – Police Scotland

Analysis by Spend Type

	Year to 30 June			Full Year Forecast			Prior Year	
	Budget	Actual	Variance	Budget	Forecast	Variance	Actual	Variance (Current Yr Projection less Prior Yr Actual)
	£m	£m	£m	£m	£m	£m	£m	£m
Police Officers	195.4	191.3	4.1	786.6	787.8	-1.2	769.5	18.3
Police Staff	42.5	42.4	0.1	177.0	176.3	0.7	166.2	10.1
Non-Pay Costs	46.4	45.9	0.5	142.7	145.0	-2.3	159.0	-14.0
Income	-12.0	-12.9	0.9	-40.6	-44.6	4.0	-48.3	3.7
Total	272.3	266.7	5.6	1,065.7	1,064.5	1.2	1,046.4	18.1

Table two - Police Scotland revenue budget position - subjective analysis

Police Officers (Year to date: £4.1m underspend; Forecast: £1.2m overspend)

Salaries, Allowances and On-Costs

▪ (Year to date: £4.7m underspend)

The approved budgeting assumption includes a pay award based on government benchmarks. The full year position on Police Officers' costs will depend on the outcome of ongoing pay negotiations, however we do not expect a full year underspend in this respect.

▪ (Forecast: £0.5m overspend)

This forecast overspend is due to Officer numbers being in excess of the budgeting assumption. At the June intake, 222 probationers joined which was 22 higher than the budgeting assumption leading to a £0.5m forecast cost pressure.

Ill Health and Injury Pensions

▪ (Year to date: £0.7m overspend)

This overspend is due to the number and value of ill health awards made to date compared with budget (£0.4m) and due to the timing of injury pension payments (£0.3m).

▪ (Forecast: on budget)

Full year costs are expected to be in line with budget.

Police Officers' Overtime

▪ (Year to date: £0.1m underspend)

There are pressures on overtime budgets within some Local Policing and Crime Divisions due to the number and complexity of major incidents that have occurred to date. These are cost pressures to the Divisions which are expected to be funded from the central overtime contingency. The overall position after considering usage of the contingency budget is a £0.1m underspend.

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- **(Forecast: £0.7m overspend)**

The forecast overspend relates exclusively to non-core (funded) overtime costs. This is due the cost of providing additional policing services for Operation Ailey, abnormal load movements and events. These costs are fully funded by additional services of police income.

Police Staff

- **(Year to date: £0.1m underspend)**

There is a £0.2m underspend due to vacant posts being in excess of the vacancy / turnover savings assumed in the budget. There is also a £0.2m underspend related to the timing of special constables payments which is forecast to be in line with budget for the year. These savings are partly offset by a lower value of ICT staff costs capitalised than anticipated due to the phasing of transformation spend (£0.3m).

- **(Forecast: £0.7m underspend)**

The forecast underspend relates entirely to vacant posts and assumes that the existing level of vacancies will remain consistent across the year. This will require ongoing active management by People & Development in order to secure the savings.

Non-Pay Costs (Year to date: £0.5m underspend; Forecast: £2.3m overspend)

Premises Costs

- **(Year to date: £0.5m overspend)**

Non-domestic rates are overspent (£0.3m) with the majority of the current year's charge being confirmed. The Estates department did not request additional budget to fully cover the increase in rates confirmed in February of this year. Additionally, a budgeted efficiency saving within the estates department has not been achieved (£0.2m).

- **(Forecast: £1.1m overspend)**

The forecast overspend comprises non-domestic rates (£0.3m over), unrealised premises efficiency savings (£0.7m over), delays in the disposal of properties (£0.3m over) and lease dilapidations (£0.2m under).

Transport Costs

- **(Year to date: £0.2m underspend)**

Due to the timing of accident damage costs (£0.1m) and travel (£0.1m), partly offset by an overspend in vehicle servicing and maintenance (£0.1m).

- **(Forecast: £0.6m overspend)**

The increase over budget is due to a £0.5m overspend in vehicle servicing and maintenance costs. This has been caused by a reduction in the planned vehicle replacement programme based on the available capital funding, which has increased the cost of maintaining the existing fleet.

