



Meeting	SPA Resources Committee
Date	15 December 2022
Location	Video Conference
Title of Paper	Period 7 Financial Monitoring Report
Presented By	Lynn Brown, Head of Corporate Finance
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Period 7 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 7 of the financial year 2022/23.

Members are invited to discuss the contents of this paper.

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 includes £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 have been proposed as flat cash for 2022-23. Given the current impact of inflation, this represents 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 continues to provide reform funding of £25m to support change and the transformation of policing.
- 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 are working closely with the business to ensure that material spend decisions are documented as appropriate. As a result reform spend has been delayed as part of this process.
- 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 7 (P7) finance report.

Revenue

- The Q2 forecast break even position remains in line with budget. The revenue position at P7 is a year-to-date underspend against the quarter two (Q2) forecast of £0.3m, due mainly to timing variances.
- The Scottish Government (SG) have an objective to find savings to meet increased costs of public sector pay, while balancing public finances. SG have therefore requested the Police Authority (PA) to return £5.0m of funding. The PA have proposed the return of funding through a combination of all remaining COVID related non-recurring funding £3.8m, reduction in reform resource expenditure £0.9m and capitalisation of revenue budget costs £0.3m. This proposal is subject to finalisation through the Spring Budget Revision (SBR).
- This will require the PA to identify (£5.0m) savings or one-off underspends as part of the Q3 forecast. The Chief Constable recognises the pressure on SG and has agreed to the proposal accepting that it increases the risk profile of delivery.

- The proposal is on the basis that there is no further reductions in original budget funding, all SBR transfers are in line with expectations and that estimated operational costs associated with the passing of Her Majesty the Queen (HMTQ) are also fully funded.
- The reduction in funding increases the challenge of delivering a break-even position against budget and forecast. In addition to the above, a number of threats and opportunities are being monitored, some of which may crystallise in the Q3 forecast.
- The year to date actual position versus budget is an overspend of £0.3m.

Capital

- The year to date capital spend at P7 is under forecast by £1.1m due mainly to timing/slippage variances.
- As previously reported the capital forecast at Q2 is £61.4m, £3.6m 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, capital grants receivable £1.1m offset by a reduction in expected capital receipts £0.3m.
- The capital forecast at Q2 requires £16.7m of further slippage to be managed down over the remaining part of the year.
- The year to date actual position versus budget is an underspend of £2.2m.

Reform

- The year to date reform spend at P7 is over forecast by £0.6m due mainly to timing/slippage variances.
- As previously reported, the reform forecast at Q2 of £22.2m is £2.8m under budget with funding re-directed to support capital expenditure investment.
- The reform forecast at Q2 requires £3.1m of further slippage to be managed down over the remaining part of the year.

- As mentioned above, as part of the requirement to return funding to SG, a further reduction in reform resource expenditure £0.9m is proposed. This will be identified as part of the Q3 forecast.
- The year to date actual position versus budget is an overspend of £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 asked to note and 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

Period 7 2022/23



Finance dashboard

Period 7 2022/23
Year to Oct 2022

Revenue

A/R	A	A/R
Aug	Sep	Oct

- YTD £0.3m under forecast
- FY Q2 FC break even position in line with budget / funding

Capital

G	G	G
Aug	Sep	Oct

- YTD £1.1m under forecast
- FY Q2 forecast £3.6m over budget (fully funded)

Reform

R	R	R
Aug	Sep	Oct

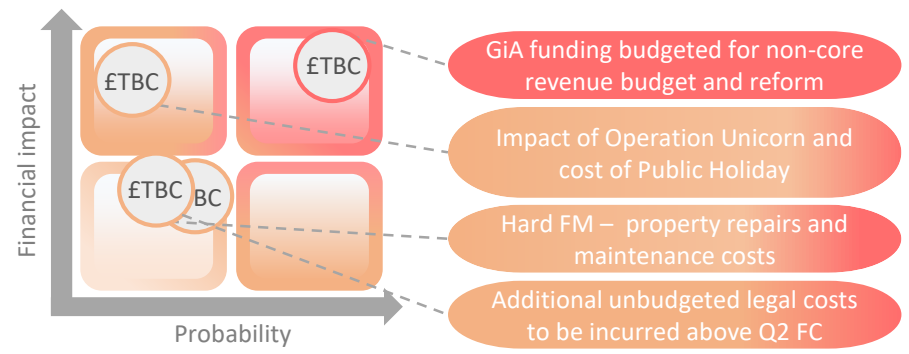
- YTD £0.6m over forecast
- FY Q2 forecast £2.8m under budget (in line with funding)

