



Meeting	SPA Resources Committee
Date	07 February 2023
Location	Video Conference
Title of Paper	Q3 Financial Monitoring Report
Presented By	Lynn Brown, Head of Corporate Finance
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Quarter 3 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 of the financial year 2022/23.

Members are invited to discuss 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 (PSP). 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 quarter three (Q3) finance report.

Revenue

- The Q3 forecast break even position remains in line with budget.
- There are a number of significant offsetting variances that form part of the Q3 forecast, with £28.6m of cost pressures funded by underspends of £28.8m.
- The net expenditure forecast is £3.8m under revised budget mainly due to an over-recovery of income (£6.4m), net underspends as noted above (£0.2m) offset by other funded pressures (£2.8m).
- All known material threats have been built into the Q3 forecast with the additional costs offset by additional income and other favourable variances, reducing the risk of deliverability to amber (previously heading towards red). The financial position, alongside any remaining threats and opportunities, will be closely monitored in the final quarter and forecast deliverability will be reviewed as appropriate.

- The year to date actual position versus budget is underspent by £0.5m.
- 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 capital forecast at Q3 is £61.0m, £3.2m above the revised budget position of £57.8m, mainly due to additional fleet investment £5.6m offset by underspends on other capital expenditure items £2.4m.
- This forecast overspend is fully funded and primarily compensated by an agreed reallocation of funding from Revenue Reform £2.8m and other items £0.4m (net).
- The capital forecast at Q3 requires £7.1m of further slippage to be managed down over the remaining quarter of the year.
- The year to date actual position versus budget is underspent by £2.9m.

Reform

- 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 quarter of the year.
- The year to date actual position versus budget is underspent by £0.6m.

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 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

Quarter 3 2022/23



Finance dashboard

Q3 2022/23

Year to Dec 2022

Revenue

A/R	A/R	A
Oct	Nov	Q3

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

Capital

G	G	G
Oct	Nov	Q3

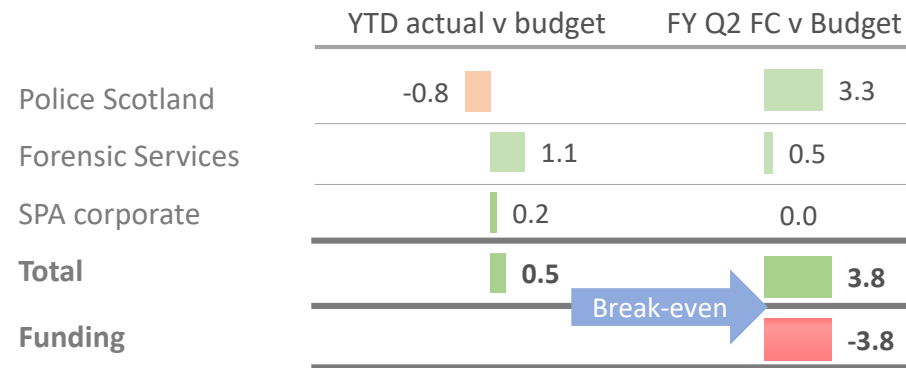
- YTD £2.9m under budget
- FY Q3 forecast £3.2m over budget (fully funded)

Reform

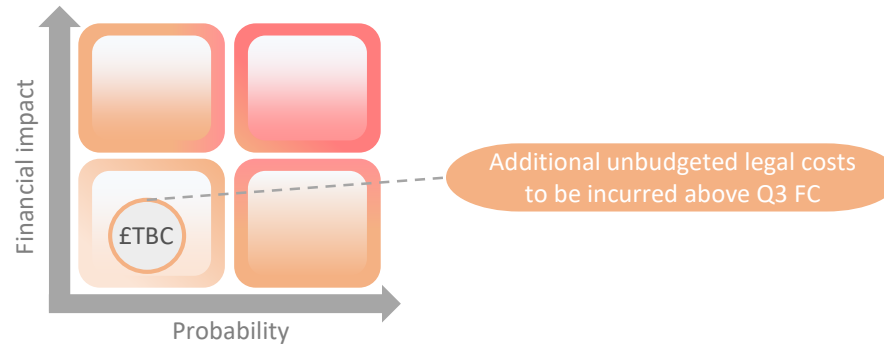
R	R	G
Oct	Nov	Q3

- YTD £0.6m under budget
- FY Q3 forecast £3.7m under budget but in line with revised funding

