

Meeting	SPA Resources Committee
Date	08 February 2022
Location	Video Conference
Title of Paper	Q3 Financial Monitoring Report
Presented By	Lynn Brown, Strategic Financial Planning and Budgeting Lead
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Quarter Three 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 quarter three (nine months ending 31 December 2021) of the financial year 2021/22, as well as forecasting the full outturn to 31 March 2022.

Members are invited to discuss the content of this report.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2021/22 on 24 March 2021. The Scottish Government provided a £60m uplift in core revenue funding, as well as an additional £15m of one-off funding to support the impact of COVID-19. When combined, the total funding allowed the SPA to set with a **balanced revenue budget** with **no operating deficit**.
- 1.2 The SPA's funding allocation for capital and reform was set at flat cash for 2021/22, with the exception of an additional £0.5m to support Body Worn Video. When combined with disposal proceeds, the total funding available is £53.7m for capital and £25.0m for reform budgets.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Appendix A provides the detailed finance report.

Revenue

- Q3 net expenditure forecast has increased by £8.4m from Q2 forecast, due to additional cost of leave provisions (£12.7m), COVID-19 (Omicron) costs (£2.2m) offset by underspends in police staff costs (£3.6m), expenditure impacted by COVID (£1.2m) and other items (£1.7m).
- Additional GiA funding has been confirmed since Q2, through Spring Budget Transfer (SBR) for specific initiatives supported by the Scottish Government (£2.2m).
- After the above changes to both net expenditure (£8.4m) and funding (£2.2m), Q3 revenue position is £6.2m above the budgeted and Q2 forecast break even position.
- Consultation with Scottish Government is ongoing to approve this position, which when confirmed will be included in its 2021-22 Budget Allocation and Management (BAM) letter to the Authority.
- A number of threats and opportunities are being monitored, some of which may crystallise in Q4.

Capital

- The capital forecast at quarter three is £58.9m, £5.2m above the budget position of £53.7m and in line with the Q2 forecast.
- This forecast overspend is fully funded and primarily compensated by additional forecast grant-in-aid funding (£4.6m) committed by the Scottish Government to support

transitional capital costs (laboratory fit out and instruments) for the transfer of post mortem toxicology services to the Police Authority.

- The Q3 forecast recognises other capital grants receivable (£1.3m) offset by a reduction in capital receipts due to a delay in property sale (£0.7m).
- The year to date actual position versus budget is an underspend of £10.4m.

Reform

- The reform forecast at quarter three is £23.1m, £1.9m under the budget position of £25.0m, due primarily to slippage and delays in Transformation Resource, Enabling Policing for the Future (EPF) programme and Estates transformation. The Q3 forecast is in line with the Q2 forecast and revised funding availability.
- The year to date actual position versus budget is an underspend of £1.7m.

3. FINANCIAL IMPLICATIONS

3.1 The financial implications are set out in detail within Appendix A.

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

Quarter 3 2021/22



Finance dashboard

Q3 2021/22

Year to Dec 2021

Revenue	A	A	A
	Oct	Nov	Q3

- YTD £3.4m under budget
- FY Q3 forecast £6.2m over budgeted break even position

Capital	A	A	A
	Oct	Nov	Q3

- YTD £10.4m under budget
- FY Q3 forecast £4.9m over budget (fully funded)

Reform	A	A	A
	Oct	Nov	Q3

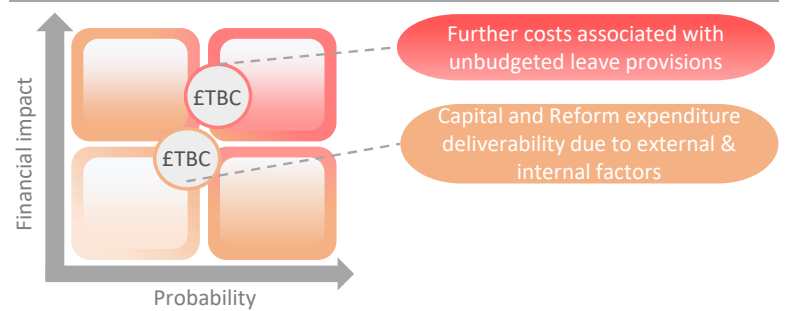
- YTD £1.7m under budget
- FY Q3 forecast £1.9m under budget

1 Revenue budget includes for 17,234 FTE officers at each quarter end.

Revenue variance (£m)