Supplies & Services

- **(Year to date: £0.5m underspend)**

There are a number of low value underspends which comprise this position. The largest single component represents a £0.2m underspend on non-capital firearms costs due to supplier delays in fulfilling orders. There are also timing related underspends in airwave (£0.1m) and clothing costs (£0.1m).

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- **(Forecast: £0.5m overspend)**

This overspend is mainly due to forecast consultancy costs of £0.2m including those related to the recruitment of various senior Officer posts. There is a forecast overspend of £0.1m on accommodation costs related to Operation Ailey (fully funded) and Royal Court duties.

Third Party Payments

- **(Year to date: £0.2m underspend)**

This underspend is driven by the timing of the settlement of claims.

- **(Forecast: £0.8m overspend)**

This is mainly in relation to additional funded spend (£0.5m) being incurred by the Violence Reduction Unit (VRU) focused on: tackling knife crime; domestic abuse and the rehabilitation of repeat offenders.

Income

- **(Year to date: £0.9m favourable)**

Due to additional services of police income (£0.5m) primarily driven by football events and additional Operation Ailey movements. Furthermore, an additional £0.2m of mutual aid income has been realised mainly in relation to additional activity on Operation Klina and Amherst.

- **(Forecast: £4.0m favourable)**

Additional income above budget is forecast. This includes £2.5m of additional services of police income which mainly relates to an extra £1.9m of Operation Ailey income if the request for five additional movements above the budgeted number are delivered this financial year. There is also £0.2m of additional income anticipated from events including the European Championships 2018.

Further additional mutual aid income is forecast from Operations Klina and Amherst (£0.4m). Finally, there is £0.8m of additional grant income of which £0.6m relates to various additional grants that will be received from Local Authorities to provide: community action teams, school link Officers and other policing services.

Note: The additional costs of Operation Roll, once known, will be reimbursed to Police Scotland via an increase to Grant in Aid funding at the Autumn Budget Review (ABR).