Revenue budget variance (£m)

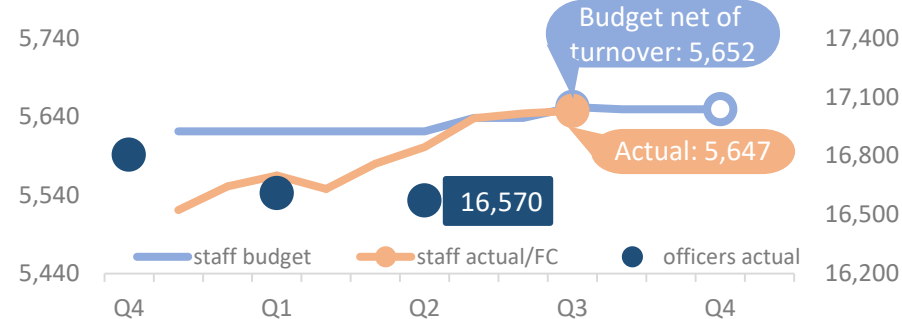


Threats

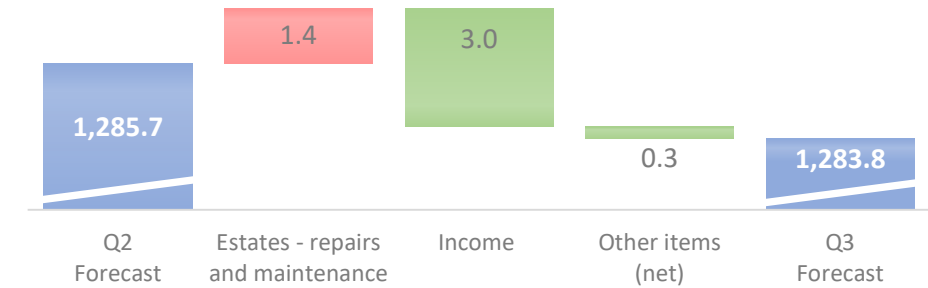


People numbers (FTE) - Revenue Budget

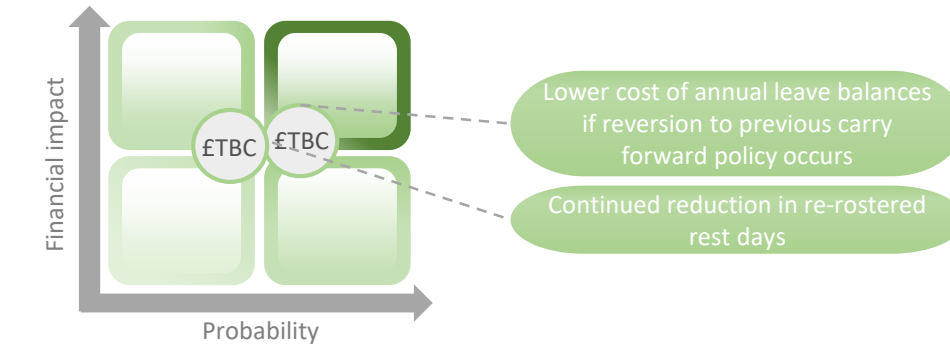
Headcount currently in line with budgeting assumptions as at P9



Revenue: FY costs decreased from Q2 FC (£1.9m)

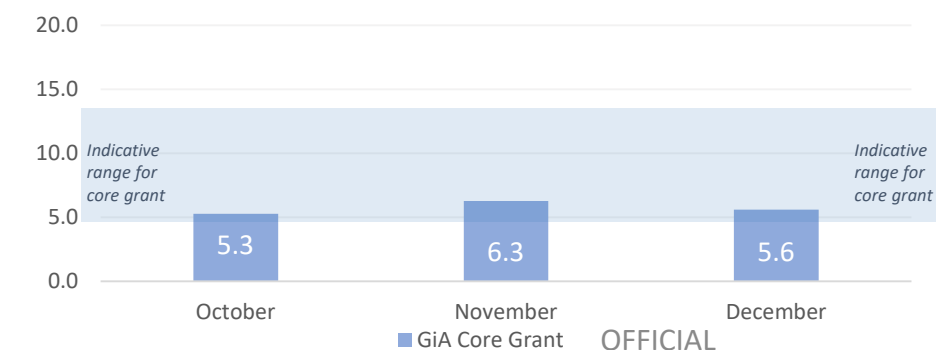


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Revenue

(service area)