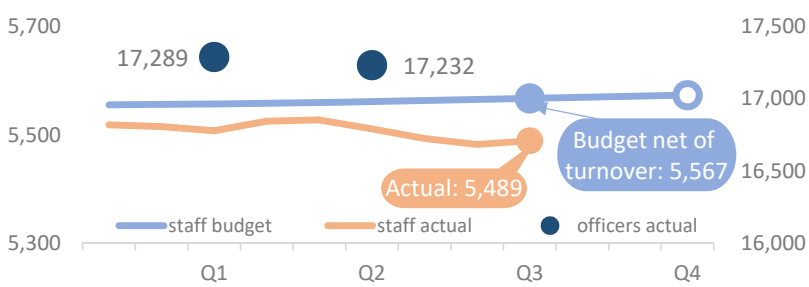
	YTD actual v budget	FY Q3 FC v Budget
Police Scotland	2.6	11.2
Forensic Services	0.1	-0.5
SPA corporate	0.7	0.8
Total	3.4	10.9

Threats

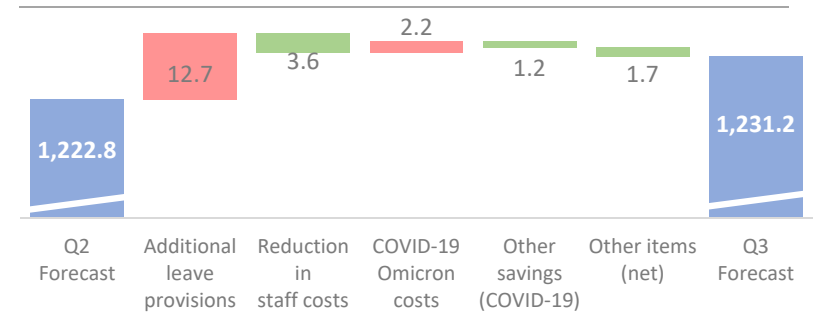


People numbers (FTE) – Revenue Budget 1

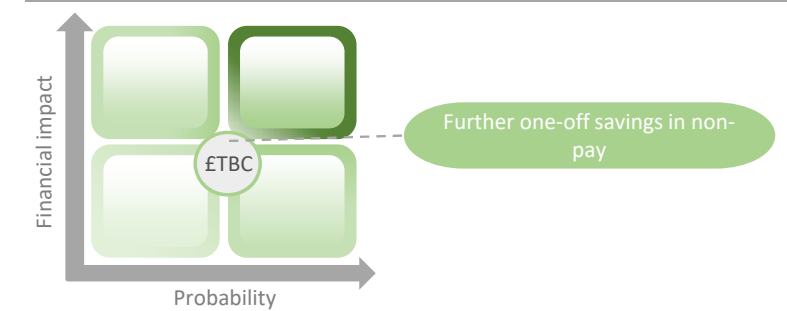
Staff headcount currently running under budgeting assumptions at P9



Revenue: full year costs increased from Q2 FC (£8.4m)

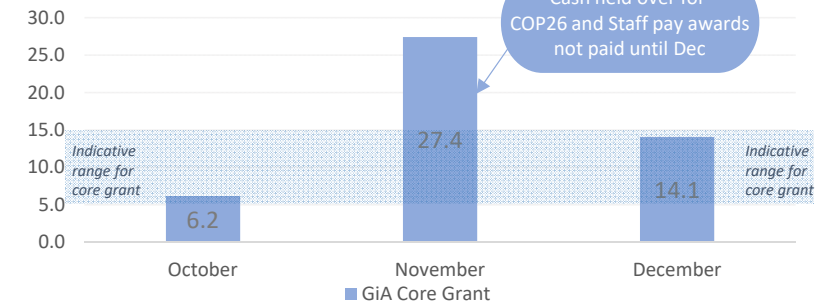


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Operation Talla

(Policing response to COVID-19)

2021/22 year to date:

- Revenue: £1.8m
- Capital: £0.0m
- Total: £1.8m

2021/22 forecast:

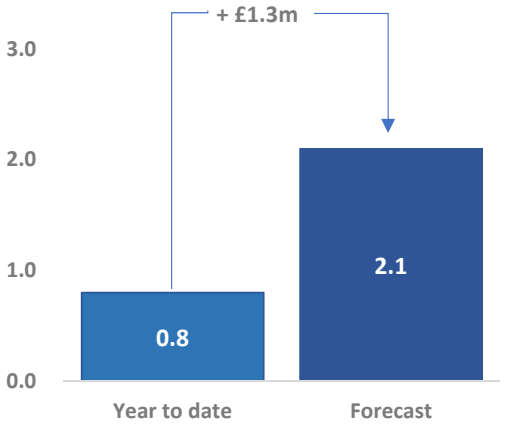
- Revenue: £4.9m
- Capital: £0.0m
- Total: £4.9m

Increase of £1.9m since Q2 FC related to policing response to Omicron variant

Revenue forecast (£m)

	Year to date £m	2021/22 Q3 FY FC £m
PPE	0.8	2.1
Overtime	0.8	2.2
Other	0.2	0.6
Total	1.8	4.9

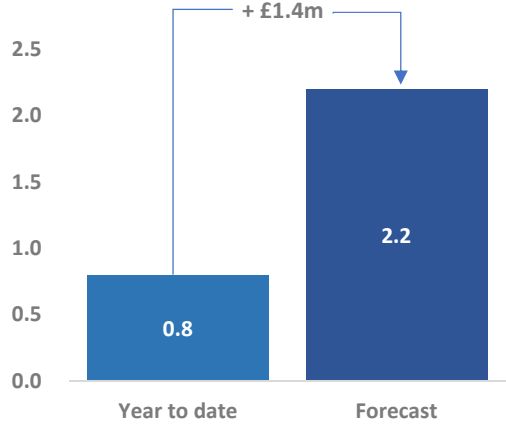
Revenue: PPE (£m)



Capital forecast (£m)

	Year to date £m	2021/22 Q3 FY FC £m
Laptops	0.0	0.0
Video comms solution	0.0	0.0
Total	0.0	0.0

Revenue: overtime (£m)

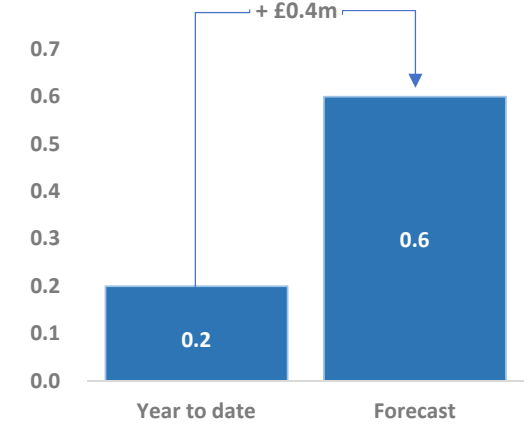


2019/20 - 2021/22 costs (£m)

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21	7.7	2.4
2021/22 YTD	1.8	0.0
Total	10.8	2.5

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21	7.7	2.4
2021/22 Forecast	4.9	0.0
Total	13.9	2.5

Revenue: other costs (£m)



Revenue (service area)

