

Meeting	SPA Resources Committee
Date	18 March 2021
Location	Video Conference
Title of Paper	Financial Monitoring Report P10
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Period 10 Finance Report

PURPOSE

The purpose of this report is to provide Members with an update on the financial position of the SPA and Police Scotland for period 10 (year to 31 January 2021) of the financial year 2020/21.

Members are invited to discuss the content of this report.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2020/21 on 25 March 2020. The revenue budget was set with a revenue deficit of £44m inclusive of an initial ~£8m net income reduction due to COVID-19.
- 1.2 Budget setting was largely carried out prior to the impact of COVID-19 on Scotland and the budget paper acknowledged that the operational and financial impact of COVID-19 was highly uncertain and largely unquantifiable at that point but will be monitored and reported on throughout the year.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed period 10 (P10) finance report.

Revenue

- The revenue position at P10 is a year-to-date underspend against the quarter three (Q3) forecast of £3.4m, due to a mix of timing variances £2.6m and a real underspend £0.8m, and a year-to-date underspend against budget of £12.0m.
- As reported at Q3, the full year operating deficit of £36m is £8m under budget mainly due to additional funding received from the Scottish Government (£8.2m) to compensate the Police Authority for the impact of COVID-19.
- The underlying deficit position would be significantly greater than £36m if not for management actions taken to mitigate the impact of COVID-19 together with the one-off in-year benefits and additional funding from the Scottish Government.
- A number of other threats (impact of legal and other claims and any further operational impact of COVID-19) and opportunities are being monitored, some of which may crystallise in the last few months of the financial year.

Capital

- The year to date capital spend at P10 is over forecast by £0.6m, and a year-to-date underspend against budget of £6.1m.
- As previously reported the capital forecast at Q3 is £51.2m, £0.5m under the budget position of £51.7m. The capital forecast is in line with funding available.
- Unbudgeted spend of £2.0m (with a further £0.5m expected) has been incurred as a result of the COVID-19 response.

- Grant awards of £0.4m have been received post budget allocation from the Scottish Government through the Autumn Budget Review (ABR) for Drug Driving and Virtual Courts investment.

Reform

- The year to date reform spend at P10 is in line with forecast, and a year-to-date underspend against budget of £3.1m.
- As previously reported, the reform forecast at Q3 is £22.5m, £2.5m under the budget position of £25.0m.
- The forecast underspend is mainly driven by lower costs associated with SPRM appeals.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are set out in detail within the report.

4. PERSONNEL IMPLICATIONS

4.1 There are no direct personnel implication associated with this paper.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implication associated with this paper.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no direct reputational implication associated with this paper.

7. SOCIAL IMPLICATIONS

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

10. ENVIRONMENT IMPLICATIONS

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

RECOMMENDATIONS

Members are invited to discuss the year to date and forecast financial position for the SPA and Police Scotland.



**POLICE
SCOTLAND**
POILEAS ALBA

**SCOTTISH POLICE
AUTHORITY**

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

Period 10 2020/21



Finance dashboard

Period 10 2020/21
Year to Jan 2021

Revenue

A	A	A
Nov	Dec	Jan

- YTD £3.4m under forecast
- FY Q3 forecast £2.7m over budget (fully funded)

Capital

A	A	A
Nov	Dec	Jan

- YTD £0.6m over forecast
- FY Q3 forecast £0.5m under budget in line with funding

Reform

G	R	R
Nov	Dec	Jan

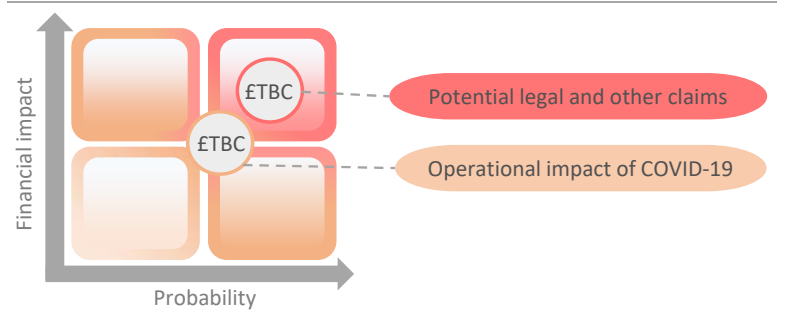
- YTD in line with forecast
- FY Q3 forecast £2.5m under budget