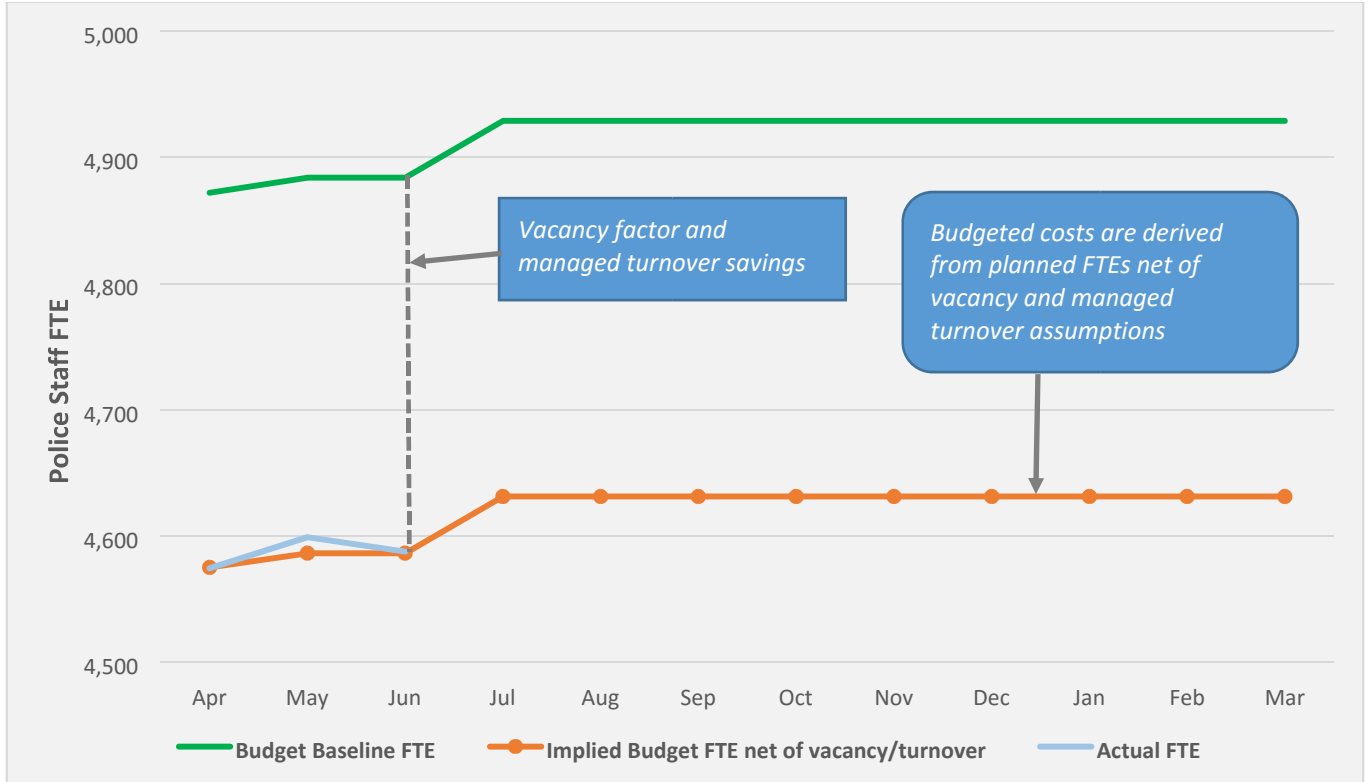
Police Officers & Police Staff Costs

Police Officers Costs

The budget assumes an establishment of 17,134 FTE Police Officers. The year to date position for Officers' salaries, allowances and on-costs, **excluding the pay award** is on-budget. The published Police Officer numbers as at the end of June is 17,172 FTE. This is greater than budget following the June probationers intake which will result in a forecast £0.5m overspend. A specific supplementary report (Appendix B) has been produced to spotlight the number and financial implications of temporary promotions.

Police Staff Costs

Police staff actual costs are in line with budget. The year to date budgeted vacancy factor savings (£1.6m) and managed turnover savings (£0.8m) have been achieved and represent the gap between the actual and budgeted staff in post. It is forecast that an underspend of £0.7m will be achieved due to the number of vacant posts. Careful ongoing management is required to ensure that these full year savings are secured, responsibility for which has been delegated to the Establishment Control Group.



Indicator	Full Year Budgeting Assumption	Status
Vacancy factor saving <i>(% based on the historic turnover per Division / Department)</i>	£6.5m	↑
Managed turnover saving <i>(further vacancy managed saving)</i>	£3.2m	↑

 Favourable
  On track
  Adverse

Revenue Budget – Police Scotland

Analysis by Business Area

	Year to 30 June			Full Year			Prior Year	
	Budget	Actual	Variance	Budget	Forecast	Variance	Actual	Variance (Current Yr Projection less Prior Yr Actual)
	£m	£m	£m	£m	£m	£m	£m	£m
DCC Local Policing	14.4	13.8	0.6	58.1	57.7	0.4	57.1	0.6
DCC Crime & Op Support	16.4	15.4	1.0	70.3	68.1	2.2	71.2	-3.1
DCC Designate	190.0	184.5	5.5	760.0	759.0	1.0	740.3	18.7
Deputy Chief Officer	51.4	52.0	-0.6	169.5	168.6	0.9	174.1	-5.5
Non Distributable Costs	0.1	1.0	-0.9	7.8	11.1	-3.3	3.7	7.4
Total	272.3	266.7	5.6	1,065.7	1,064.5	1.2	1,046.4	18.1

Table three - Police Scotland revenue budget position - functional analysis

DCC Local Policing

- **(Year to date: £0.6m underspend)**

The year to date position is mainly due to underspends in transport costs (£0.2m) and additional income from various sources (£0.5m).

- **(Forecast: £0.4m underspend)**

The forecast underspend relates to additional grant and services of police income (£0.9m), offset by an overspend on Officers' core overtime (£0.6m) as a result of various major incidents.

DCC Crime & Operational Support

- **(Year to date: £1.0m underspend)**

There are underspends on firearms related costs due to delays in the receipt of orders from suppliers (£0.2m) and further underspends across other supplies budgets (£0.2m). Additional services of police (£0.2m) and mutual aid income (£0.2m) have also been received.

- **(Forecast: £2.2m underspend)**

An additional £3.1m of income is forecast which mainly relates to Operation Ailey (£1.9m) and additional mutual aid income (£0.4m).