Forecast deliverability status has changed to amber after completion of Q3 FC

FY break even position remains in line with budget

Q3 net expenditure forecast £3.8m under FY budget

***Excludes Operation Unicorn and Public Holiday operational costs (£15.4m) associated with the passing of Her Majesty the Queen.*

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

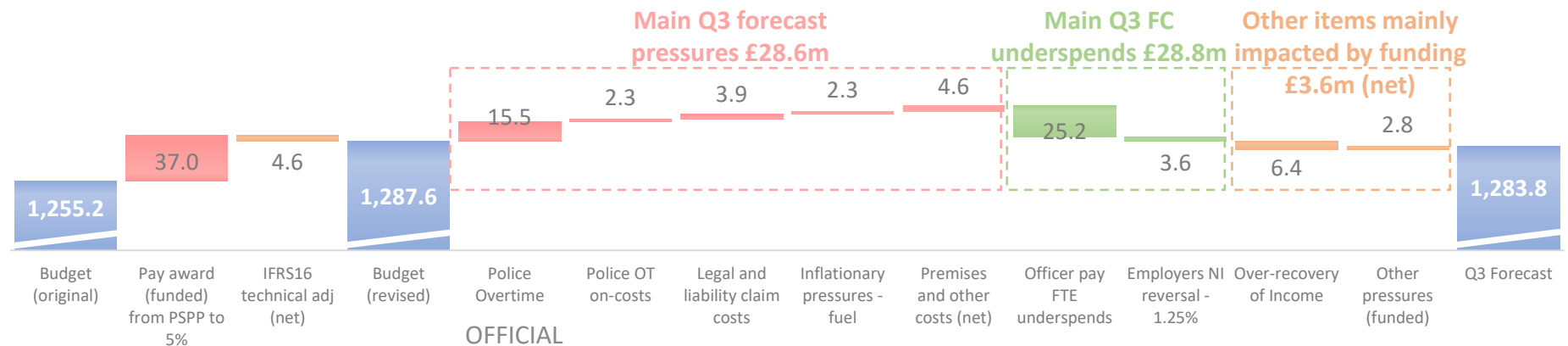
Total expenditure £3.8m under budget

- Q3 revenue break even position in line with budget.
- There are a number of significant offsetting variances (see graph below) that form part of the Q3 forecast, £28.6m of cost pressures funded by underspends £28.8m.
- Q3 net expenditure is under the revised FY budget by £3.8m due mainly to an over-recovery of income (£6.4m), net underspends from above (£0.2m) offset by other funded pressures (£2.8m).
- All known material threats have been built into the Q3 forecast with the additional costs offset by additional income and other favourable variances, reducing the risk of deliverability to amber (previously heading towards red). The financial position, alongside any remaining threats and opportunities, will be closely monitored in the final quarter 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.

Detailed revenue variance (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q3 FC £m	Var. £m
Police Scotland	931.7	932.5	-0.8	1,241.1	1,237.8	3.3
Forensic Services	30.8	29.7	1.1	41.7	41.2	0.5
SPA Corporate	3.6	3.4	0.2	4.8	4.8	0.0
Total	966.1	965.6	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**						
	0.0	14.9	-14.9	0.0	15.4	-15.4

Detailed budget to FY Q3 forecast (£m)



Revenue

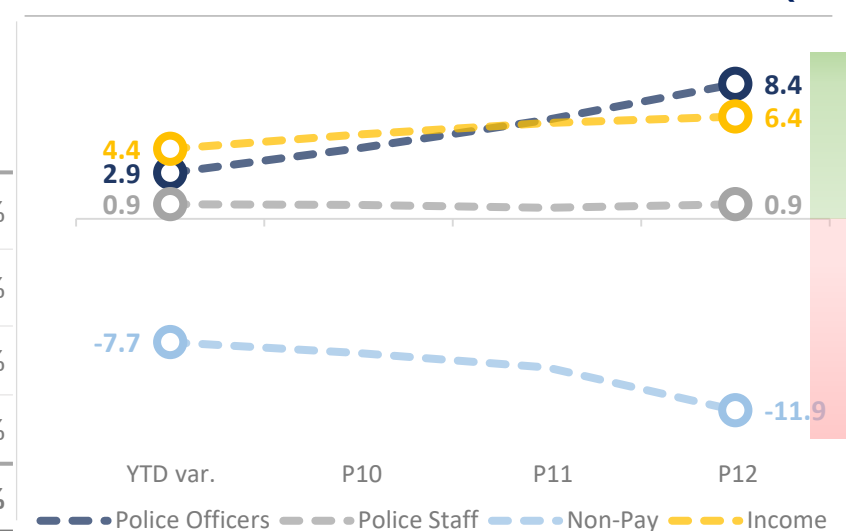
(spend type)