2 ① excludes COP26 costs

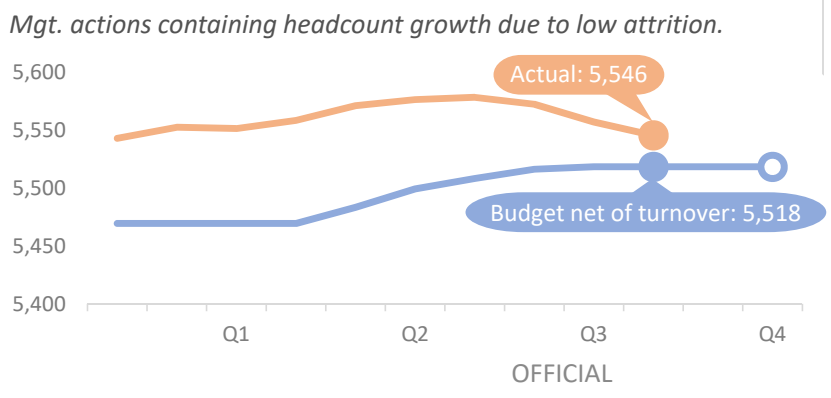
Revenue variance (£m)

	YTD actual v Q3 FC	FY Q3 FC v Budget
Police Scotland	2.9	-2.1
Forensic Services	0.2	-1.2
SPA corporate	0.3	0.6
Total	3.4	-2.7

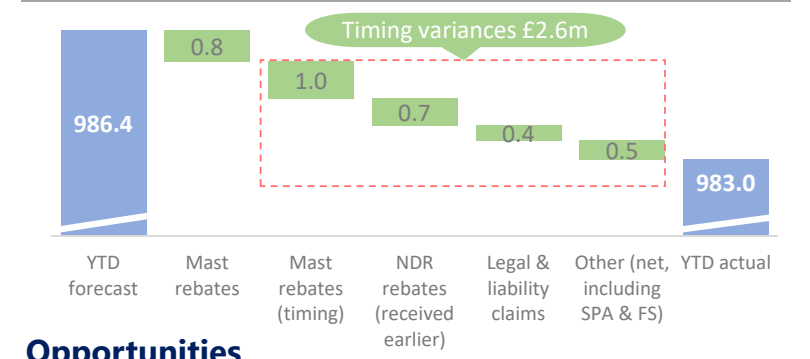
Threats



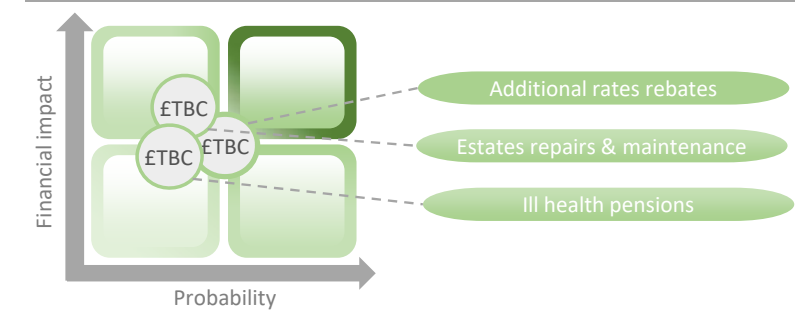
Police staff numbers (FTE)