Staff pay costs are forecast to be underspent by £0.8m related to the number of vacant posts within the portfolio. Third party payments will be overspent by £0.5m due to additional funded spend being incurred by the Violence Reduction Unit (VRU).

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Core overtime is forecast to be overspent by £0.4m as a result of operational pressures and noncore overtime (fully funded) is forecast to be £0.7m overspent related to the additional funded costs of Operation Ailey, abnormal load movements and events.

DCC Designate

- **(Year to date: £5.5m underspend)**

The Police Officers' salaries, allowances and on-costs budget is fully held by the DCC Designate. These costs are underspent by £4.7m against the budgeted pay assumptions. Further underspends relate to the police overtime contingency (£0.3m) and the timing of liability claims (£0.2m).

- **(Forecast: £1.0m underspend)**

Police Officers pay costs are forecast to be overspent by £0.5m due to Officers number being over the budgeting assumption of 17,134. This is offset by an equal underspend in staff pay costs due to vacant posts. In addition, the overtime contingency budget is forecast to be underspent by £1.0m, however, within other DCC portfolios, core overtime costs are forecast to be overspent and formal applications for the contingency budget are being considered.

Deputy Chief Officer

- **(Year to date: £0.6m overspend)**

There are overspends related to the number and value of ill health awards made to date compared with budget (£0.4m) and due to the timing of injury pension payments (£0.3m).

Other variances are due to underspends in staff pay (£0.6m related to vacancies, less £0.3m due to a delay in the timing of ICT capitalisation) offset by overspends in non-domestic rates (£0.3m), premises savings (£0.3m) and transport costs (£0.2m).

- **(Forecast: £0.9m underspend)**

The decrease against budget is due to the number of vacant police staff posts forecast (£2.6m). This is offset by forecast overspends in non-domestic rates (£0.2m) and vehicle servicing (£0.5m) and the anticipated decrease in premises efficiency savings (£1.0m).

Non Distributable Costs

- **(Year to date: £0.9m overspend)**

This overspend relates primarily to the agreed budgeting process for the police staff managed turnover saving. This saving is budgeted and managed centrally within non distributable costs where it is expected that an overspend will be shown that is offset by underspends across other business areas. The achievement of this savings is being monitored by the Establishment Control Group.

- **(Forecast: £3.3m overspend)**

The forecast overspend also relates to the staff managed turnover saving. Note that the aggregate position across the whole organisation is expected to be a saving of £0.7m for the year (see page 6).

Capital - including Capital Reform

The Capital Investment Group makes decisions on capital allocations based on an assessment against policing priorities, business need and available funding. Business as usual (BAU) capital budgets are supported by rolling programmes of investment across key business areas. Change capital budgets are notionally allocated and formally approved through relevant governance following the development of a robust business case.

	Year to 30 June			Full Year		
	Budget £m	Actual £m	Variance £m	Budget £m	Forecast £m	Variance £m
<u>Business As Usual</u> Estates						
	1.0	0.2	0.8	4.5	4.5	0.0
Fleet	0.6	0.2	0.4	5.0	5.0	0.0
ICT	0.2	0.5	-0.3	6.6	6.6	0.0
Specialist Policing Equipment	0.3	0.1	0.2	3.1	3.1	0.0
Weaponry	0.1	0.0	0.1	1.4	1.4	0.0
<u>Change</u>						
Corporate Services Transformation	0.0	0.0	0.0	0.5	0.5	0.0
P2P - Procure to Pay	0.0	0.0	0.0	0.4	0.4	0.0
Telematics	0.3	0.0	0.3	0.4	0.4	0.0
Custody Remodelling	0.0	0.0	0.0	0.9	1.3	-0.4
Productions Remodelling	0.0	0.0	0.0	1.1	1.0	0.1
CJ Records Management	0.0	0.0	0.0	0.3	0.3	0.0
Speed Awareness	0.0	0.0	0.0	0.5	0.5	0.0
Mobility	0.0	0.0	0.0	1.4	1.4	0.0
Core Operating Systems	0.0	0.0	0.0	4.9	4.9	0.0
Cybercrime Capability	0.0	0.0	0.0	0.5	0.6	-0.1
Payroll Transformation	0.1	0.0	0.1	0.1	0.2	-0.1
ICT - National Network	0.1	0.1	0.0	1.8	1.7	0.1
ICT - ADEL	0.8	0.7	0.1	4.3	4.3	0.0
ICT - Digital ICCS	0.2	0.1	0.1	2.5	2.5	0.0
Automatic Number Plate Recognition	0.0	0.0	0.0	0.2	0.2	0.0
Other Bids (no allocation awarded)	0.1	0.1	0.0	0.1	0.1	0.0
Total Police Scotland	3.8	2.0	1.8	40.5	40.9	-0.4
Scottish Police Authority	0.1	0.1	0.0	1.1	1.1	0.0
<i>Slippage Management</i>				<i>0.0</i>	<i>-0.4</i>	<i>0.4</i>
Total	3.9	2.1	1.8	41.6	41.6	0.0
<u>Funding Source:</u>						
Grant Aid				23.0	23.0	0.0
Receipts	9.4	0.7	8.7	14.0	14.0	0.0
Reform Funding				4.6	4.6	0.0
Total Funding				41.6	41.6	0.0