Q3 net expenditure forecast
£10.9m over FY budget and
£8.4m above Q2 forecast

Q3 FC position is £6.2m over the
budgeted and Q2 FC break even
position

Forecast deliverability status
remains at amber

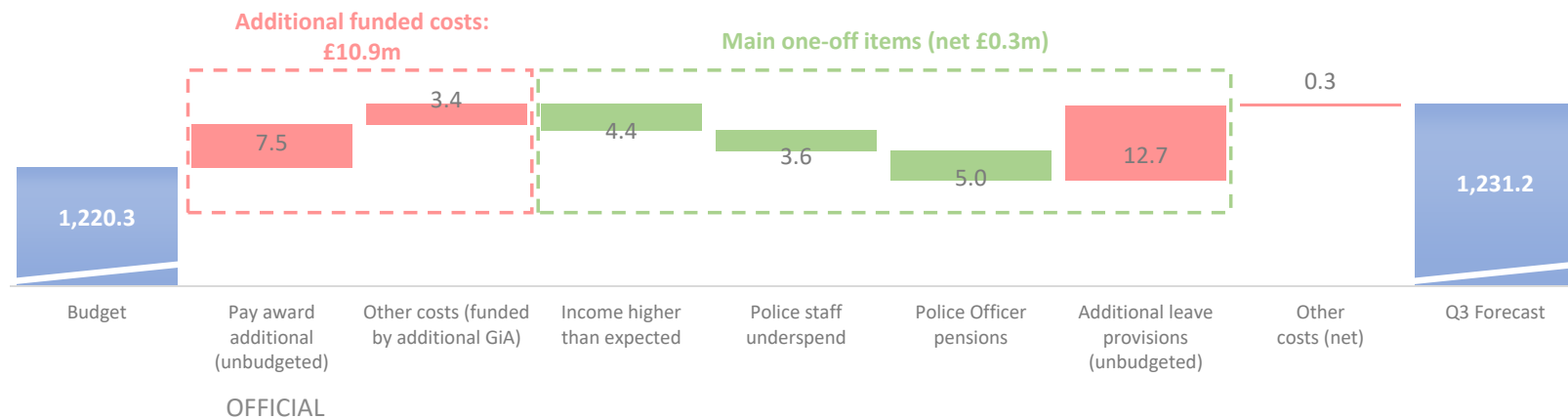
Total expenditure £10.9m over budget

- Q3 net expenditure forecast has increased by £8.4m from Q2 forecast, due to additional cost of leave provisions (£12.7m), COVID-19 (Omicron) costs (£2.2m) offset by underspends in police staff costs (£3.6m), expenditure impacted by COVID (£1.2m) and other items (£1.7m).
- Additional GiA funding has been confirmed since Q2, through Spring Budget Transfer (SBR) for specific initiatives supported by the Scottish Government (£2.2m).
- After the above changes to both net expenditure (£8.4m) and funding (£2.2m), Q3 revenue position is £6.2m above the budgeted and Q2 forecast break even position.
- ** Consultation with Scottish Government is ongoing to approve this position, which when confirmed will be included in its 2021-22 Budget Allocation and Management (BAM) letter to the Authority.
- A number of threats and opportunities are being monitored, some of which may crystallise in Q4.

Detailed revenue variance (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q3 FC £m	Var. £m
Police Scotland	880.1	877.5	2.6	1,178.8	1,190.0	-11.2
Forensic Services	27.4	27.3	0.1	36.6	37.1	-0.5
SPA Corporate	3.7	3.0	0.7	4.9	4.1	0.8
Total	911.2	907.8	3.4	1,220.3	1,231.2	-10.9
Funding						
GIA (Core)				1,205.3	1,212.8	-7.5
GIA (other)				0.0	3.4	-3.4
COVID funding				15.0	8.8	6.2
COVID funding pending**				0.0	6.2	-6.2
Total				1,220.3	1,231.2	-10.9

Detailed budget to FY Q3 forecast (£m)



Revenue

(spend type)

Q3 forecast assumes £4.9m of direct Operation Talla costs

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

	Year to date				Full year			
	Budget £m	Actual £m	Var. £m	Var. %	Budget £m	Q3 FC £m	Var. £m	Var. %
Police officers	619.0	624.1	-5.1	-0.8%	827.3	845.8	-18.5	-2.2%
Police staff	186.9	185.1	+1.8	+1.0%	249.4	248.0	+1.4	+0.6%
Non-pay	128.6	125.5	+3.1	+2.4%	174.0	172.2	+1.8	+1.0%
Income	-23.3	-26.9	+3.6	+15.5%	-30.4	-34.8	+4.4	+14.5%
Total	911.2	907.8	+3.4	+0.4%	1,220.3	1,231.2	-10.9	-0.9%

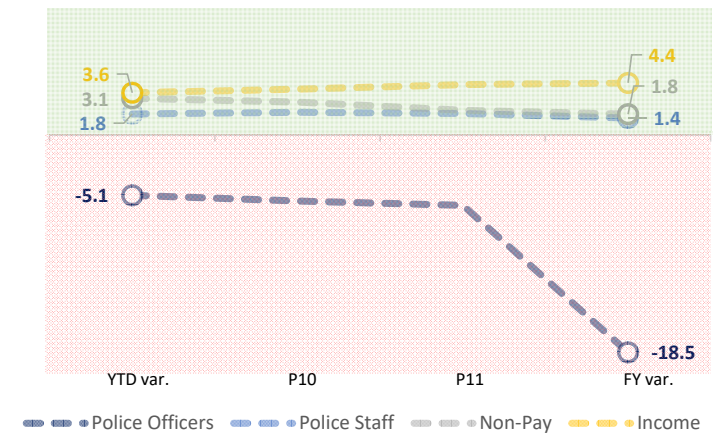
Pay

- Police officers - forecast overspend relates to requirement to accrue for additional leave provisions (£12.5m) to cover re-rostered rest days and annual leave, extra cost of pay award funded by SG (£5.9m), overtime (£5.6m) offset by underspends in officer pension costs (£5.0m) and other officer costs (£0.5m).
- Police staff - forecast underspend is driven by recruitment delays and higher than expected attrition (£3.6m) offset by additional cost of pay award funded by SG (£1.6m), resource cost for post mortem toxicology (£0.4m) and annual leave provision (£0.2m).

