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| Meeting | SPA Resources Committee |
| Date | 9 March 2023 |
| Location | Video Conference |
| Title of Paper | Financial Monitoring Report P10 2022/23 |
| Presented By | Lynn Brown, Head of Corporate Finance |
| 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 of the financial year 2022/23.

Members are invited to discuss and note the contents of the report and appendix.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2022/23 on 23 March 2022. The Authority's core revenue funding has increased by £40.5m (3.4%) in 2022/23. The budget also included £6.6m of one-off additional funding to support the in-year impact of COVID – mainly to fund lost income and recovery of the Justice system.
- 1.2 In addition to the above, revenue funding will be provided in-year to support the transfer of post mortem toxicology services to the Authority and to support drug driving legislation. When combined with the core revenue funding and additional COVID support, this allows a **balanced revenue budget** to be set for financial year 2022/23. Despite setting a balanced budget, there are a number of significant challenges facing the service that will have a financial consequence for the organisation in financial year 2022/23.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Pay award budgeting was originally based on Public Sector Pay Policy (PSPP). Pay awards through negotiation at both Police Negotiating Board (PNB) and Trade Unions were agreed in August and October respectively. As part of the pay negotiations, the additional funding required (£37.0m) to support the process was underwritten by the Scottish Government. A budget adjustment has been made to reflect this change in the 2022/23 revenue budget.
- 2.2 Capital and reform funding allocations had been set as flat cash for 2022-23. Given the current impact of inflation, this represented a real terms reduction in funding. When combined with capital receipts, the capital allocation is £52.6m for 2022-23 which has been eroded by inflation and will now pay for significantly less. The Scottish Government continued to provide reform funding up to £25m to support change and the transformation of policing. As part of the Spring Budget Revision (SBR) transfer process, Reform funding was reduced to £21.7m, with £2.8m of the funding re-directed to support capital expenditure investment.
- 2.3 IFRS 16 Leases is effective from 1 April 2022 in the public sector. The standard provides a single lessee accounting model and, under the latest Financial Reporting Manual (FRM) requirements, requires a lessee to recognise assets and liabilities for leases which last over 12 months, but not including low value leases. The standard will have the effect of largely eliminating the current "off-balance" sheet

treatment of operating leases. Technical accounting adjustments during financial year 2022/23 are required that impacts both Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL) budgets, which will see a reduction in RDEL and an increase in CDEL but with minimal overall impact on funding. A budget adjustment has been made for both capital and revenue to reflect the impact of IFRS 16.

- 2.4 Additional in-year funding and resource expenditure (revenue and reform) over a certain threshold is subject to approval through the Scottish Government's AO template process. The purpose of this template is to enable the Accountable Officer to document decision making and set out the relevant approvals required for material spend decisions. Finance and Procurement work closely with the business to ensure that material spend decisions are documented as appropriate.
- 2.5 The Chief Financial Officer provides the routine finance report which outlines the year to date and forecast position for the revenue, capital and reform budgets.
- 2.6 Appendix A provides the detailed period 10 (P10) finance report.

Revenue

- The revenue position at P10 is a year-to-date overspend against the quarter three (Q3) forecast of £0.5m, due mainly to timing variances.
- The financial position, alongside any remaining threats and opportunities, will be closely monitored in the final months of the year and forecast deliverability will be reviewed as appropriate.
- The year to date actual position versus budget is underspent by £1.6m.
- Operational costs associated with the passing of Her Majesty the Queen (HMTQ) are highlighted separately in Appendix A. The costs of £15.4m have been covered in full by His Majesty's Treasury (HMT) and has been dealt with as a Spring Budget Revision (SBR) transfer.

Capital

- The year to date capital spend at P10 is under forecast by £3.3m due mainly to later than expected delivery of electric vehicles.
- As previously reported the capital forecast at Q3 is £61.0m, £3.2m above the revised budget position of £57.8m.
- This forecast overspend is fully funded and primarily compensated by an agreed reallocation of funding from Revenue Reform £2.8m and other funding of £0.4m (net).
- The capital forecast at Q3 requires £7.1m of further slippage to be managed down over the remaining part of the year.
- The year to date actual position versus budget is underspent by £2.5m.