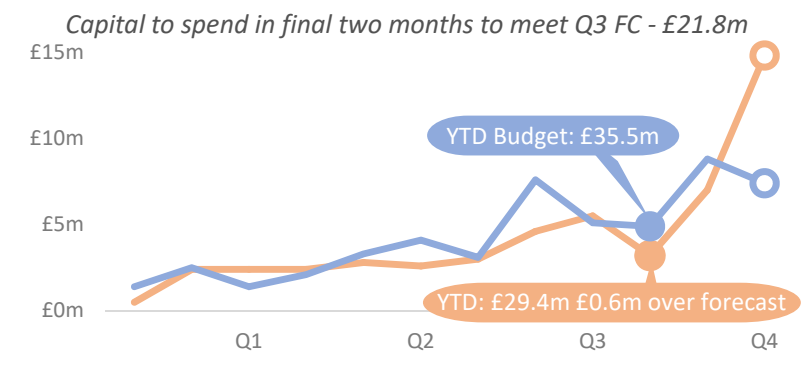
Revenue: YTD actual v Q3 forecast (£m)



Opportunities



Capital (£m)



Operation Talla

(policing response to COVID-19)

2020/21 year to date:

- Revenue: £5.9m
- Capital: £2.0m
- Total: £7.9m

2020/21 forecast:

- Revenue: £6.7m
- Capital: £2.5m
- Total: £9.2m

Revenue forecast (£m)

	Year to date £m	Forecast £m
PPE & hygiene	3.0	3.5
Overtime	2.0	2.0
Other	0.9	1.2
Total	5.9	6.7

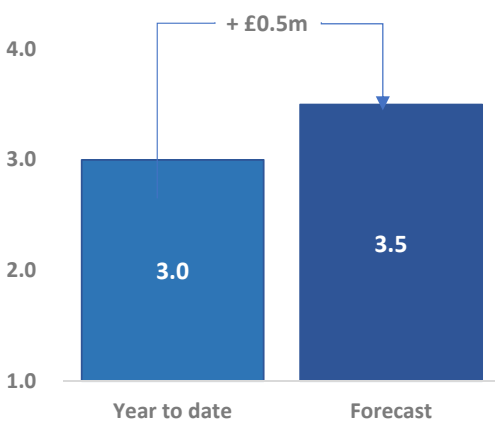
Capital forecast (£m)

	Year to date £m	Forecast £m
Laptops	2.0	2.3
Video comms solution	0.0	0.2
Total	2.0	2.5

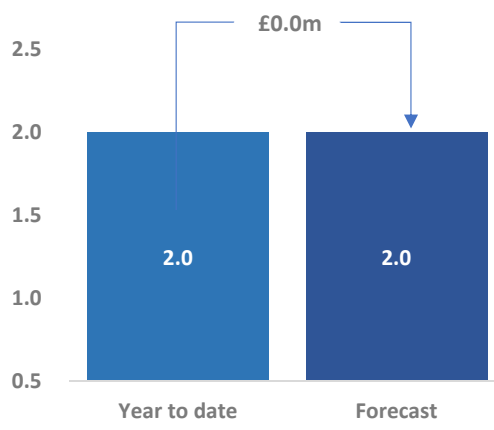
2019/20 & 2020/21 costs (£m)

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21 – YTD	5.9	2.0
Total	7.2	2.1
2019/20	1.3	0.1
2020/21 – forecast	6.7	2.5
Total	8.0	2.6

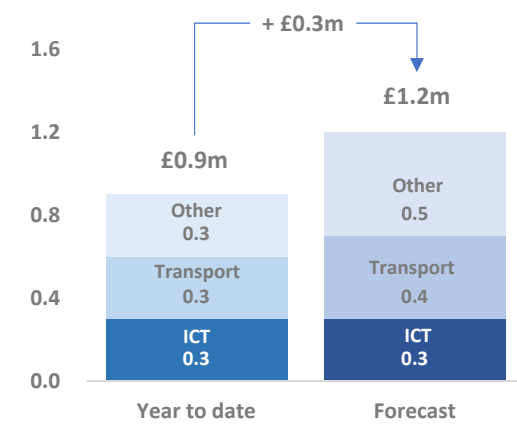
Revenue: PPE & hygiene (£m)