Non-pay

- Supplies and services (£2.8m under) - specialist consumables (£0.7m), telecoms (£0.7m), investigative expenses (£0.4m), interpreters (£0.4m) and other items (£0.6m).
- Premises costs (£0.6m under) - additional NDR rebates (£2.3m) offset by higher property repairs (£1.2m) and utility costs (£0.5m).
- Transport costs (£2.2m over) - overspend mainly as a result of higher fuel prices above budgeted assumptions used (£0.7m), service and maintenance costs (£1.3m) and other costs (£0.2m).
- Other pay costs (£0.6m under).

Movement: YTD variance to FY FC variance (£m)



Income

- Forecast anticipates an increase (£4.4m) mainly due to mutual aid (£2.4m) and other income (£2.0m).
- Budget included a reduction of £10.0m to capture the current impact of COVID-19, compensated by additional SG funding.

Revenue

(further business area detail)

1 Police officer numbers were 17,232 FTE as per last externally reported quarter end 30 September 2021.
Q3 FC 17,264.7 FTE is made up of 17,234 FTE for police officers and 30.7 FTE for police staff supernumerary.

2 Q3 FC includes a move of 117.1 FTE from APU to SCD from 01/11/21, without a reciprocal budget virement, equating to a FY impact of ~48.8FTE

DCC Local Policing

- Overspends in officers overtime (£4.3m), PPE and cleaning costs incurred budgeted in DCCCOS (£0.7m), transport costs (£0.4m) due to increased fuel prices, under recovery of income (£0.3m) offset by underspend in staff costs (£1.3m).

	£m	FTE
Budget	124.0	2,597.7
Q3 Forecast	128.4	2,584.7
FY variance	-4.4	13.0
YTD variance	-2.5	5.5

DCO Corporate services, People & Strategy

- Underspends in ill health pensions (£3.1m) due to delays in OHS approvals, APU staff costs budgeted in DCO but to be incurred by DCCCOS (£1.8m), other police staff costs (£1.5m), estates costs (£0.6m - net), other non-pay costs (£0.6m), over recovery of income (£1.0m) offset by fleet service and maintenance costs (£1.2m).

	£m	FTE
Budget	114.6	1,020.9
Q3 Forecast	107.2	932.9
FY variance	7.4	88.0
YTD variance	5.0	71.0

DCC Crime & Op Support

- Over recovery on income (£3.1m), PPE and cleaning costs budgeted in DCCCOS but incurred by DCCLP (£0.7m), underspend in other supplies and services (£1.1m), other police staff costs (£0.2m) offset by costs for APU staff not budgeted in DCCCOS but under DCO (£1.8m), overspends in police officer OT (£1.3m), transport costs (£0.5m) and ICT related costs (£0.8m).

	£m	FTE
Budget	51.9	593.3
Q3 Forecast	51.2	644.8
FY variance	0.7	-51.5
YTD variance	3.5	-31.9

Corporate centre

- Additional PSPP costs for officers and staff (£7.5m) and requirement to accrue for additional leave provisions (£12.7m) to cover re-rostered rest days and annual leave offset by underspends in injury pensions (£1.8m) and other items (£1.0m).

	£m	FTE
Budget	805.1	17,265.3
Q3 Forecast	822.5	17,264.7
FY variance	-17.4	0.6
YTD variance	-5.2	1.2

DCC Professionalism, Digital & Transformation

- Underspends in telecoms expenditure (£0.8m), ICT related costs (£0.9m), external legal costs (£0.4m), police staff costs (£0.6m), other non-pay items (£0.1m) and over recovery of income due to external agency secondments (£0.3m) offset by legal liability claims (£0.6m).

	£m	FTE
Budget	83.2	738.7
Q3 Forecast	80.7	738.2
FY variance	2.5	0.5
YTD variance	1.8	-2.4

Forensic services & SPA corporate

- Forensic Services (£0.5m over) - overspend due to Post mortem toxicology transitional costs (£0.7m) offset by underspend in other items (£0.2m).
- SPA Corporate (£0.8m under) - underspend in police staff costs (£0.2m) and non-pay costs (£0.6m).