Reform

- The year to date reform spend at P10 is over forecast by £0.2m due mainly to timing/slippage variances.
- As previously reported, the reform forecast at Q3 of £21.3m is £3.7m under budget with £2.8m of the funding re-directed to support capital expenditure investment.
- The reform forecast at Q3 requires 0.5m of further slippage to be managed down over the remaining part of the year.
- The year to date actual position versus budget is underspent by £1.2m.

3. FINANCIAL IMPLICATIONS

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

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications in this report.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications in this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications in this report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications in this report.

8. COMMUNITY IMPACT

8.1 There are no community implications in this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no equality implications in this report.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications in this report.

RECOMMENDATIONS

Members are invited to discuss and note the year to date position and forecast position within the finance report.



POLICE
SCOTLAND
POILEAS ALBA

SCOTTISH POLICE
AUTHORITY

Finance

FP&A - Financial
planning & analysis
team

Appendix A

Finance report

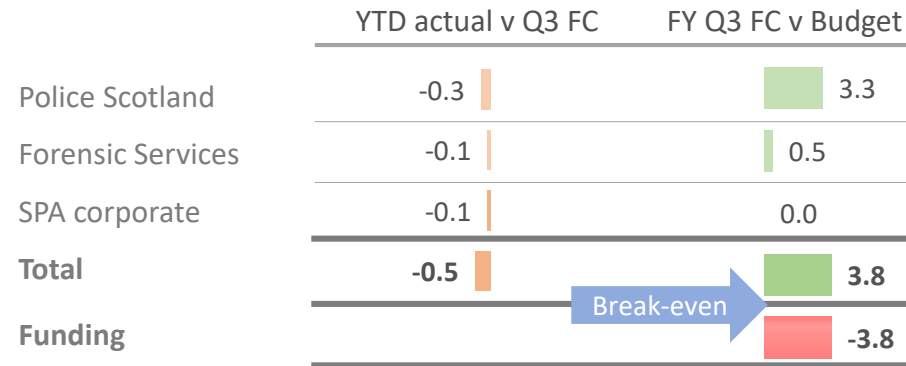
Period 10 2022/23



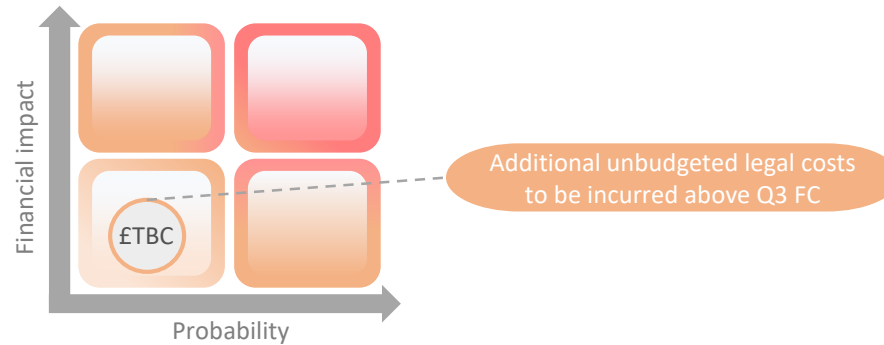
Finance dashboard

Period 10 2022/23
Year to Jan 2023

Revenue budget variance (£m)