Excludes Operation Unicorn and Public Holiday operational costs (£15.4m) associated with the passing of Her Majesty the Queen.

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

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q3 FC £m	Var. £m	%
Police officers	656.9	654.0	+2.9	+0.4%	876.8	868.4	+8.4	+1.0%
Police staff	206.7	205.8	+0.9	+0.4%	276.1	275.2	+0.9	+0.3%
Non-pay	131.4	139.1	-7.7	-5.9%	173.0	184.9	-11.9	-6.9%
Income	-28.9	-33.3	+4.4	+15.2%	-38.3	-44.7	+6.4	+16.7%
Total	966.1	965.6	+0.5	+0.1%	1,287.6	1,283.8	+3.8	+0.3%

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



Pay

- Police officers - the full year position relates to underspend in police officer pay costs (£25.2m) as FTE is expected to be on average 469 below budget assumptions, savings arising from 1.25% employers NI reversal (£2.9m) offset by overspends in core (£10.8m) and non-core (£4.7m) overtime together with associated on-costs (£2.3m); and officer pension costs (£1.9m).
- Police staff - the full year position relates to underspend on staff pay costs (£1.5m), savings arising from 1.25% employers NI reversal (£0.7m), and capitalisation of fleet staff costs (£0.5m) offset by overspends on overtime (£1.8m).

Non-pay

- Legal and liability claims - (£3.9m over).
- Transport costs (£3.5m over) - overspend mainly as a result of higher fuel prices above budgeted assumptions used (£2.3m) and other items (£1.2m).
- Premises costs (£3.0m over) - overspends on estate repairs & maintenance (£1.6m), utilities (£0.9m) due to inflationary pressures, cleaning & waste management (£0.9m) offset by other premises costs (£0.4m).
- Other non-pay costs - (£1.5m over).

Income

- The forecast from divisions anticipates an over-recovery of income (£10.4m) mainly due to airport income (£2.8m) above budgeting assumptions, increases in mutual aid (£3.5m), services of police (£1.7m), specific grant funding (£1.3m), seconded officers (£0.9m) and other income (£0.2m) offset by a central income challenge of £4.0m.
- One-off additional Grant-in-Aid funding (£4.6m) was budgeted to support lost income as a result of COVID. This funding is no longer forecast due to the over-recovery of income outlined above.

Revenue

(further business area detail)

***Operation Unicorn and Public Holiday operational costs (£15.4m) associated with the passing of Her Majesty the Queen are excluded from the relevant business areas for reporting purposes.

DCC Local Policing***

- Overspends in officers core overtime (£12.2m) and non-core overtime (£2.4m); police staff pay costs (£1.1m) and police staff overtime (£1.4m); transport costs due to increased fuel prices (£1.6m) and casual car user costs (£0.4m); and other items net (£0.1m) offset by underspends in supplies & services (£0.9m) and over-recovery of income (£2.3m).

	£m	FTE
Budget	133.0	2,570.3
Q3 Forecast	149.0	2,592.1
FY variance	-16.0	-21.8
<i>YTD variance</i>	<i>-11.8</i>	<i>-28.7</i>

DCO Corporate services, People & Strategy

- Overspends in estate costs for repairs & maintenance (£1.4m), utilities (£0.9m) due to inflationary pressures, cleaning & waste management (£0.8m) and other premises costs (£0.4m); increase in ill-health pensions (£1.2m) and other items net (£0.1m) offset by over-recovery of income for secondments (£0.6m) and underspend in police staff costs (£1.0m).