Revenue: overtime (£m)



Revenue: other costs (£m)



Revenue

(service area)

Budget deliverability status remains at amber

Year to date under forecast by £3.4m, of which £2.6m timing

FY deficit is now at £36m

Q3 net expenditure forecast £2.7m over FY budget (fully funded)

Year to date costs lower than Q3 FC (£3.4m)

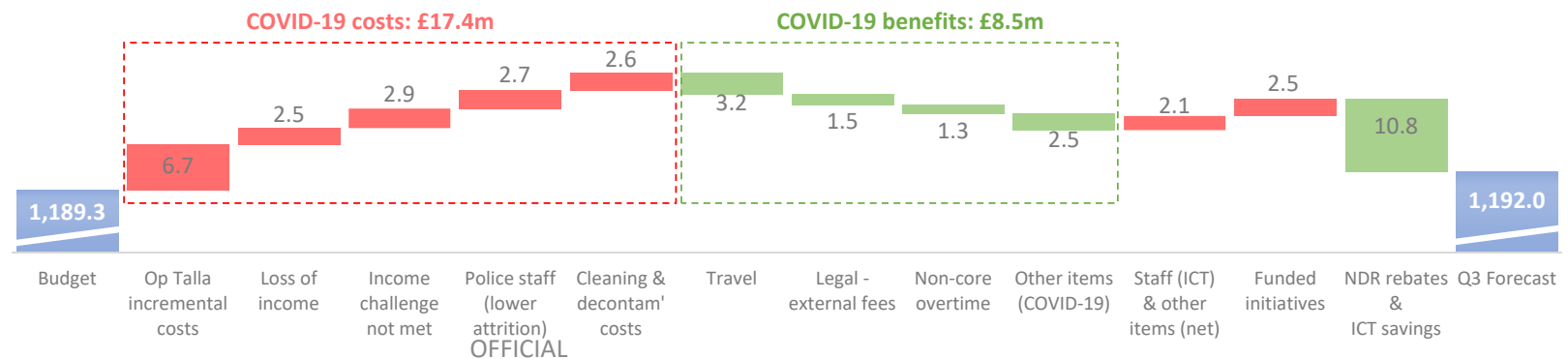
- Due to a mix of timing (£2.6m) and a real underspend (£0.8m).
- A change in accounting treatment on mast rebates, recognising the recovery earlier than previously anticipated, resulting in a timing variance in the month (£1.0m). A real underspend of £0.8m is expected against the full year forecast.
- A number of threats and opportunities are being monitored, some of which may crystallise in Q4.
- Full-year net COVID-19 impact now £8.9m (£17.4m cost less £8.5m benefits).
- In-year impact of COVID-19 mitigated by management actions, one-off benefits and additional funding.
- Lower staff attrition results in cost pressure from non-achievement of budgeted turnover 'savings'

Detailed revenue variance (£m)

	Year to date			Full year		
	Q3 FC £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Police Scotland	954.1	951.2	2.9	1,150.6	1,152.7	-2.1
Forensic Services	29.2	29.0	0.2	34.2	35.4	-1.2
SPA Corporate	3.1	2.8	0.3	4.5	3.9	0.6
Total	986.4	983.0	3.4	1,189.3	1,192.0	-2.7
Funding						
GIA				1,145.3	1,156.0	-10.7
Core deficit				44.0	36.0	8.0
Total				1,189.3	1,192.0	-2.7

Detailed budget to FY Q3 forecast (£m)

Q3 forecast demonstrates net impact of COVID-19 mitigated by in-year one-off benefits



Revenue (spend type)

