

Meeting	SPA Resources Committee
Date	14 September 2021
Location	Video Conference
Title of Paper	2021/22 Finance Report – Period 4
Presented By	Lynn Brown, Strategic Financial Planning and Budgeting Lead
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Period 4 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 4 (year to 31 July 2021) of the financial year 2021/22.

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

- The revenue position at P4 is a year-to-date underspend against the quarter one (Q1) forecast of £1.1m, due primarily to timing variances, and a year-to-date underspend against budget of £2.9m.
- As reported at Q1, the quarter one break even position remains in line with budget, and the Q1 net expenditure forecast is £9.1m over budget. This net expenditure Q1 forecast overspend is compensated by additional grant-in-aid funding committed from the Scottish Government for updated PSPP (£7.5m) and to support transitional revenue costs for the transfer of post mortem toxicology services from the University of Glasgow to the Police Authority (£1.6m).
- In line with Scottish Government correspondence, it is forecast that additional committed funding (£9.1m) will be made available through the Spring Budget Revision (SBR).
- A number of other threats and opportunities are being monitored, some of which may crystallise in the quarter two forecast.

Capital

- The year to date capital spend at P4 is over forecast by £1.0m, and a year-to-date underspend against budget of £3.3m.
- As previously reported the capital forecast at Q1 is £58.5m, £4.8m above the budget position of £53.7m.
- The capital forecast at Q1 is in line with funding available, 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.

Reform

- The year to date reform spend at P4 is over forecast by £0.5m, and a year-to-date overspend against budget of £0.3m.
- As previously reported, the reform forecast at quarter one is £25.6m, £0.6m above the budget position of £25.0m.
- The reform forecast at Q1 is in line with funding available, compensated by additional forecast grant-in-aid funding committed by the Scottish Government.

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 4 2021/22



Finance dashboard

Period 4 2021/22
Year to July 2021

Revenue

A	A	A
May	Jun	Jul

- YTD £1.1m under forecast
- FY Q1 FC break even position in line with budget

Capital

A	A	A
May	Jun	Jul

- YTD £1.0m over forecast
- FY Q1 forecast £4.8m over budget (fully funded)

Reform

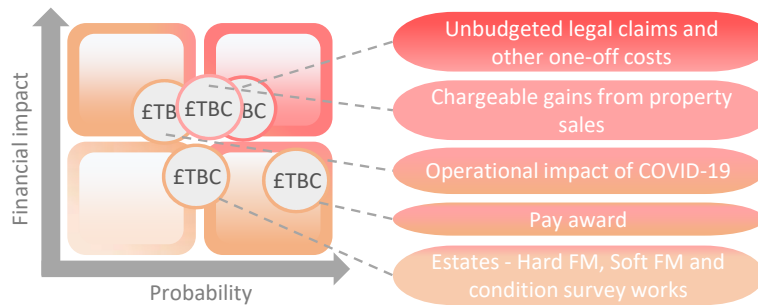
G	G	G
May	Jun	Jul

- YTD £0.5m over forecast
- FY Q1 forecast £0.6m over budget (fully funded)

Revenue variance (£m)

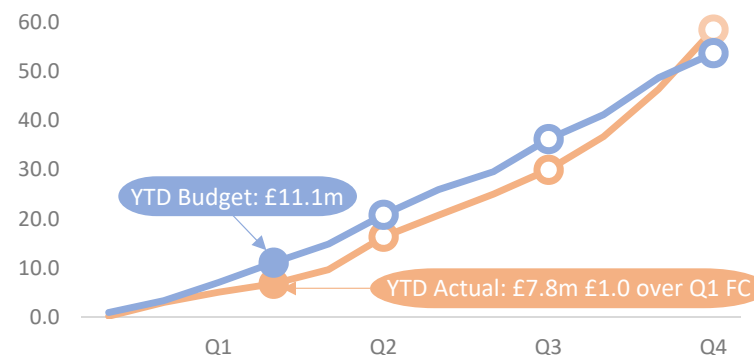
	YTD actual v Q1 FC	FY Q1 FC v Budget
Police Scotland	0.9	-8.8
Forensic Services	0.1	-0.6
SPA corporate	0.1	0.3
Total	1.1	-9.1