Revenue budget variance (£m)

	YTD actual v Q2 FC	FY Q2 FC v Budget
Police Scotland	0.1	1.7
Forensic Services	0.0	0.2
SPA corporate	0.2	0.0
Total	0.3	1.9
Funding		-1.9

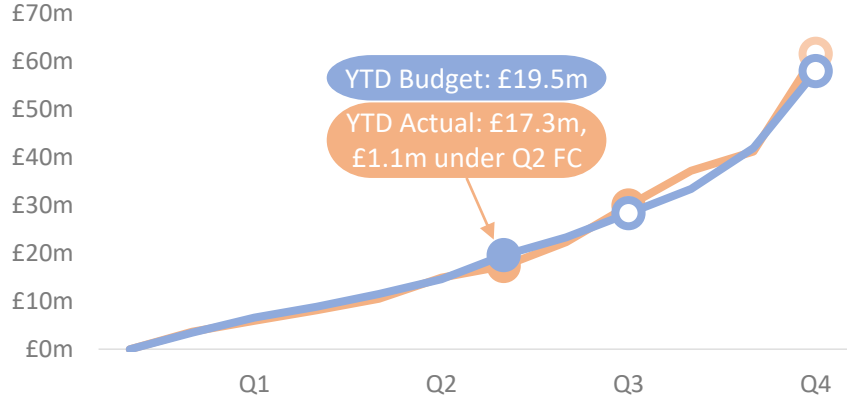
Break-even arrow pointing from Total 0.3 to Funding -1.9

Threats



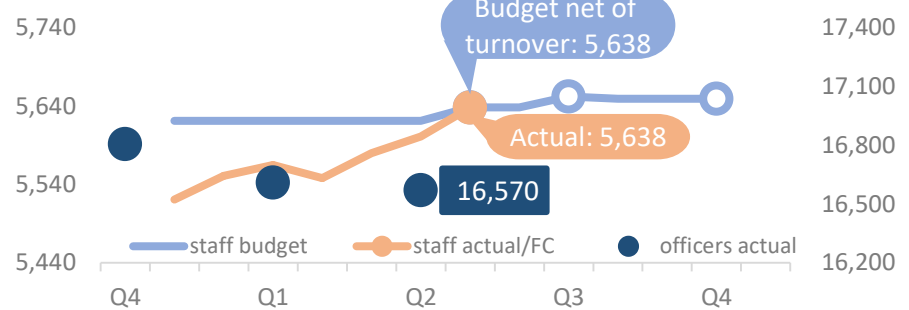
Capital spend profile (£m)