	£m	FTE
Budget	41.5	581.1
Q3 Forecast	41.2	571.8
FY variance	0.3	9.3
YTD variance	0.8	9.1

Capital

FY Q3 forecast £5.2m over budget (fully funded) and in line with Q2 FC

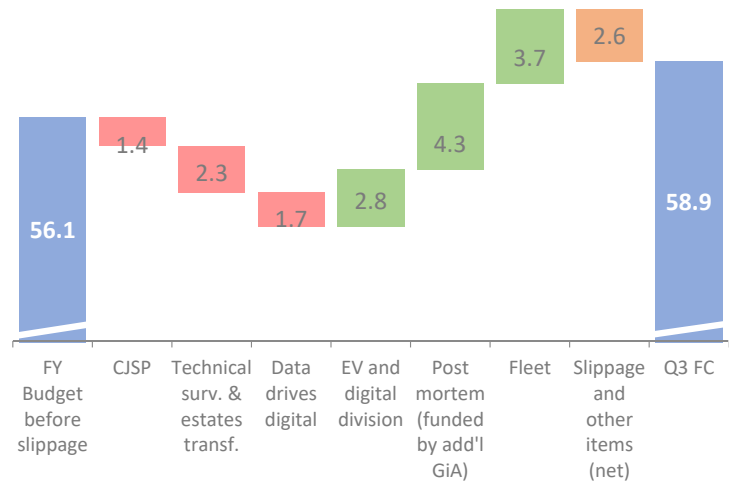
Slippage remains at £1.8m to help mitigate against deliverability risk identified and quantified within the Q3 FC

Forecast deliverability remains at amber

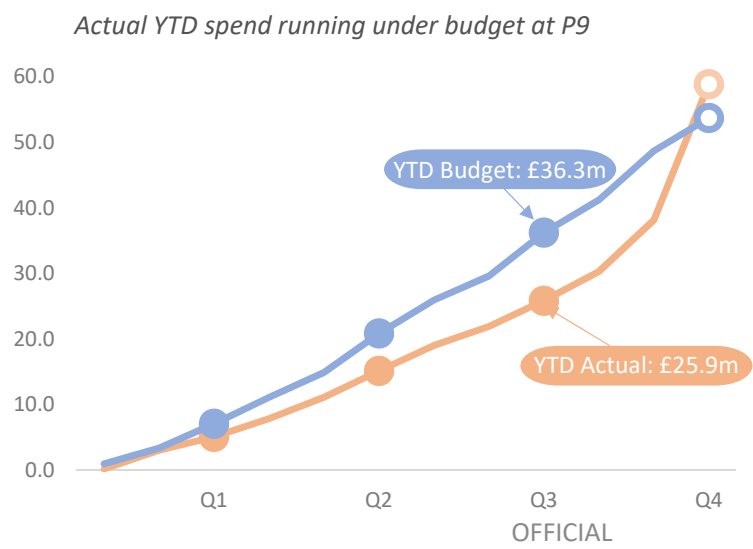
Year to date under budget by £10.4m

*DEPP = Digitally Enabled Policing Programme
 **MC&E = Modern Contact & Engagement
 ***LPP = Local Policing Programme
 ****NEDIP = North East Division Integration Project
 *****RJLP = Rights & Justice Legislative Programme

Forecast: movement budget to Q3 (£m)



Capital spend profile (£m)