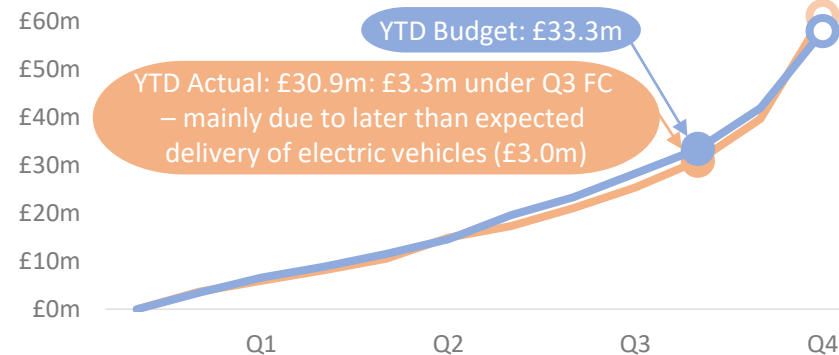


Threats

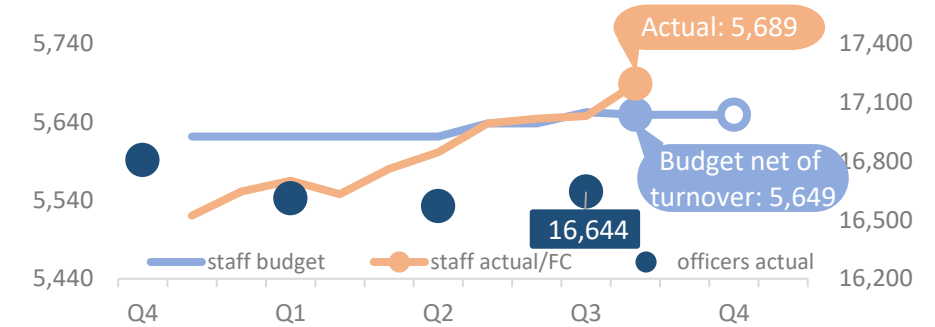


Capital spend profile (£m)

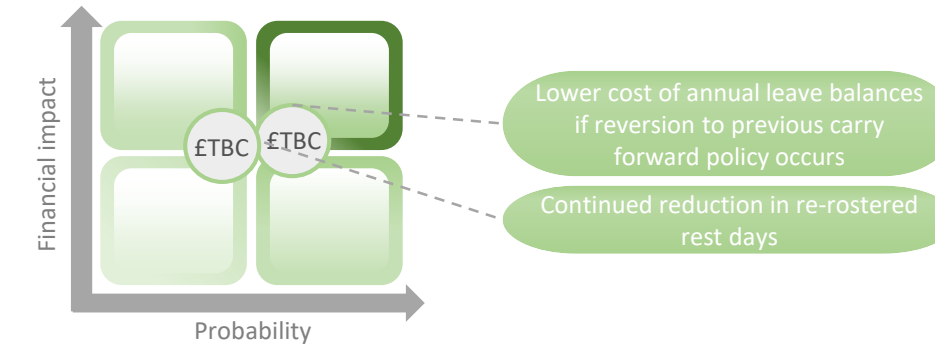
Actual YTD spend running under budget and Q3 FC
£70m



People numbers (FTE) - Revenue Budget

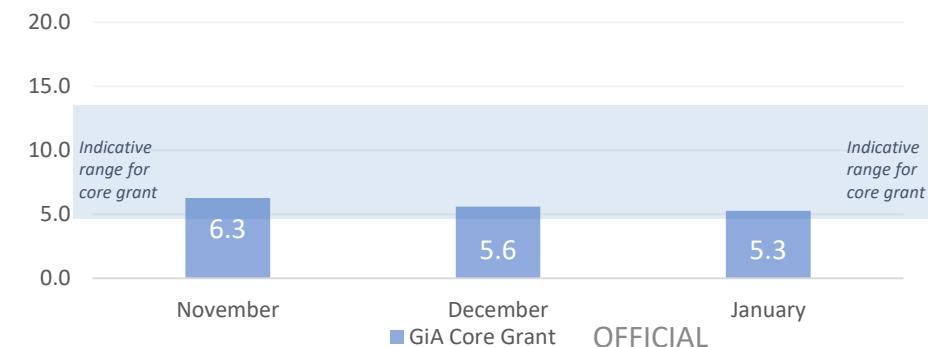


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Revenue

| | | |
|-----|-----|-----|
| A/R | A | A/G |
| Nov | Dec | Jan |

- YTD £0.5m over forecast
- FY Q3 FC break even position in line with budget / funding

Capital

| | | |
|-----|-----|-----|
| G | G | G |
| Nov | Dec | Jan |

- YTD £3.3m under forecast
- FY Q3 forecast £3.2m over budget (fully funded)

Reform

| | | |
|-----|-----|-----|
| R | G | G |
| Nov | Dec | Jan |

- YTD £0.2m over forecast
- FY Q3 forecast £3.7m under budget but in line with revised funding

Revenue

(service area)

Forecast deliverability status is heading towards green

Q3 net expenditure forecast £3.8m under FY budget

SG GiA funding £3.8m (net movement):