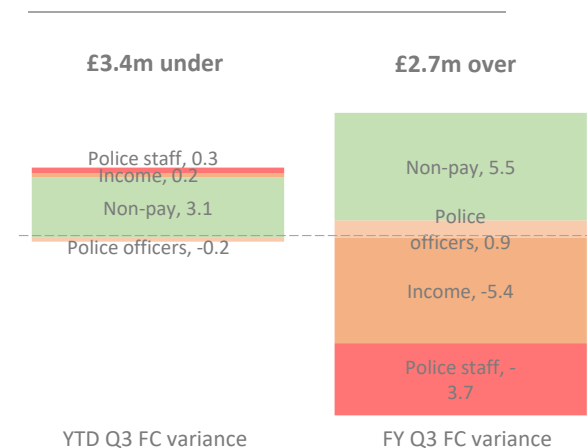
Q3 forecast assumes £6.7m of direct Operation Talla costs

The wider costs and savings of COVID-19 are shown in the previous page

Revenue variance by spend type - actual v Q3 FC (£m)

	Year to date				Full year			
	Q3 FC £m	Actual £m	Var. £m	Var. %	Budget £m	Q3 FC £m	Var. £m	Var. %
Police officers	678.3	678.5	-0.2	-0.0%	817.8	816.9	+0.9	+0.1%
Police staff	199.6	199.3	+0.3	+0.2%	235.8	239.5	-3.7	-1.6%
Non-pay	132.1	129.0	+3.1	+2.3%	168.2	162.7	+5.5	+3.3%
Income	-23.6	-23.8	+0.2	+0.8%	-32.5	-27.1	-5.4	-16.6%
Total	986.4	983.0	+3.4	+0.3%	1,189.3	1,192.0	-2.7	-0.2%

YTD & FY Q3 FC variance (£m)



Pay

- Police officers (£0.2m over) - no material variances to highlight.
- Police staff (£0.3m under) - Attrition levels have exceeded recruitment over the last couple of months mainly due to management actions taken. This area will continue to require careful monitoring to safeguard achievement of forecast.

Non-pay

- Estates (£2.3m under) - primarily due to a change in accounting treatment for recovery of mast rebates (£1.8m) and earlier than expected recovery of NDR rebates (£0.7m).
- Legal and liability claims (£0.4m under) - as a result of slowdown in the court justice system. The potential full year impact is being carefully monitored.
- Other non-pay costs (£0.4m under) - net underspends against Q3 forecast over various spend areas.

Income

- Primarily due to a SPA Corporate timing variance for rental & hire income (£0.2m).

Revenue

(further business area detail)

The majority of year to date variances are in line with forecast

Where YTD FC variances exist, these are being monitored and may crystallise in Q4

DCC Local Policing

- No material variance to report.

	£m	FTE
Forecast	97.7	2,595.6
Actual	97.6	2,599.7
YTD variance	0.1	-4.1
<i>FY FC v budget</i>	<i>-2.1</i>	<i>-47.5</i>

DCC Crime & Op Support

- No material variance to report.

	£m	FTE
Forecast	40.1	596.7
Actual	40.3	591.0
YTD variance	-0.2	5.7
<i>FY FC v budget</i>	<i>--4.5</i>	<i>-5.6</i>

DCC People & Professionalism

- Underspends in ill health pensions (£0.7m) due to delays in NHS approvals, external legal costs and liability claims (£0.4m) due to continued slowdown of court justice system, training costs (£0.1m), pay costs (£0.2m) and other non-pay items (£0.5m).

	£m	FTE
Forecast	37.0	784.9
Actual	35.1	783.8
YTD variance	1.9	1.1
<i>FY FC v budget</i>	<i>5.9</i>	<i>6.9</i>

Deputy Chief Officer

- Primarily due to a change in accounting treatment for recovery of mast rebates (£1.8m) and earlier than expected recovery of NDR rebates (£0.7m), an underspend in pay costs (£0.1m) offset by other non-pay overspends (£0.6m).

	£m	FTE
Forecast	112.5	1,012.1
Actual	110.5	1,004.1
YTD variance	2.0	8.0
<i>FY FC v budget</i>	<i>8.3</i>	<i>-8.3</i>

Corporate centre

- Non distributable costs – central savings forecast at Q3 in anticipation of variances primarily across P&D (£0.7m).
- Police officers costs - no material variance to highlight (£0.1m).