Table four - overall capital budget position

The year to date capital expenditure is behind expectations, however, budget holders have provided assurance over the ability to spend in line with budgets within the financial year.

For some change projects, budgets were notionally allocated in advance of business case approval at the start of the financial year. Business cases have subsequently been approved for spend in excess of the notionally allocated budget (note the 'slippage management' line in table four). Previous experience of Police Scotland's capital expenditure would indicate that this potential overspend would be offset by underspends on other projects. This will be monitored and managed by the Capital Investment Group throughout the year in order to ensure that the full year spend is in line with the available budget.

Estates

- ***(Year to Date: £0.8m underspend; Forecast: break-even)***

A number of projects expected to complete in the first quarter are close to completion but there are lags in expenditure related to minor delays in project sign off/ valuation certification. Expenditure is expected to be in line with budget by quarter two.

Fleet

- ***(Year to date: £0.4m underspend; Forecast: break-even)***

Orders have been placed in line with the total year to date budget but the receipt of vehicles has been slower than anticipated. Expenditure is expected to be in line with budget by quarter two.

Telematics

- ***(Year to date: £0.3m underspend; Forecast: break-even)***

This project has been temporarily delayed while its scope is being reassessed. This project is expected to spend the budget in full.

Custody Remodelling

- ***(Year to date: break-even; Forecast: £0.4m overspend)***

A capital budget was notionally allocated to this project in advance of business case approval which has subsequently been presented and approved by the Police Scotland Change Board and the SPA Board. The business case contained a budget which was higher than that previously notionally allocated. This pressure will be monitored and managed by the Police Scotland Capital Investment Group throughout the year to bring spend back in line with the overall budget.

Capital Receipts

- ***(Year to date: £8.7m adverse; Forecast: on budget)***

A phased disposal plan has been included in the budget based on the expected sale of properties. The year to date position is behind plan due to the delay in the sale of Pitt Street which is now expected to be completed at the beginning of quarter three. The sale of Pitt Street was originally scheduled for completion during 2016/17 and the sales continues to slip during the current year. If the sale cannot be completed during the current financial year, other capital expenditure must be reduced by an equivalent amount.

Revenue Reform

The Scottish Government has made up to £29.6m of revenue and capital funding available through the Police Reform and Change Fund. This funding is provided to support the delivery of the Policing 2026 strategy and to ensure that the SPA is financially and operationally sustainable by 2020.

Business cases are required to support the use of reform funding which must demonstrate that spend is transformational in nature. Further to this, these business cases also require the approval of the SPA and Scottish Government prior to funding being released.

Table five shows the year to date spend on the revenue element of the reform funding (£25.0m). The capital element of the reform funding (£4.6m) is included in the capital section of this report.