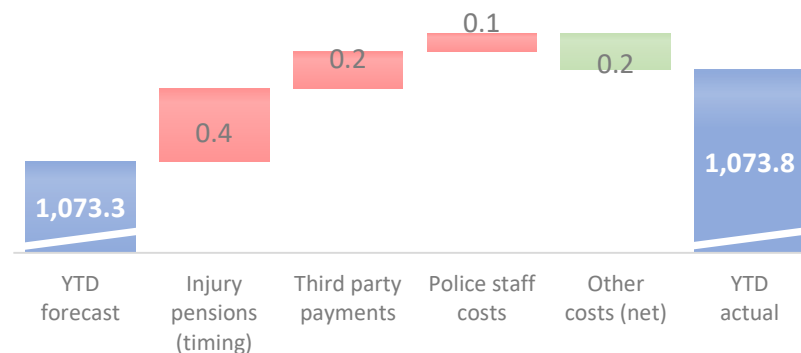
- Reduction in budgeted Covid recovery funding £6.6m offset by
- other GiA funding £2.8m (net) received through ABR/SBR transfers

FY break even position therefore remains in line with budget

Total expenditure £0.5m over forecast

- Year to date over forecast by £0.5m, due mainly to timing variances.
- The financial position, alongside any remaining threats and opportunities, will be closely monitored in the final months of the year and forecast deliverability will be reviewed as appropriate.
- Operational costs associated with the passing of Her Majesty the Queen (HMTQ) are highlighted separately. The costs of £15.4m have been covered in full by HMT and has been dealt with as a SBR transfer.

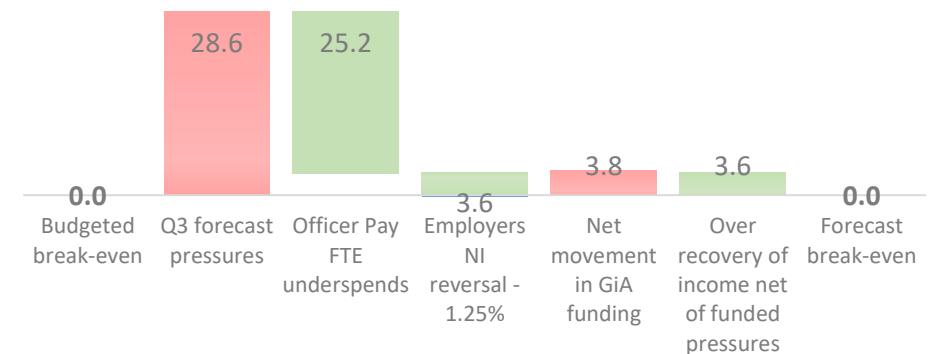
YTD actual v Q3 forecast (£m)



Detailed revenue variance (£m)

| | Year to date | | | Full year | | |
|-----------------------------------|----------------|----------------|-------------|----------------|----------------|------------|
| | Q3 FC £m | Actual £m | Var. £m | Bud £m | Q3 FC £m | Var. £m |
| Police Scotland | 1,036.1 | 1,036.4 | -0.3 | 1,241.1 | 1,237.8 | 3.3 |
| Forensic Services | 33.4 | 33.5 | -0.1 | 41.7 | 41.2 | 0.5 |
| SPA Corporate | 3.8 | 3.9 | -0.1 | 4.8 | 4.8 | 0.0 |
| Total | 1,073.3 | 1,073.8 | -0.5 | 1,287.6 | 1,283.8 | 3.8 |
| Funding | | | | | | |
| GiA - core | | | | 1,278.2 | 1,277.3 | 0.9 |
| GiA - additional | | | | 9.4 | 6.5 | 2.9 |
| Total | | | | 1,287.6 | 1,283.8 | 3.8 |
| Costs assoc. with passing of HMTQ | 15.4 | 15.4 | 0.0 | 0.0 | 15.4 | -15.4 |

Q3 FC break even position in line with budget (£m)