Capital variance by programme (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	FC £m	Var. £m
Estates	7.8	6.2	1.6	8.2	8.0	0.2
Fleet	3.5	3.1	0.4	8.5	12.2	-3.7
EV Infrastructure	2.3	2.7	-0.4	3.2	4.5	-1.3
Digital division	4.0	2.1	1.9	7.0	8.5	-1.5
SPE	3.1	1.3	1.8	3.6	4.0	-0.4
Weaponry	1.9	0.9	1.0	3.2	2.5	0.7
Forensics	1.3	0.3	1.0	1.6	1.3	0.3
<i>Change: legislative & inflight</i>						
CJ service programme	2.4	0.7	1.7	3.6	2.2	1.4
Post mortem Toxicology	0.0	0.1	-0.1	0.0	4.3	-4.3
Data drives digital (DDD)	2.1	0.2	1.9	3.1	1.4	1.7
DEPP*	2.7	4.3	-1.6	3.5	4.8	-1.3
Digital division	0.0	0.1	-0.1	0.0	0.4	-0.4
MC&E**	1.7	1.4	0.3	3.1	2.6	0.5
LPP - NEDIP***	1.5	1.4	0.1	1.5	1.6	-0.1
Estates transformation	1.5	0.8	0.7	2.5	1.3	1.2
RJLP****	0.7	0.0	0.7	1.1	0.3	0.8
Technical surveillance	0.8	0.3	0.5	1.8	0.7	1.1
Cyber capabilities	0.4	0.0	0.4	0.5	0.1	0.4
Other	0.2	0.0	0.2	0.1	0.0	0.1
Slippage	-1.6	0.0	-1.6	-2.4	-1.8	-0.6
Total	36.3	25.9	10.4	53.7	58.9	-5.2
Funding						
GI A				45.5	50.1	4.6
Reform				4.6	4.6	0.0
Cap receipts				3.6	2.9	-0.7
Other grants				0.0	1.3	1.3
Total				53.7	58.9	5.2

Reform

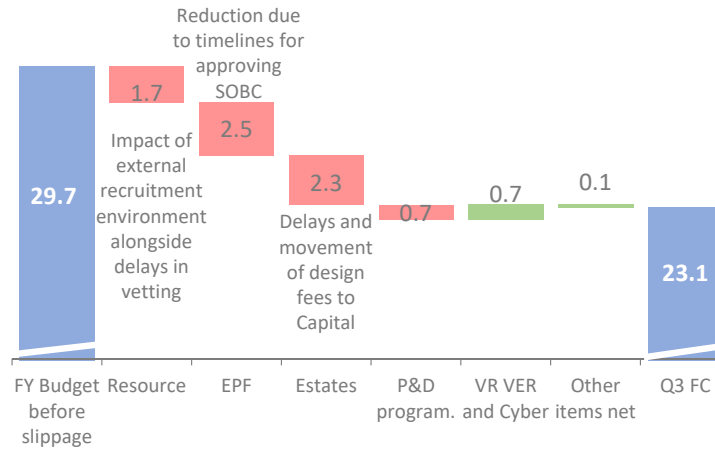
FY Q3 forecast £1.9m under budget

Forecast deliverability remains at amber

No slippage remains to mitigate against risks identified and quantified within the Q3 FC

Year to date under budget by £1.7m

Forecast: movement budget to Q3 (£m)



Reform variance by work stream (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	FC £m	Var. £m
Transformation resource	8.7	7.0	1.7	12.1	10.4	1.7
SPRM	1.6	1.8	-0.2	2.2	2.4	-0.2
Data drives digital (DDD)	0.7	0.3	0.4	0.9	0.7	0.2
DEPP*	0.9	0.5	0.4	1.2	0.8	0.4
EPF** (incl. change)	1.1	0.2	0.9	3.8	1.3	2.5
Estates transformation	1.2	0.2	1.0	2.6	0.3	2.3
MC&E***	0.0	0.0	0.0	0.1	0.0	0.1
NEDIP****	1.0	0.9	0.1	1.1	1.0	0.1
CJ service programme	0.2	0.1	0.1	0.3	0.1	0.2
P&D programme	0.8	0.1	0.7	1.4	0.7	0.7
RJLP*****	0.1	0.0	0.1	0.4	0.0	0.4
VR VER	1.3	2.0	-0.7	2.8	3.1	-0.3
Cyber capabilities	0.3	0.0	0.3	0.5	0.3	0.2
Cyber strategy	0.0	0.0	0.0	0.0	0.4	-0.4
Other	0.2	0.6	-0.4	0.3	1.6	-1.3
Slippage mgt	-2.7	0.0	-2.7	-4.7	0.0	-4.7
Total	15.4	13.7	1.7	25.0	23.1	1.9
Funding						
GIA				25.0	23.1	-1.9