Actual YTD spend running under budget and Q2 FC

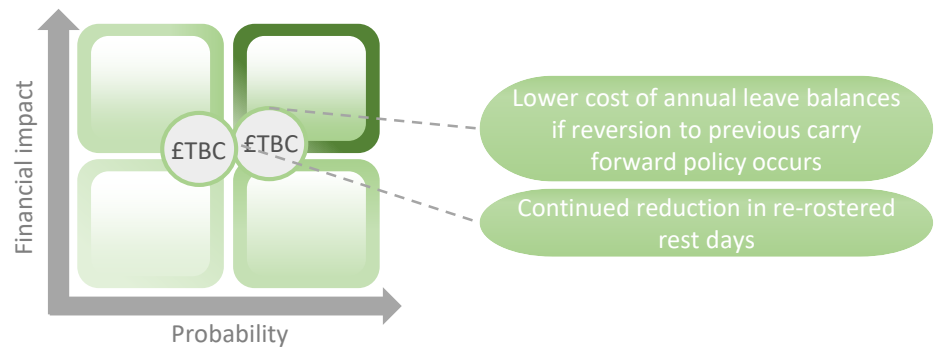


People numbers (FTE) - Revenue Budget

Headcount currently in line with budgeting assumptions as at P7

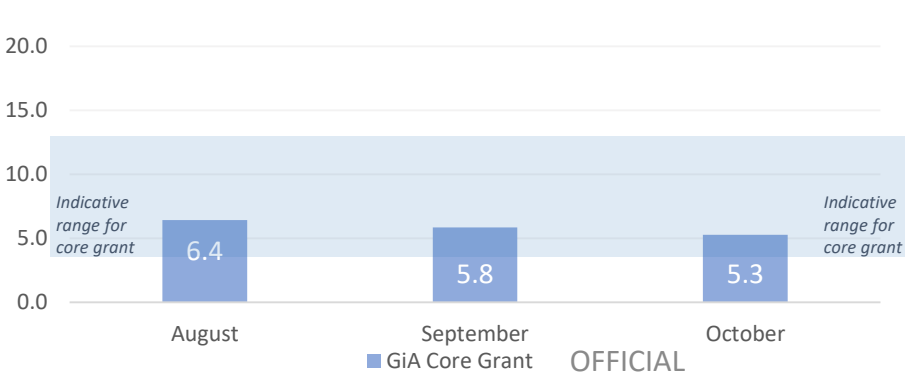


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Revenue

(service area)

Budget / Forecast deliverability status is heading from amber to red

Year to date under forecast by £0.3m

Q2 net expenditure forecast £1.9m under FY budget

***Excludes Public Holiday, Operation Unicorn and Operation London Bridge year to date actual costs (£13.1m) and full year estimated costs (£15.4m) associated with the passing of Her Majesty the Queen.*

SG GiA funding £1.9m (net movement):

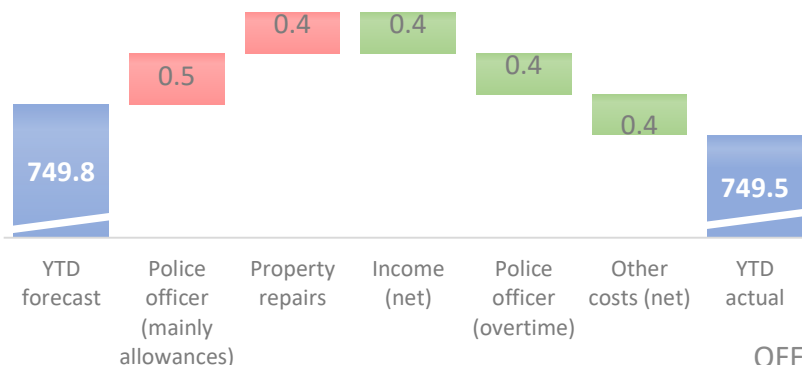
- Budgeted COVID recovery funding £2.8m and offset by
- other GiA funding £0.9m expected through ABR/SBR transfers

FY break even position therefore remains in line with budget

Total expenditure £0.3m under forecast

- Due mainly to timing variances.
- The Scottish Government (SG) have an objective to find savings to meet increased costs of public sector pay, while balancing public finances.
- SG have therefore requested the Police Authority (PA) to return £5.0m of funding. The PA have proposed the return of funding through a combination of all remaining COVID related non-recurring funding £3.8m, reduction in reform resource expenditure £0.9m and capitalisation of revenue budget costs £0.3m. This proposal is subject to finalisation through the Spring Budget Revision (SBR).
- This will require the PA to identify (£5.0m) savings or one-off underspends as part of the Q3 forecast. The Chief Constable recognises the pressure on SG and has agreed to the proposal accepting that it increases the risk profile of delivery.
- The proposal is on the basis that there is no further reductions in original budget funding, all SBR transfers are in line with expectations and that estimated operational costs associated with the passing of Her Majesty the Queen (HMTQ) are also fully funded.
- The reduction in funding increases the challenge of delivering a break-even position against budget and forecast, signalling a change in deliverability status from amber to amber/red.
- In addition to the above, a number of threats and opportunities are being monitored, some of which may crystallise in the Q3 forecast.