Revenue

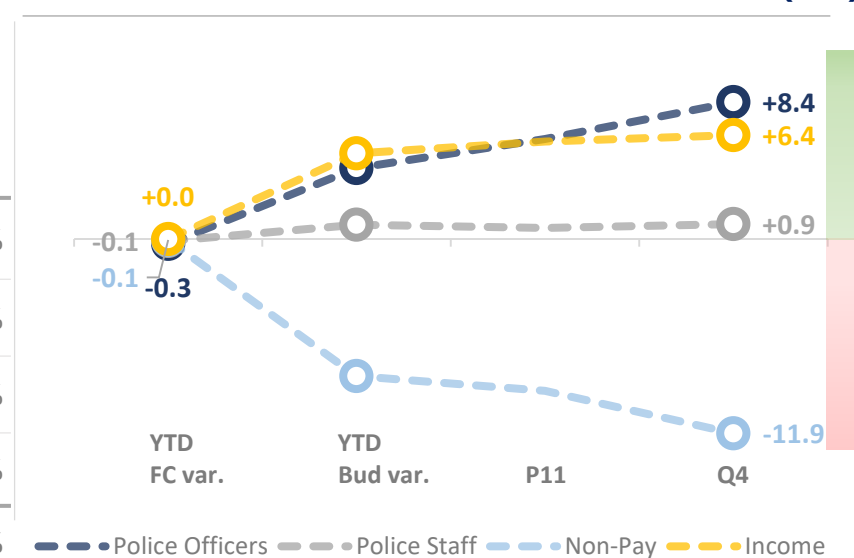
(spend type)

Excludes Operation Unicorn and Public Holiday operational costs associated with the passing of Her Majesty the Queen.

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

| | Year to date | | | | Full year | | | |
|-----------------|----------------|----------------|-------------|-------------|----------------|----------------|-------------|--------------|
| | Q3 FC £m | Act £m | Var. £m | % | Bud £m | Q3 FC £m | Var. £m | % |
| Police officers | 726.3 | 726.6 | -0.3 | 0.0% | 876.8 | 868.4 | +8.4 | +1.0% |
| Police staff | 229.0 | 229.1 | -0.1 | 0.0% | 276.1 | 275.2 | +0.9 | +0.3% |
| Non-pay | 155.0 | 155.1 | -0.1 | -0.1% | 173.0 | 184.9 | -11.9 | -6.9% |
| Income | -37.0 | -37.0 | 0.0 | 0.0% | -38.3 | -44.7 | +6.4 | +16.7% |
| Total | 1,073.3 | 1,073.8 | -0.5 | 0.0% | 1,287.6 | 1,283.8 | +3.8 | +0.3% |

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



Pay

- Police officers - forecast overspend relates to adverse timing variance in officer injury pension costs (£0.4m) offset by other officer pay costs (£0.1m).
- Police staff - overspend relates to increase in FTE above Q3 forecast.

Non-pay

- Primarily relates to overspend in third party payments (£0.2m) offset by other items (£0.1m).

Income

- No material variances to report.

Revenue

(further business area detail)

Where YTD FC variances exist, these are being monitored and may crystallise in the final months of the year

***Operation Unicorn and Public Holiday operational costs associated with the passing of Her Majesty the Queen are excluded from the relevant business areas for reporting purposes

1 Actual 16,668.9 FTE is made up of 16,644.4 FTE for police officers as per last externally reported quarter end 31 December 2022 and 24.5 FTE for police staff supernumerary.

DCC Local Policing***

- No material variances to report.

| | £m | FTE |
|-----------------------|--------------|--------------|
| Q3 Forecast | 123.9 | 2,571.8 |
| Actual | 124.0 | 2,592.2 |
| YTD variance | -0.1 | -20.4 |
| <i>FY FC v budget</i> | <i>-16.0</i> | <i>-21.8</i> |

DCC Crime & Op Support***

- No material variances to report.

| | £m | FTE |
|-----------------------|------------|-------------|
| Q3 Forecast | 43.9 | 755.7 |
| Actual | 43.9 | 758.5 |
| YTD variance | 0.0 | -2.8 |
| <i>FY FC v budget</i> | <i>4.7</i> | <i>8.6</i> |

DCC Professionalism, Digital & Transformation

- Underspends mainly relate to ICT (£0.2m) and training (£0.1m) costs.

| | £m | FTE |
|-----------------------|-------------|-------------|
| Q3 Forecast | 84.5 | 907.7 |
| Actual | 84.2 | 917.3 |
| YTD variance | 0.3 | -9.6 |
| <i>FY FC v budget</i> | <i>-3.0</i> | <i>13.2</i> |

DCO Corporate services, People & Strategy

- No material variances to report.