	£m	FTE
Budget	106.3	781.2
Q3 Forecast	109.5	775.9
FY variance	-3.2	5.3
<i>YTD variance</i>	<i>-2.7</i>	<i>16.8</i>

DCC Crime & Op Support***

- Over-recovery of airport income (£2.8m), mutual aid (£3.5m) and other income (£1.4m); underspends in police staff costs (£0.5m) and other items net (£1.0m) offset by overspends in officers non-core overtime (£2.3m) and core overtime (£0.8m); and transport costs (£1.1m) mainly due to increased fuel prices.

	£m	FTE
Budget	58.1	744.7
Q3 Forecast	53.1	736.1
FY variance	5.0	8.6
<i>YTD variance</i>	<i>4.0</i>	<i>15.1</i>

Corporate centre***

- Police officer costs (£25.8 under) - Pay costs (£25.2m) as FTE is expected to be on average 469 below budget assumptions, savings from 1.25% employers NI reversal (£2.9m) offset by on-costs (£2.3m) associated with increased OT costs.
- Other items (£5.2m over) - all central income and cost challenges now unwound (£4.0m) and other pressures (£1.2m).

	£m	FTE
Budget	845.0	17,272.4
Q3 Forecast	824.4	16,789.5
FY variance	20.6	482.9
<i>YTD variance</i>	<i>11.9</i>	<i>420.9</i>

OFFICIAL

DCC Professionalism, Digital & Transformation

- Overspend in legal costs and liability claims (£3.9m net) and other items (£0.5m) offset by underspend in police staff costs (£1.3m).

	£m	FTE
Budget	98.7	901.6
Q3 Forecast	101.8	888.4
FY variance	-3.1	13.2
<i>YTD variance</i>	<i>-2.2</i>	<i>14.3</i>

Forensics services & SPA corporate

- Forensic Services (£0.5m under) – Underspend in staff costs (£0.8m) and other non-pay costs (£0.1m) offset by increase in outsourced drug driving costs (£0.4m).
- SPA Corporate (in line with budget).

	£m	FTE
Budget	46.5	597.6
Q3 Forecast	46.0	586.2
FY variance	0.5	11.4
<i>YTD variance</i>	<i>1.3</i>	<i>8.6</i>

Capital

Forecast deliverability status remains at green

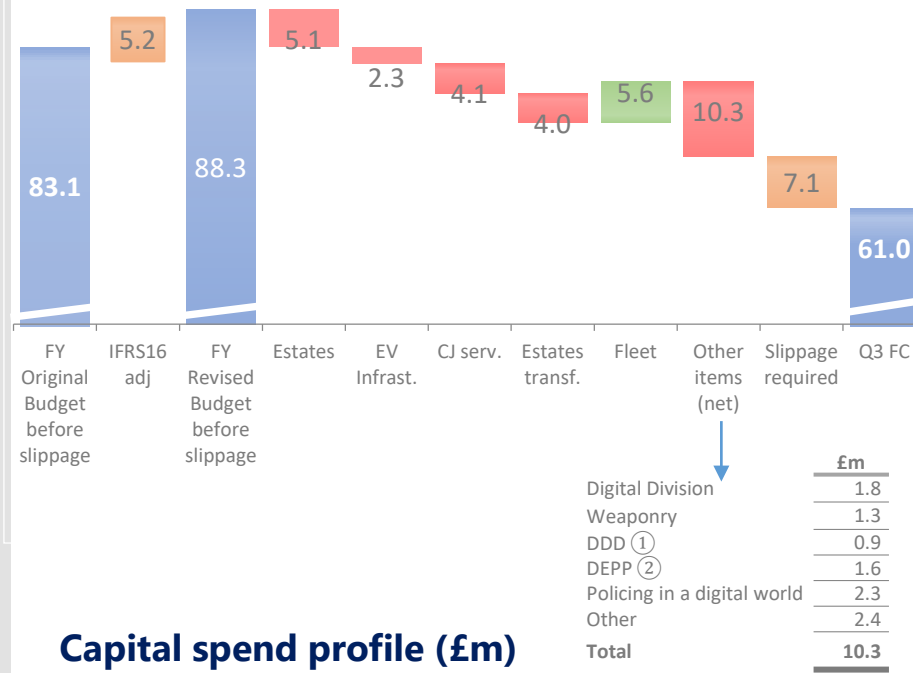
Year to date under budget by £2.9m

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

- Additional capex costs for fleet investment to be funded by reallocation of Revenue Reform £2.8m
- Other items £0.4m net