YTD actual v Q2 forecast (£m)

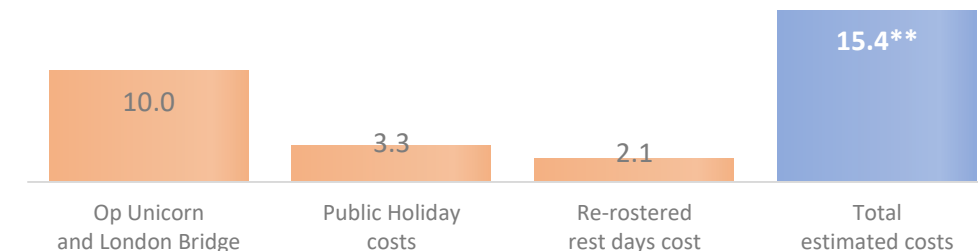


Detailed revenue variance (£m)

	Year to date			Full year		
	Q2 FC £m	Actual £m	Var. £m	Bud £m	Q2 FC £m	Var. £m
Police Scotland	724.2	724.1	0.1	1,241.1	1,239.4	1.7
Forensic Services	22.7	22.7	0.0	41.7	41.5	0.2
SPA Corporate	2.9	2.7	0.2	4.8	4.8	0.0
Total	749.8	749.5	0.3	1,287.6	1,285.7	1.9
Funding						
GIA - core				1,278.2	1,278.2	0.0
GiA - additional				9.4	7.5	1.9
Total				1,287.6	1,285.7	1.9
Est. costs assoc. with passing of HMTQ**						
	14.0	13.1	0.9	0.0	15.4	-15.4

Revised FY estimated costs assoc. with passing of HMTQ (£m)

It is assumed that the costs below will be fully funded



*** Above estimated costs do not yet include the full recovery of Resource costs*

Revenue

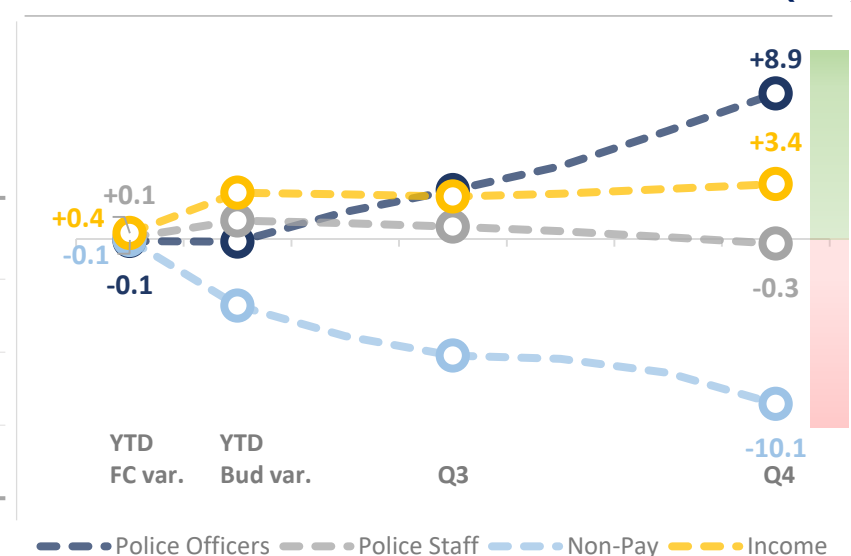
(spend type)

Excludes Public Holiday, Operation Unicorn and Operation London Bridge year to date actual costs (£13.1m) and full year estimated costs (£15.4m) associated with the passing of Her Majesty the Queen.

Revenue variance by spend type - actual v Q2 FC (£m)

	Year to date				Full year			
	Q2 FC £m	Act £m	Var. £m	%	Bud £m	Q2 FC £m	Var. £m	%
Police officers	509.5	509.6	-0.1	-0.0%	876.8	867.9	+8.9	+1.0%
Police staff	159.6	159.5	+0.1	+0.1%	276.1	276.4	-0.3	-0.1%
Non-pay	105.5	105.6	-0.1	-0.1%	173.0	183.1	-10.1	-5.8%
Income	-24.8	-25.2	+0.4	+1.6%	-38.3	-41.7	+3.4	+8.9%
Total	749.8	749.5	+0.3	+0.0%	1,287.6	1,285.7	+1.9	+0.1%

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



Pay

- Police officers - forecast overspend relates to officer allowances not yet coded to Op Unicorn and Op London Bridge (£0.3m) and other officer pay costs (£0.2m) offset by underspend in core overtime (£0.4m).
- Police staff - forecast underspend relates to staff overtime (£0.1m).

Non-pay

- Primarily relates to overspends on property repairs and maintenance (£0.4m) offset by underspends in training costs (£0.1m) and supplies & services (£0.2m).