	£m	FTE
Forecast	666.8	17,234.0
Actual	667.7	17,234.0
YTD variance	-0.9	0.0
<i>FY FC v budget</i>	<i>-9.7</i>	<i>-15.0</i>

Forensics & SPA corporate

- Forensic Services – underspend in operational kits (£0.2m).
- SPA Corporate – timing variance for rental & hire income (£0.2m) and other non-pay items (£0.1m).

	£m	FTE
Forecast	32.3	576.1
Actual	31.8	567.2
YTD variance	0.5	8.9
<i>FY FC v budget</i>	<i>-0.6</i>	<i>-14.3</i>

Capital

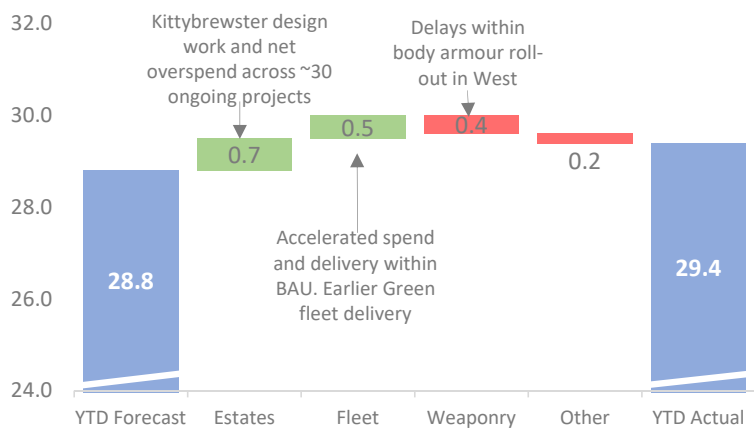
Budget deliverability status remains at amber due to the impact of COVID-19

Year to date over forecast by £0.6m

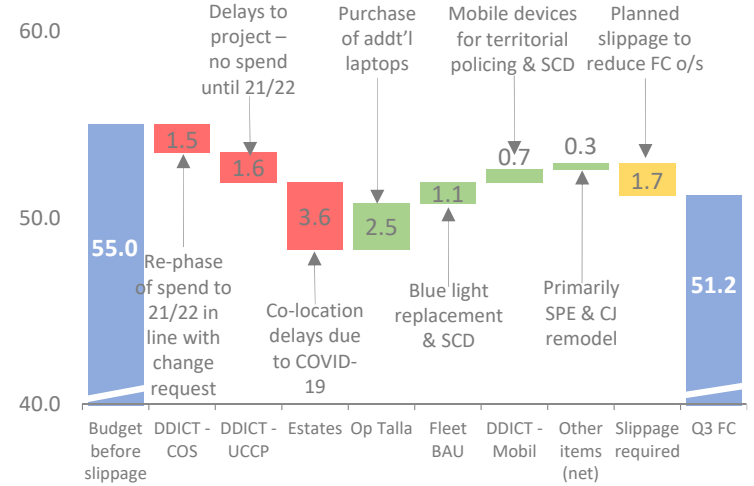
As a result of reduced funding available due to delayed property disposals, FY forecast is reduced to £51.2m (£0.5m under budget)

FY forecast requires £1.7m slippage

Year to date: forecast to actual (£m)



Forecast: budget to Q3 FC (£m)



OFFICIAL

Capital variance by programme (£m)