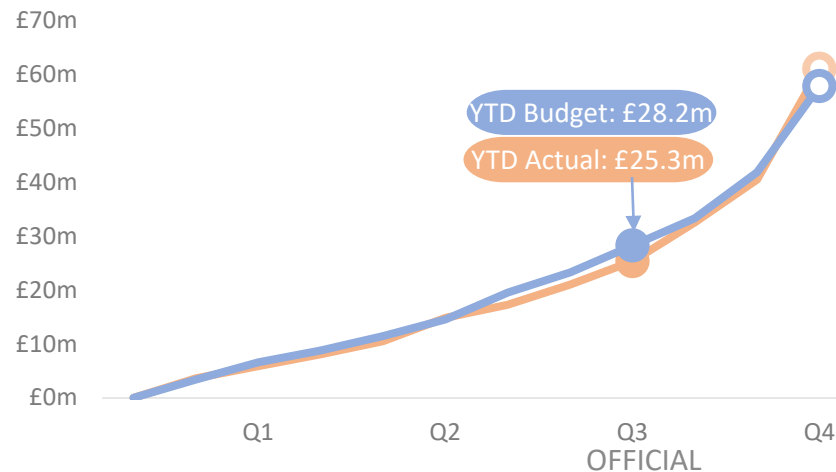
FY forecast requires £7.1m slippage

Forecast: movement budget to Q3 (£m)



Capital spend profile (£m)

Actual YTD spend running behind budget at P9



Capital variance by programme (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q3 FC £m	Var. £m
Estates	8.7	4.1	4.6	14.2	9.1	5.1
Fleet	5.7	6.4	-0.7	11.2	16.8	-5.6
EV Infrastructure	4.3	2.1	2.2	6.2	3.9	2.3
Digital Division	4.8	3.3	1.5	14.3	12.5	1.8
SPE	2.3	1.1	1.2	5.3	4.5	0.8
Weaponry	1.8	1.0	0.8	2.6	1.3	1.3
Forensics	0.6	0.2	0.4	1.4	1.0	0.4
<i>Change: legislative & inflight</i>						
CJ service programme	1.5	0.4	1.1	4.5	0.4	4.1
DDD ①	2.2	1.5	0.7	3.0	2.1	0.9
DEPP ②	3.1	1.1	2.0	4.3	2.7	1.6
Digital Division	0.6	0.3	0.3	0.8	0.3	0.5
MC&E ③	1.8	1.5	0.3	2.2	2.3	-0.1
Estates transformation	3.9	1.8	2.1	8.4	4.4	4.0
RJLP ④	0.3	0.2	0.1	0.4	0.4	0.0
Technical surveillance	0.6	0.0	0.6	1.3	0.7	0.6
Policing in a digital world	0.1	0.0	0.1	2.4	0.1	2.3
Project weaver	0.0	0.3	-0.3	0.0	0.6	-0.6
Other	0.2	0.0	0.2	0.6	0.1	0.5
IFRS16 accounting adj.	0.0	0.0	0.0	5.2	4.9	0.3
Slippage	-14.3	0.0	-14.3	-30.5	-7.1	-23.4
Total	28.2	25.3	2.9	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