Income

- Mainly favourable timing variances in respect of over-recovery of mutual aid income (£0.4m), over recognition of rental income (£0.2m) and other income (£0.5m) offset by an adverse timing variance in not correctly recognising Modern Apprenticeship income (£0.7m) in the period that it relates to.

Revenue

(further business area detail)

Where YTD FC variances exist, these are being monitored and may crystallise in the Q3 forecast

***Public Holiday, Operation Unicorn and Operation London Bridge year to date actual costs (£13.1m) and full year estimated costs (£15.4m) associated with the passing of Her Majesty the Queen are excluded from the relevant business areas for reporting purposes.

1 Actual 16,593.2 FTE is made up of 16,570.3 FTE for police officers as per last externally reported quarter end 30 September 2022 and 22.9 FTE for police staff supernumerary.

DCC Local Policing***

- Underspend in officers core overtime (£0.5m), police staff pay costs (£0.2m) and over-recovery of income (£0.2m).

	£m	FTE
Q2 Forecast	86.8	2,618.4
Actual	85.9	2,635.2
YTD variance	0.9	-16.8
<i>FY FC v budget</i>	<i>-19.0</i>	<i>-38.4</i>

DCO Corporate services, People & Strategy

- Overspends in property repairs and maintenance (£0.4m) offset by underspend in police staff costs (£0.1m) and over-recovery of income (£0.1m).

	£m	FTE
Q2 Forecast	61.3	768.9
Actual	61.5	779.2
YTD variance	-0.2	-10.3
<i>FY FC v budget</i>	<i>-1.2</i>	<i>14.5</i>

DCC Crime & Op Support***

- Over-recovery of mutual aid income (£0.4m), underspends in third party payments (£0.2m) and police staff costs (£0.1m).

	£m	FTE
Q2 Forecast	31.4	726.0
Actual	30.7	725.2
YTD variance	0.7	0.8
<i>FY FC v budget</i>	<i>3.9</i>	<i>20.9</i>

Corporate centre***

- Police officer costs (£0.5m over) - Allowances not yet allocated to Op Unicorn and Op London Bridge (£0.3m) and other pay costs (£0.2m).
- Other costs (£0.8m over) - mainly due to an adverse timing variance in not correctly recognising Modern Apprenticeship income in the period that it relates to.

	£m	FTE
Q2 Forecast	487.4	16,594.2
Actual	488.7	16,593.2
YTD variance	-1.3	1.0
<i>FY FC v budget</i>	<i>20.6</i>	<i>477.0</i>

DCC Professionalism, Digital & Transformation

- No material variances to report

	£m	FTE
Q2 Forecast	57.3	886.1
Actual	57.3	895.6
YTD variance	0.0	-9.5
<i>FY FC v budget</i>	<i>-2.6</i>	<i>23.3</i>

Forensics services & SPA corporate

- Forensic Services - No material variances to report.
- SPA Corporate (£0.2m under) – mainly due to favourable timing variance in over recognition of rental income in the period.

	£m	FTE
Q2 Forecast	25.6	577.3
Actual	25.4	579.9
YTD variance	0.2	-2.6
<i>FY FC v budget</i>	<i>0.2</i>	<i>-9.2</i>

Capital & Reform

Capital: Forecast deliverability status remains at green

Capital: Year to date under forecast by £1.1m (timing)

Capital: FY Q forecast £3.6m over budget (fully funded)

Reform: Forecast deliverability status remains at red

Reform: Year to date over forecast by £0.6m (timing)