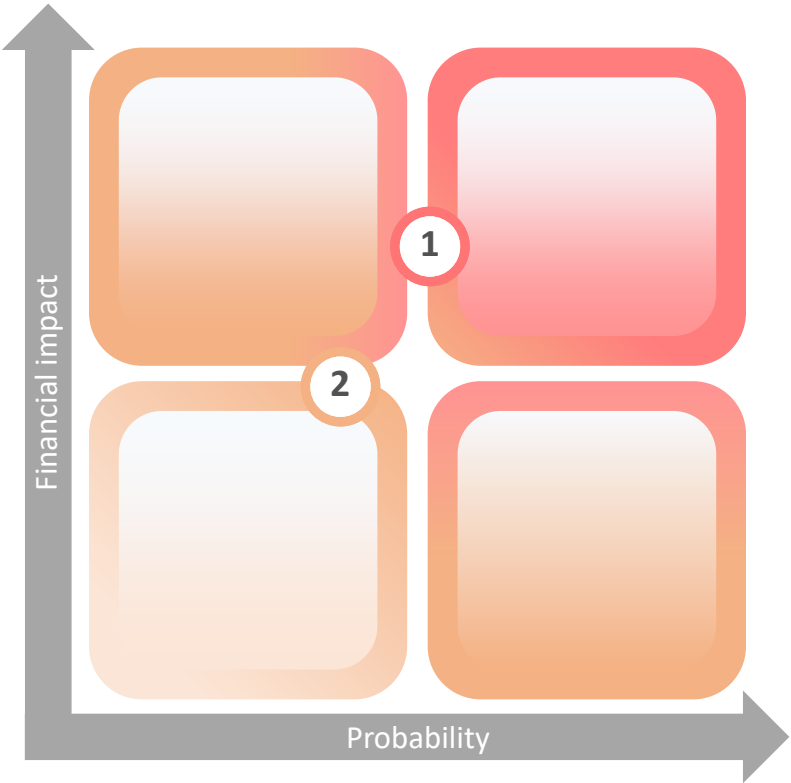
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Risk analysis

The revenue and capital budget is carrying further risks that may materialise.

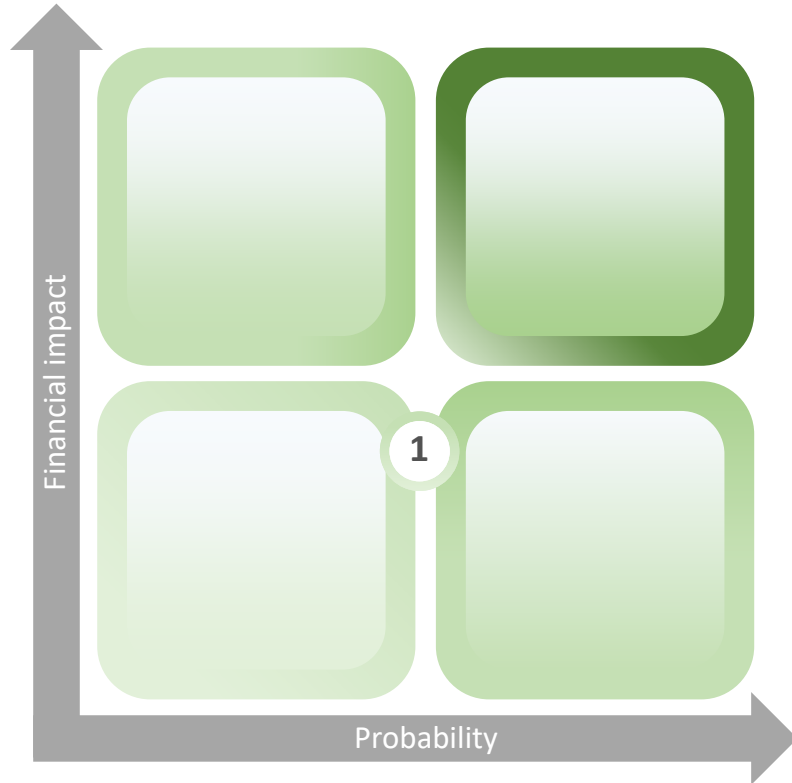
Threats and opportunities risks will continue to be monitored during the remaining months of the year.

Threats



1. Any additional cost, that may arise above the Q3 provision, associated with the number of days officers have accumulated as re-rostered rest days and a change to annual leave arrangements for 2021/22 in light of COVID-19 infection rate increase, will remain under review by Finance and P&D.
2. Deliverability of capital and reform expenditure, in line with the available current funding, is at risk, which can be attributed to a combination of external factors (supply chain issues) and internal factors (recruitment delays for delivery resources and capacity restraints within procurement).

Opportunities



1. Any prolonged impact of COVID could result in some further one-off savings in the non-pay budget, i.e. delays in the health system, delays in the justice system and delays in training. This will be closely monitored throughout the remaining part of the year.