① DDD = Data Drives Digital

② DEPP = Digitally Enabled Policing Programme

③ MC&E = Modern Contact & Engagement

④ RJLP = Rights & Justice Legislative Programme

Reform

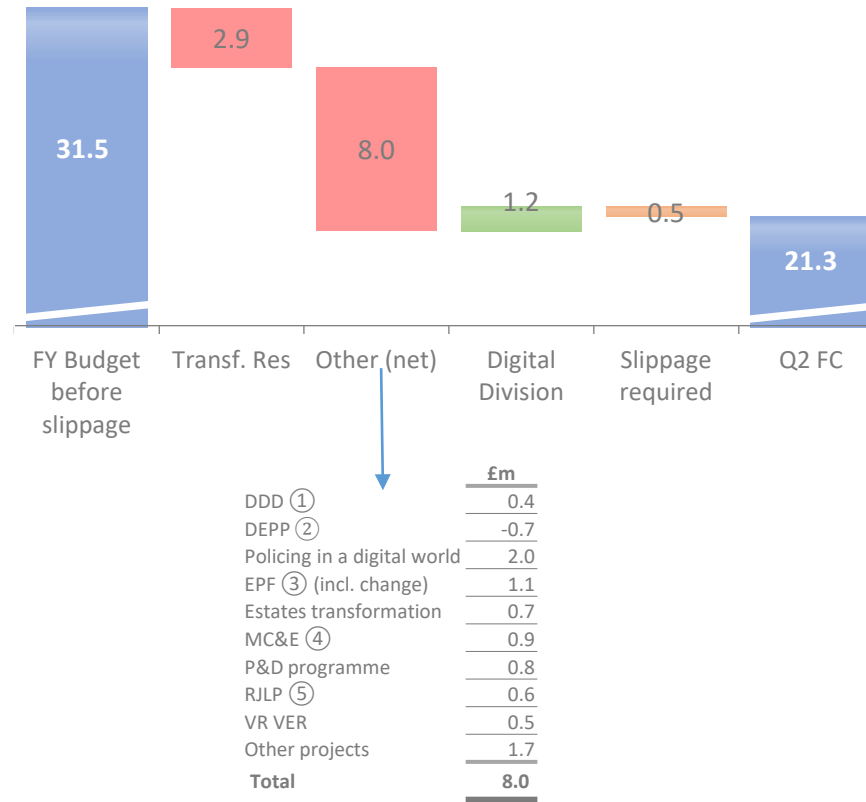
Forecast deliverability status has changed to green

Year to date under budget by £0.6m

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

FY forecast requires slippage of £0.5m

Forecast: movement budget to Q3 (£m)



Reform variance by work stream (£m)

	Year to date			Full year		
	Bud £m	Act £m	Var. £m	Bud £m	Q3 FC £m	Var. £m
Transformation resource	9.9	8.6	1.3	14.4	11.5	2.9
Digital Division	0.1	0.9	-0.8	0.2	1.4	-1.2
DDD ①	0.6	0.4	0.2	0.9	0.5	0.4
DEPP ②	0.0	0.7	-0.7	0.0	0.7	-0.7
Policing in a digital world	0.8	0.7	0.1	3.1	1.1	2.0
EPF ③ (incl. change)	0.8	0.4	0.4	1.5	0.4	1.1
Estates transformation	0.5	0.1	0.4	1.0	0.3	0.7
MC&E ④	2.0	1.0	1.0	2.8	1.9	0.9
P&D programme	0.8	0.0	0.8	1.1	0.3	0.8
RJLP ⑤	0.0	0.0	0.0	0.6	0.0	0.6
VR VER	1.3	1.4	-0.1	3.0	2.5	0.5
Other projects	1.7	0.4	1.3	2.9	1.2	1.7
Slippage	-3.3	0.0	-3.3	-6.5	-0.5	-6.0
Total	15.2	14.6	0.6	25.0	21.3	3.7
Funding				25.0	21.3	-3.7