Reform: FY Q2 forecast £2.8m under budget with 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		
	Q2 FC £m	Act £m	Var. £m	Bud £m	Q2 FC £m	Var. £m
Estates	3.0	2.9	0.1	14.2	12.6	1.6
Fleet	5.1	4.4	0.7	11.2	16.1	-4.9
EV Infrastructure	0.6	0.6	0.0	6.2	2.8	3.4
Digital Division	2.3	2.3	0.0	14.3	14.3	0.0
SPE	0.9	0.7	0.2	5.3	5.3	0.0
Weaponry	0.9	0.9	0.0	2.6	1.5	1.1
Forensic Services	0.1	0.1	0.0	1.4	1.2	0.2
<i>Change: legislative & inflight</i>						
CJ service programme	0.3	0.4	-0.1	4.5	0.8	3.7
DDD ①	1.1	1.0	0.1	3.0	2.8	0.2
DEPP ②	1.0	1.0	0.0	4.3	3.0	1.3
Digital Division	0.2	0.2	0.0	0.8	0.5	0.3
MC&E ③	1.1	1.1	0.0	2.2	2.6	-0.4
Estates transformation	1.3	1.2	0.1	8.4	4.7	3.7
RJLP ④	0.1	0.1	0.0	0.4	0.7	-0.3
Technical surveillance	0.0	0.0	0.0	1.3	0.9	0.4
Policing in a digital world	0.0	0.0	0.0	2.4	2.4	0.0
Project weaver	0.4	0.4	0.0	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	5.2	0.0
Slippage	0.0	0.0	0.0	-30.5	-16.7	-13.8
Total	18.4	17.3	1.1	57.8	61.4	-3.6
Funding						
GiA (Core)				45.5	45.5	0.0
GiA (from reform)				0.0	2.8	2.8
GiA (IFRS 16)				5.2	5.2	0.0
Reform				4.6	4.6	0.0
Cap receipts				2.5	2.2	-0.3
Other grants				0.0	1.1	1.1
Total				57.8	61.4	3.6

Reform variance by work stream (£m)

	Year to date			Full year		
	Q2FC £m	Act £m	Var. £m	Bud £m	Q2 FC £m	Var. £m
Transformation resource	6.2	6.7	-0.5	14.4	11.1	3.3
Digital Division	0.5	0.5	0.0	0.2	1.5	-1.3
DDD ①	0.2	0.3	-0.1	0.9	1.0	-0.1
DEPP ②	0.5	0.5	0.0	0.0	0.5	-0.5
Policing in a digital world	0.9	0.7	0.2	3.1	3.1	0.0
EPF ③ (incl. change)	0.4	0.3	0.1	1.5	0.4	1.1
Estates transformation	0.1	0.1	0.0	1.0	0.8	0.2
MC&E ④	0.4	0.7	-0.3	2.8	2.0	0.8
P&D programme	0.0	0.0	0.0	1.1	0.2	0.9
RJLP ⑤	0.0	0.0	0.0	0.6	0.0	0.6
VR VER	1.1	1.1	0.0	3.0	2.5	0.5
Other projects	0.4	0.4	0.0	2.9	2.2	0.7
Slippage	0.0	0.0	0.0	-6.5	-3.1	-3.4
Total	10.7	11.3	-0.6	25.0	22.2	2.8
Funding						
				25.0	22.2	-2.8

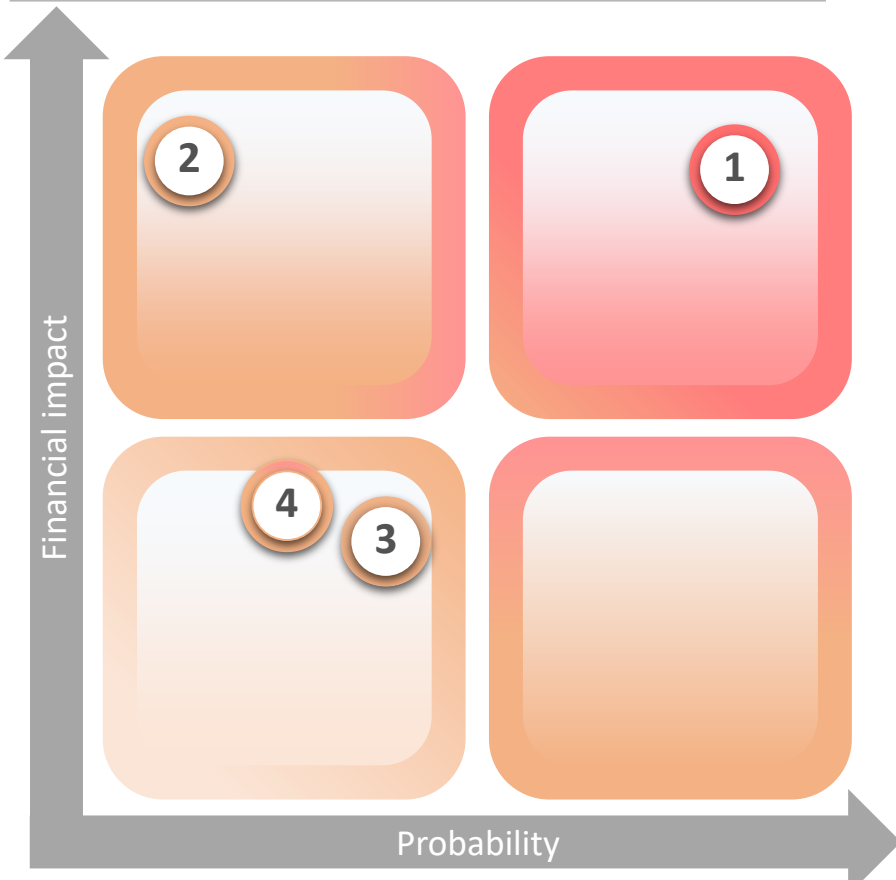
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Risk analysis