	Year to date			Full year		
	Q3 FC £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Estates	4.6	5.3	-0.7	11.2	9.7	1.5
Fleet – BAU	2.4	3.3	-0.9	3.3	4.4	-1.1
Fleet – green	3.1	2.7	0.4	5.0	5.0	0.0
ICT	2.5	2.3	0.2	6.7	6.7	0.0
SPE	1.1	1.1	0.0	2.8	3.2	-0.4
Weaponry	1.5	1.1	0.4	3.0	2.4	0.6
Forensics	0.7	0.7	0.0	2.3	2.5	-0.2
Op Talla	2.0	2.0	0.0	0.0	2.5	-2.5
<i>Change: legislative & inflight</i>						
DDICT	4.6	4.6	0.0	11.0	7.5	3.5
CJ remodel	4.0	4.0	0.0	3.9	4.5	-0.6
Estates	0.6	0.6	0.0	4.0	1.9	2.1
ESMCP	0.7	0.7	0.0	1.0	0.8	0.2
Other change	1.0	1.0	0.0	0.8	1.8	-1.0
Slippage	0.0	0.0	0.0	-3.3	-1.7	-1.6
Total	28.8	29.4	-0.6	51.7	51.2	0.5
Funding						
GIA				45.0	45.4	0.4
Reform				4.6	4.6	0.0
Other grants				0.0	0.1	0.1
Cap receipts				2.1	1.1	-1.0
Total				51.7	51.2	-0.5

Reform

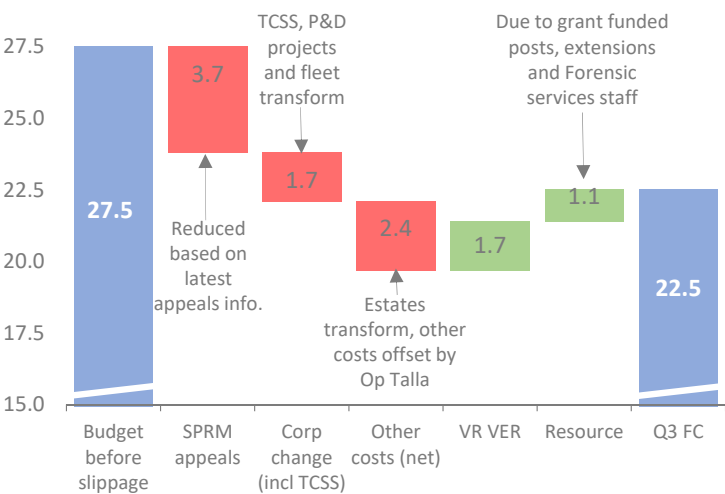
Budget deliverability status remains at red

Year to date actual in line with Q3 forecast

FY forecast underspend versus budget of £2.5m

Mainly due to delays in change programmes, estates transformation and a reduction in estimated costs of SPRM appeals

Forecast: budget to Q3 FC (£m)



Reform variance by work stream (£m)

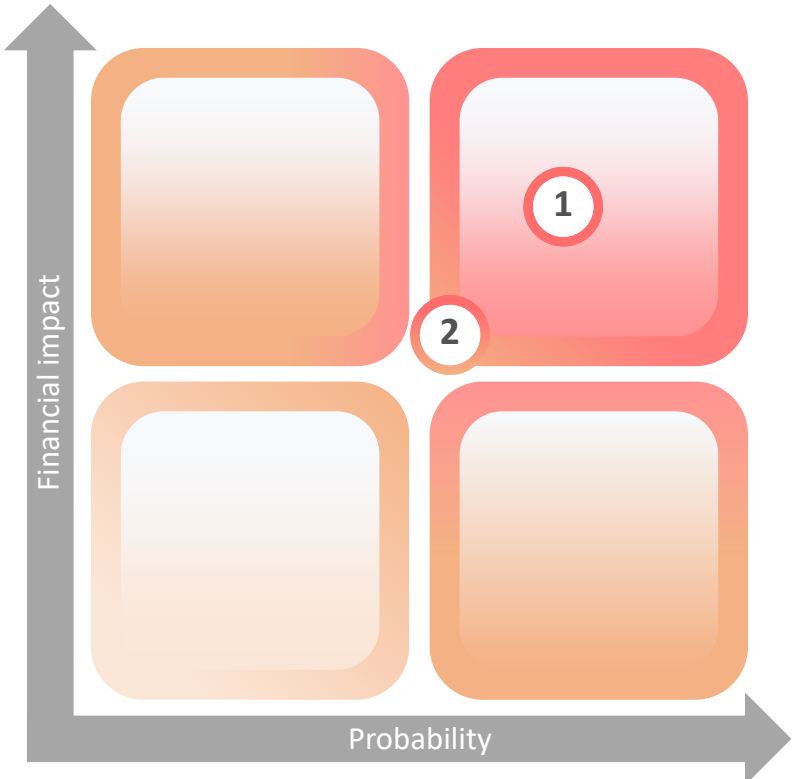
	Year to date			Full year		
	Q3 FC £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Transformation resource	6.7	6.7	0.0	6.9	8.0	-1.1
SPRM	1.5	1.5	0.0	10.2	6.5	3.7
Corporate change (incl TCSS)	1.1	1.0	0.1	3.4	1.7	1.7
Estates transformation	0.4	0.4	0.0	2.2	1.0	1.2
VR VER	0.1	0.2	-0.1	2.1	3.8	-1.7
Op Talla	0.1	0.1	0.0	0.0	0.2	-0.2
Other costs	0.5	0.5	0.0	2.7	1.3	1.4
Slippage mgt	0.0	0.0	0.0	-2.5	0.0	-2.5
Total	10.4	10.4	0.0	25.0	22.5	2.5
Funding				25.0	25.0	0.0