① DDD = Data Drives Digital

② DEPP = Digitally Enabled Policing Programme

③ EPF = Enabling Policing for the Future

④ MC&E = Modern Contact & Engagement

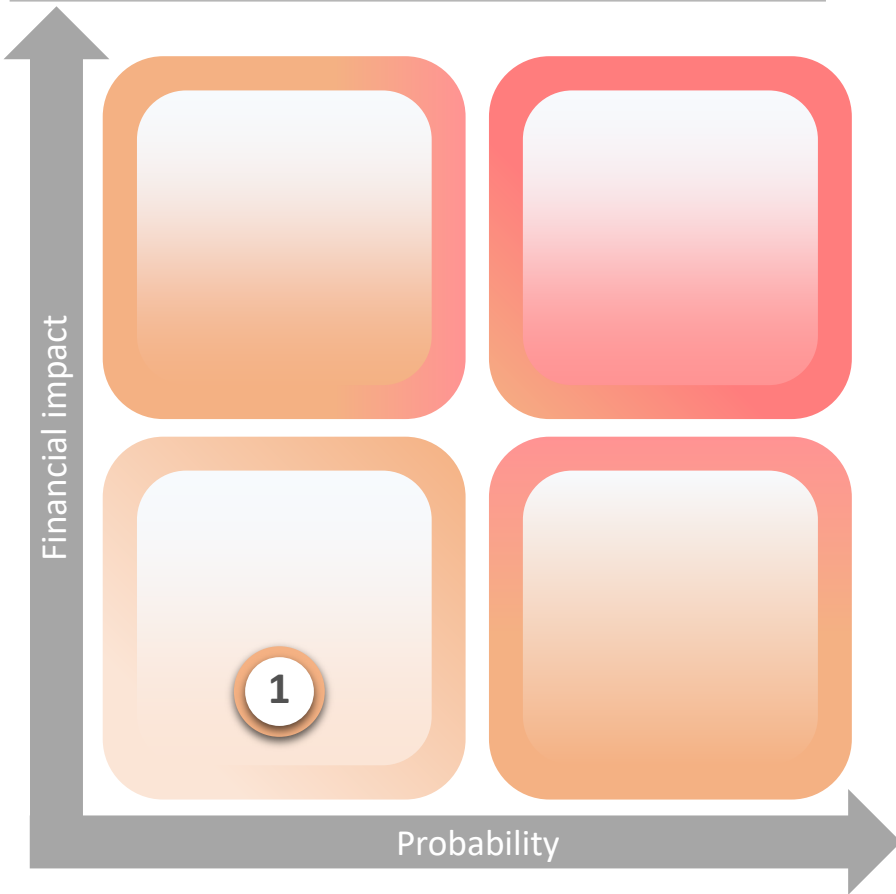
⑤ RJLP = Rights & Justice Legislative Programme

Risk analysis

The revenue budget is carrying further risks that may materialise.

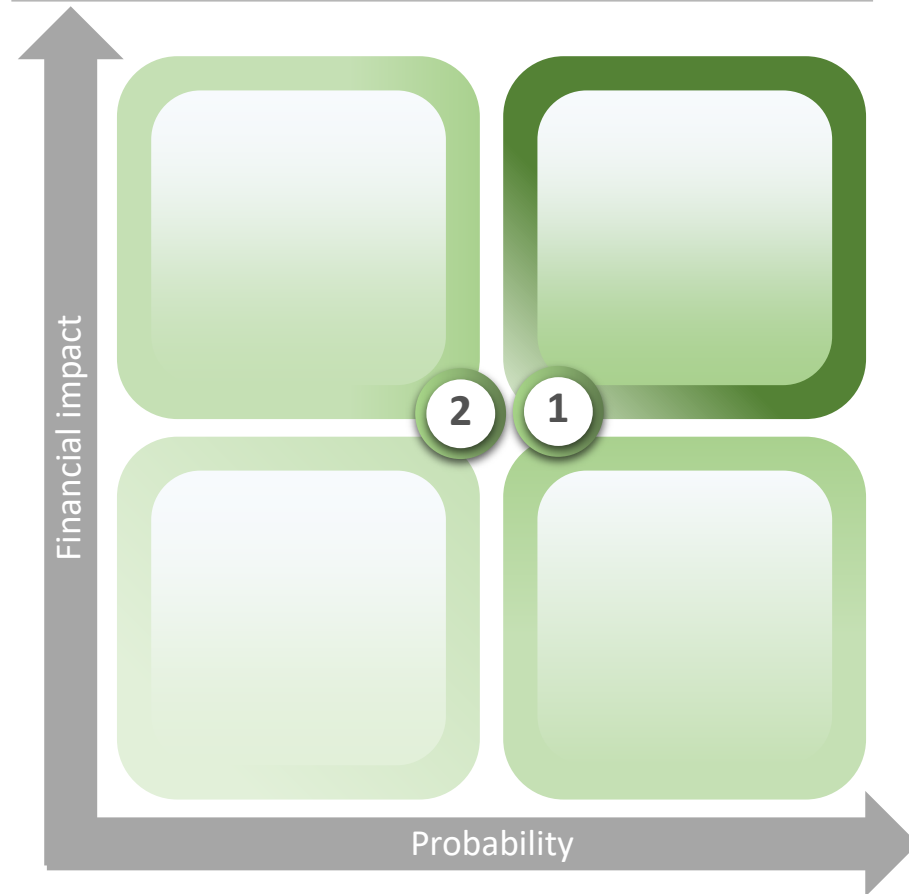
Threats and opportunities risks will continue to be monitored in the final quarter of the year.

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.