The revenue budget is carrying further risks that may materialise.

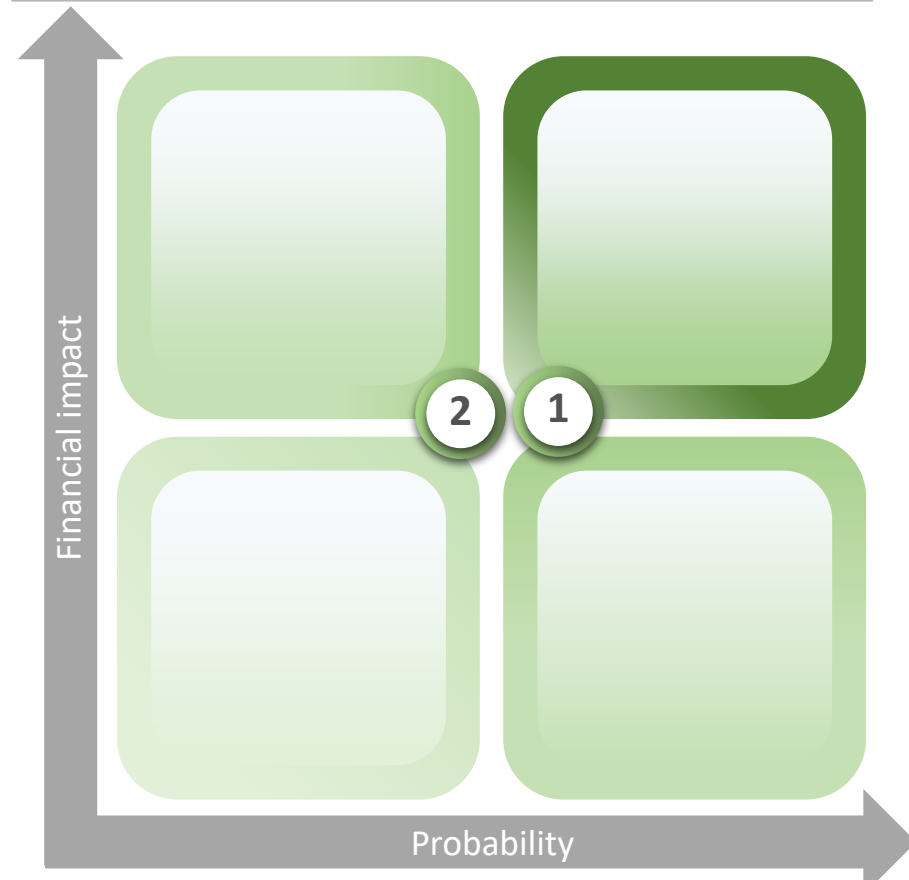
Threats and opportunities risks will continue to be monitored in Q3.

Threats



1. Grant-in-aid funding for Revenue Budget and Reform costs is under review by SG with the aim of reducing this years funding availability. This review by SG is to find savings to meet increased costs of public sector pay, while balancing public finances. This will have the impact on the deliverability of reform projects currently underway. Police Authority are currently working internally and with SG colleagues to measure the impact of reduced funding.
2. The cost of Operation Unicorn (policing response to the passing of Her Majesty The Queen) and the cost of the public holiday could have a significant impact on future months reporting and forecast deliverability. Discussions are ongoing with Scottish Government about funding availability to cover these exceptional and one-off costs.
3. New Hard FM contract –the cost of the new contract may continue to exceed the expected value dependent on run rates and service level. Steps have been taken to mitigate the impact of this risk.
4. 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.