Risk analysis

The revenue budget is carrying further risks that may materialise

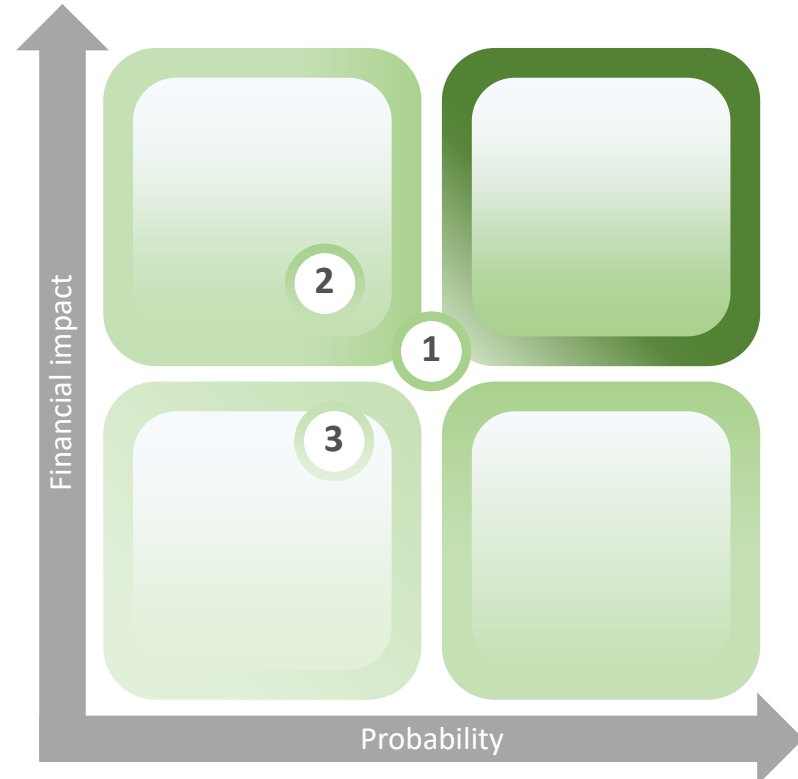
Threats and opportunities risks will continue to be monitored in the final quarter

Threats



1. Potential unbudgeted legal claims and other one-off costs
2. Operational impact of COVID-19

Opportunities



1. Non-domestic rates rebates - based on success rate of appeals
2. Estates repairs & maintenance - possible delays in contractor completing bill of works due to COVID-19 restrictions
3. Ill health pensions – possible further delays in NHS approval due to COVID-19 restrictions