| | £m | FTE |
|-----------------------|-------------|-------------|
| Q3 Forecast | 90.7 | 789.5 |
| Actual | 90.8 | 790.7 |
| YTD variance | -0.1 | -1.2 |
| <i>FY FC v budget</i> | <i>-3.2</i> | <i>5.3</i> |

Corporate centre***

- Overspend mainly due to an adverse timing variance in officer injury pension costs (£0.4m).

| | £m | FTE |
|-----------------------|-------------|--------------|
| Q3 Forecast | 693.1 | 16,668.9 |
| Actual | 693.5 | 16,668.9 |
| YTD variance | -0.4 | 0.0 |
| <i>FY FC v budget</i> | <i>20.8</i> | <i>482.9</i> |

Forensics services & SPA corporate

- Forensic Services (£0.1m over) - No material variances to report.
- SPA Corporate (£0.1m over) - No material variances to report.

| | £m | FTE |
|-----------------------|-------------|-------------|
| Q3 Forecast | 37.2 | 598.2 |
| Actual | 37.4 | 605.6 |
| YTD variance | -0.2 | -7.4 |
| <i>FY FC v budget</i> | <i>0.5</i> | <i>11.4</i> |

Capital & Reform

Capital: Forecast deliverability status remains at green

Capital: Year to date under forecast by £3.3m (timing)

Capital: FY Q3 forecast £3.2m over budget (fully funded)

Reform: Forecast deliverability status remains at green

Reform: Year to date over forecast by £0.2m (timing)

Reform: FY Q3 forecast £3.7m under budget with £2.8m of funding re-directed to support capital expenditure

① DDD = Data Drives Digital

② DEPP = Digitally Enabled Policing Programme

③ EPF = Enabling Policing for the Future

④ MC&E = Modern Contact & Engagement

⑤ RJLP = Rights & Justice Legislative Programme

Capital variance by programme (£m)

| | Year to date | | | Full year | | |
|---|--------------|-------------|------------|-------------|-------------|-------------|
| | Q3 FC £m | Act £m | Var. £m | Bud £m | Q3 FC £m | Var. £m |
| Estates | 5.4 | 5.6 | -0.2 | 14.2 | 9.1 | 5.1 |
| Fleet | 9.5 | 6.5 | 3.0 | 11.2 | 16.8 | -5.6 |
| EV Infrastructure | 2.6 | 2.3 | 0.3 | 6.2 | 3.9 | 2.3 |
| Digital Division | 5.0 | 5.7 | -0.7 | 14.3 | 12.5 | 1.8 |
| SPE | 1.5 | 1.5 | 0.0 | 5.3 | 4.5 | 0.8 |
| Weaponry | 1.1 | 1.1 | 0.0 | 2.6 | 1.3 | 1.3 |
| Forensic Services | 0.2 | 0.3 | -0.1 | 1.4 | 1.0 | 0.4 |
| <i>Change: legislative & inflight</i> | | | | | | |
| CJ service programme | 0.4 | 0.4 | 0.0 | 4.5 | 0.4 | 4.1 |
| DDD ① | 1.6 | 1.5 | 0.1 | 3.0 | 2.1 | 0.9 |
| DEPP ② | 1.6 | 1.2 | 0.4 | 4.3 | 2.7 | 1.6 |
| Digital Division | 0.3 | 0.3 | 0.0 | 0.8 | 0.3 | 0.5 |
| MC&E ④ | 1.6 | 1.7 | -0.1 | 2.2 | 2.3 | -0.1 |
| Estates transformation | 2.3 | 2.1 | 0.2 | 8.4 | 4.4 | 4.0 |
| RJLP ⑤ | 0.2 | 0.3 | -0.1 | 0.4 | 0.4 | 0.0 |
| Technical surveillance | 0.3 | 0.0 | 0.3 | 1.3 | 0.7 | 0.6 |
| Policing in a digital world | 0.0 | 0.0 | 0.0 | 2.4 | 0.1 | 2.3 |
| Project weaver | 0.6 | 0.4 | 0.2 | 0.0 | 0.6 | -0.6 |
| Other | 0.0 | 0.0 | 0.0 | 0.6 | 0.1 | 0.5 |
| IFRS16 accounting adj. | 0.0 | 0.0 | 0.0 | 5.2 | 4.9 | 0.3 |
| Slippage | 0.0 | 0.0 | 0.0 | -30.5 | -7.1 | -23.4 |
| Total | 34.2 | 30.9 | 3.3 | 57.8 | 61.0 | -3.2 |
| Funding | | | | | | |
| GiA (Core) | | | | 45.5 | 45.5 | 0.0 |
| GiA (from reform) | | | | 0.0 | 2.8 | 2.8 |
| GiA (IFRS 16) | | | | 5.2 | 4.9 | -0.3 |
| GiA (other) | | | | 0.0 | 0.6 | 0.6 |
| Reform | | | | 4.6 | 4.6 | 0.0 |
| Cap receipts | | | | 2.5 | 1.0 | -1.5 |
| Other grants | | | | 0.0 | 1.6 | 1.6 |
| Total | | | | 57.8 | 61.0 | 3.2 |