	Year to 30 June			Full Year		
	Budget £m	Actual £m	Variance £m	Budget £m	Forecast £m	Variance £m
<u>Revenue</u>						
TRCG Resourcing	2.3	1.5	0.8	12.7	10.8	1.9
Professional Services	0.7	0.3	0.4	7.7	7.8	-0.1
Digital & Efficiency Transformation	0.1	0.3	-0.2	1.4	1.6	-0.2
Operational Policing Transformation	0.1	0.0	0.1	0.5	0.7	-0.2
Corporate Services Transformation	0.0	0.0	0.0	0.6	0.5	0.1
VR VER	0.2	0.1	0.1	2.1	2.1	0.0
Total	3.4	2.2	1.2	25.0	23.5	1.5
<i>Slippage Management</i>				<i>0.0</i>	<i>1.5</i>	<i>-1.5</i>
Total	3.4	2.2	1.2	25.0	25.0	0.0

Table five - overall reform budget position

The year to date and forecast revenue reform spend is behind expectations. This position will be reviewed and reallocated by the Capital Investment Group in July. Whilst the forecast currently suggests underspends based on the allocated budgets, it is expected that funding will be reallocated and spent in full within the financial year.

TRCG Resourcing

- **(Year to date: £0.8m underspend; Forecast: £1.9m underspend)**

There is an underspend on new TRCG transformation resources due to:

- delays in the recruitment and vetting of staff due to the scale of the transformation resource requests and intake; and
- approved and budgeted roles remaining vacant for longer than expected.

Professional Services

- ***(Year to date: £0.4m underspend; Forecast: £0.1m overspend)***

There is a year to date underspend largely due to delays in the approval process for business cases and contract awards, including that of Corporate Services Transformation. It is expected that expenditure will be back in line with budget by quarter two.

Appendix 1 – Threats & Opportunities

This appendix sets out the key threats and opportunities that could result in a material change to the forecast outturn. This also includes any budgeting assumptions where there is a risk that the assumption will materially change from what was approved when the budget was set.

For each material threat or opportunity, the table below provides an assessment of the probability of the change occurring and the likely financial impact on the outturn.

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Budget area	Detail	Probability	Impact on forecast if risk materialises	Risk Owner	Mitigation Action / Next Steps
Threats					
Non-Pay	<p><i>Working Time Directive overtime (WTD).</i></p> <p>A determination found that employees are entitled to holiday pay that includes their regular overtime pay (up to 20 days – statutory annual leave under the WTD). Claims have been made by staff associations in this matter.</p>	Medium	£2m +	Director of People & Development	Settlements have been reached with Forces in England & Wales as well as some Scottish Local Authorities. P&D have been working on this issue and are engaging with staff associations to reach a settlement agreement. This will be subject to SPA Members approval.
Pay	<p><i>Police Officer Overtime</i></p> <p>There have been a greater number of major investigations (MIs) in the year to date than expected based on historic trends. The costs of the known MIs have been forecast, however, there is a financial risk if this trend continues throughout the remainder of the financial year.</p>	Medium	£0.5m +	DCC Local Policing DCC Crime & OSD	Steps are being taken to control overtime spend including the use of the overtime contingency. The central contingency budget has been fully utilised within the forecast.
Opportunities					
Income	<p><i>Additional income.</i></p> <p>Throughout the organisation there is additional income potential as income sources are clarified and confirmed. This includes additional income from: grant funding, services of police, training courses and mutual aid.</p>	Medium	£0.5m +	Various	<p>All potential additional income sources are being progressed by the responsible budget holder working with Finance Business Partners.</p> <p>This opportunity has reduced from the period 2 forecast (£1m +), as a number of income streams have since been agreed and built into the forecast.</p>

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Budget area	Detail	Probability	Impact on forecast if risk materialises	Risk Owner	Mitigation Action / Next Steps
Non-Pay	<i>Premises efficiency saving</i> Opportunities are being explored to identify and deliver reductions in estates running costs in the current year. It is hoped that these will partly mitigate the impact of removing the unresolved estates cost challenge of £0.7m from the forecast.	Medium	To be confirmed	Head of Estates	Savings options are being investigated and will be progressed.
Change in Budgeting Assumptions					
Police Officers Costs	<i>Officers pay award.</i> A pay award was budgeted in line with Government benchmarks. Negotiations are ongoing with staff associations to reach a settlement.	High	To be confirmed	Director of People & Development	Pending conclusion of pay negotiations.
Non-Pay	<i>Transformational savings.</i> Savings were built into the budget in respect of: commercial excellence, telematics and property disposals. Savings from telematics will not be delivered which has been forecast and there are risks that other proposals are delayed or do not realise the budgeted savings.	Medium	To be confirmed	Head of Commercial Services	All savings are being monitored by the respective change governance group. Variances from the budgeted savings will be reported as part of this report and there are opportunities for savings from new commercial excellence initiatives that have been developed since the budget was set.