Reform variance by work stream (£m)

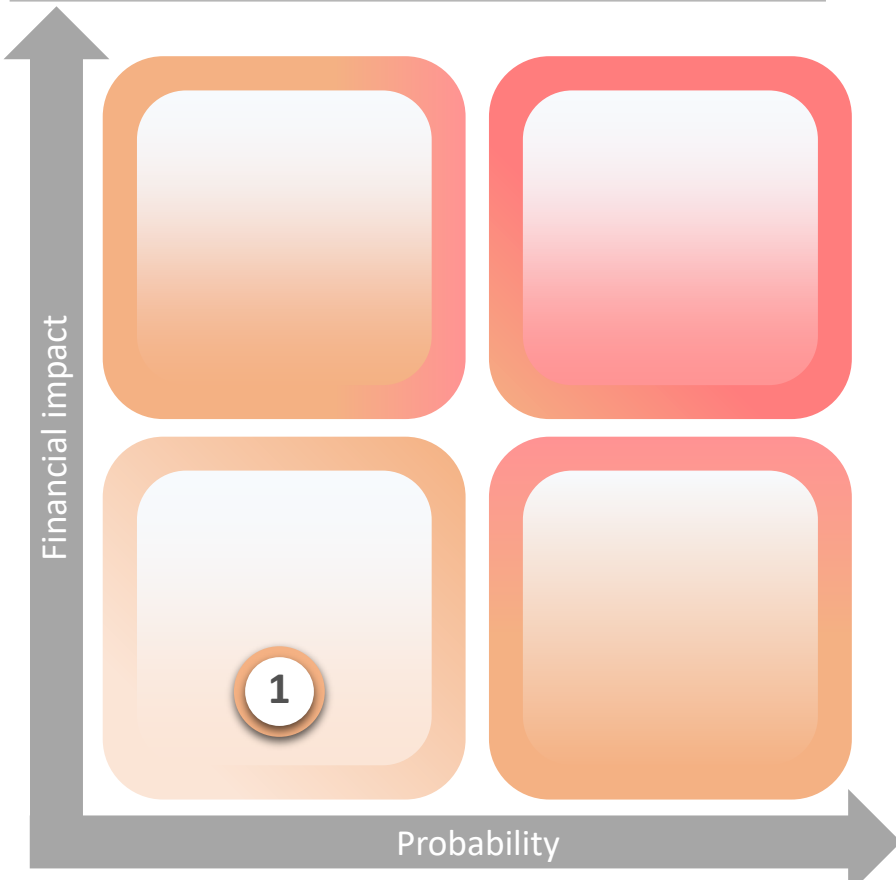
| | Year to date | | | Full year | | |
|-----------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | Q3FC £m | Act £m | Var. £m | Bud £m | Q3 FC £m | Var. £m |
| Transformation resource | 9.5 | 9.6 | -0.1 | 14.4 | 11.5 | 2.9 |
| Digital Division | 0.9 | 0.9 | 0.0 | 0.2 | 1.4 | -1.2 |
| DDD ① | 0.4 | 0.4 | 0.0 | 0.9 | 0.5 | 0.4 |
| DEPP ② | 0.7 | 0.7 | 0.0 | 0.0 | 0.7 | -0.7 |
| Policing in a digital world | 0.7 | 0.7 | 0.0 | 3.1 | 1.1 | 2.0 |
| EPF ③ (incl. change) | 0.3 | 0.3 | 0.0 | 1.5 | 0.4 | 1.1 |
| Estates transformation | 0.2 | 0.2 | 0.0 | 1.0 | 0.3 | 0.7 |
| MC&E ④ | 1.3 | 1.3 | 0.0 | 2.8 | 1.9 | 0.9 |
| P&D programme | 0.0 | 0.0 | 0.0 | 1.1 | 0.3 | 0.8 |
| RJLP ⑤ | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.6 |
| VR VER | 1.6 | 1.6 | 0.0 | 3.0 | 2.5 | 0.5 |
| Other projects | 0.5 | 0.6 | -0.1 | 2.9 | 1.2 | 1.7 |
| Slippage | 0.0 | 0.0 | 0.0 | -6.5 | -0.5 | -6.0 |
| Total | 16.1 | 16.3 | -0.2 | 25.0 | 21.3 | 3.7 |
| Funding | | | | | | |
| | | | | 25.0 | 21.3 | -3.7 |
| OFFICIAL | | | | | | |

Risk analysis

The revenue budget is carrying further risks that may materialise.

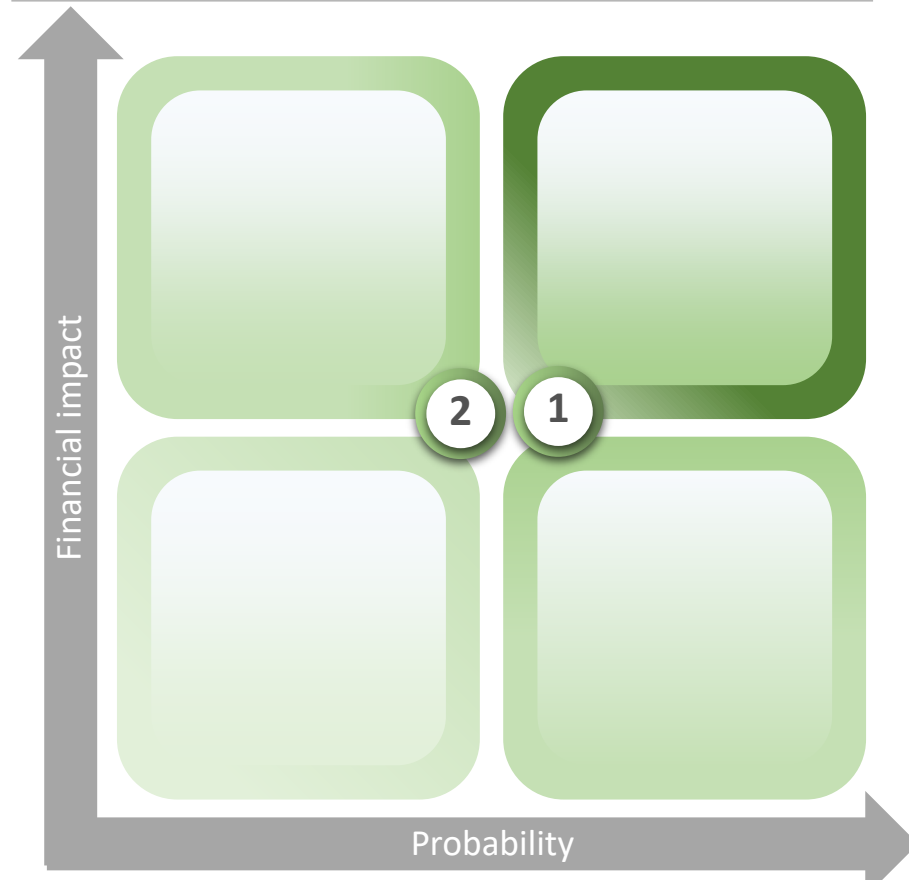
Threats and opportunities risks will continue to be monitored in the final months of the year.

Threats



- 1. Legal - potential additional unbudgeted legal costs and liability claims.

Opportunities



- 1. Annual leave - balances as at 31 March 2022 were accrued on the basis of a change in carry forward policy due to the unprecedented challenge of the Omicron COVID-19 virus. Reversion back to the original policy will result in an in-year benefit.
- 2. Re-rostered rest days (RRRDs) - current balances show a decrease against the balances accrued as at 31 March 2022. Maintenance of these balances at current levels or further reductions will result in an in-year benefit.