SCOTTISH POLICE
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Appendix B

Spotlight Finance Report

Temporary Police Officer Promotions

For presentation to the SPA Board
30 August 2018

Background

Introduction

This report represents the first finance spotlight which provides a 'deep dive' on a specific topic of Members' interest, supplementing the routine finance reports. The subject of the deep dive will change for every review and will be informed by discussions with Committee Members and other key stakeholders.

This report will provide Members with details of the budgeting and financial implications of Police Officer temporary promotions.

Types of Temporary Promotion

The SCoPE HR system records all temporary promotions, which are classified into three categories:

1. Temporary Promotion to a Permanent / Establishment Post

Officers are posted into a permanent establishment post that has been vacated. This will arise where the previous post holder has been promoted out of the post, retired or has moved to another permanent post and a specific rank may be required for legislative reasons.

2. Temporary Promotion to a Supernumerary Post

Officers who are temporarily promoted to posts that have been created to meet the short term needs of the service, such as project work or critical short term roles. These should be occupied for less than six months. If it is likely to exceed six months, the Officer should give up their base post and be appointed to a permanent post to allow the home division to backfill their original post.

3. Temporary Promotion to a Permanent Non-Establishment Post

Officers temporarily promoted into a post that does not form part of the core business or establishment of Police Scotland. These are most likely to be recognised long term projects or posts external to Police Scotland which could be funded e.g. a secondment to an external agency such as the Crown Office.

Approval Process

- Temporary promotions into the rank of Chief Inspector and above require DCC approval.
- Temporary promotions into the rank of Sergeant or Inspector require ACC approval.

Financial Implications

Budget for Temporary Promotions

The 2018/19 Police Officers budget was based on the actual Police Officers in post at July 2017 rolled forward based on the forecast profile of recruitment and leavers. Any Officer who was in a temporary promoted post at this point was included in the budget at their promoted position.

The budget and actual cost for temporary promotions based on the three categories are set out below.

1. Temporary Promotion to a Permanent / Establishment Post

These temporary promotions arise where an Officer is filling a vacant establishment post. This promotion is within the budgeted rank establishment and so does not create an additional cost to the service.

2. Temporary Promotion to a Supernumerary Post

This is where an Officer is temporarily promoted for a short period (e.g. for a specific project). The budget was based on 57 posts at a cost of £264k. At 30 June 2018, there were 82 such promotions with a forecast annual cost of the promoted element of £287k creating a forecast £23k overspend.

	No of Posts	Cost £000	Average Cost per Post £000
Budget	57	264	4.6
Forecast (as at 30 June)	82	287	3.5
Variance	-25	-23	

Table one

3. Temporary Promotion to a Permanent Non-Establishment Post

These occur when an Officer is temporarily promoted to a longer term project or piece of work that is not part of the core police establishment or routine business. The budget was set based on 23 posts at a cost of £159k. At June 2018 there were 21 posts and the forecast annual cost of the promoted element is £222k creating an overspend of £63k.

	No of Posts	Cost £000	Average Cost per Post £000
Budget	23	159	6.9
Forecast (as at 30 June)	21	222	10.6
Variance	2	-63	

Table two

Summary

Budget has been provided for temporary promotions where there is a financial cost to the Force. The full year budget for temporary promotions is £423k and forecast costs is £508k. This forecast is based on the assumption that the current number of temporary promotions continues for the remainder of the financial year.

	No of Posts	Budget £000	Average Cost per Post £000
Budgeted Position	80	423	5.3
At 30 June 2018	103	508	4.9
Variance	-23	-85	

Table three

The budget and forecast cost of temporary Officer promotions represents approximately 0.06% of the Officers budget / forecast and the variance represents 0.01% of the Officer pay budget.

Within Police Scotland there is regular monitoring of the number of temporary promotions to ensure that this expenditure is controlled with additional costs only incurred if required. It is proposed that no further ongoing information is required to be presented to Members on a routine basis on this matter. If a material financial risk were to occur, it would be highlighted to Members as part of the routine finance report.