Threats



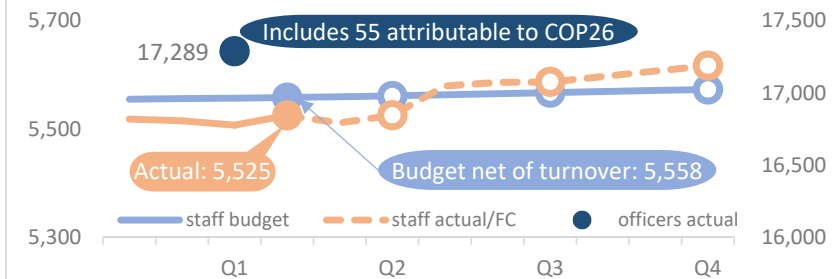
Capital spend profile (£m)

Actual YTD spend running under budget at P4 but ahead of Q1 FC

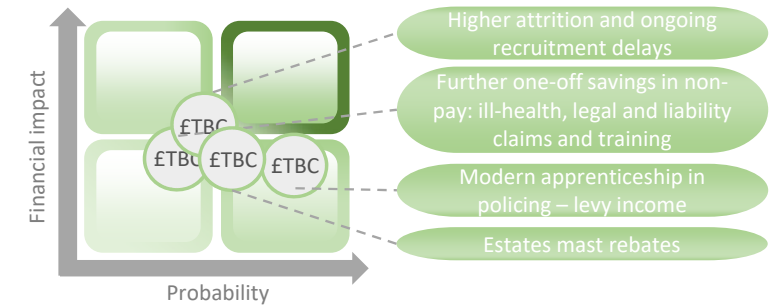


People numbers (FTE) – Revenue Budget

Staff headcount currently running under budgeting assumptions at P4

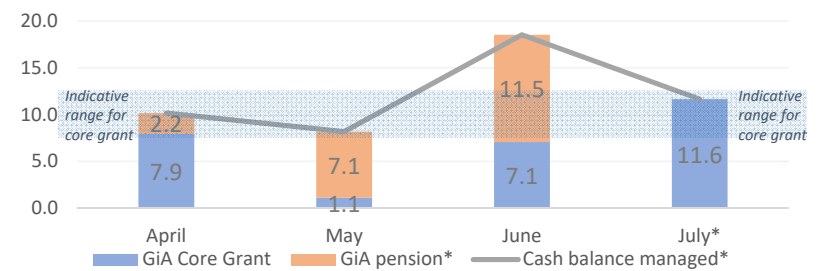


Opportunities



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



* SG have requested that the SPA manage the two GiA funding cash requirements separately going forward. From July, only the core grant cash balance is shown above.

Operation Talla

(Policing response to COVID-19)

2021/22 year to date:

- Revenue: £1.3m
- Capital: £0.0m
- Total: £1.3m

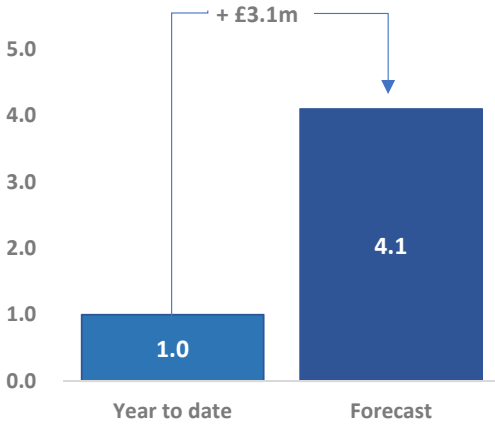
2021/22 forecast:

- Revenue: £5.0m
- Capital: £0.0m
- Total: £5.0m

Revenue forecast (£m)

	Year to date £m	2021/22 Q1 FY FC £m
PPE & Cleaning	1.0	4.1
Overtime	0.3	0.7
Other	0.0	0.2
Total	1.3	5.0

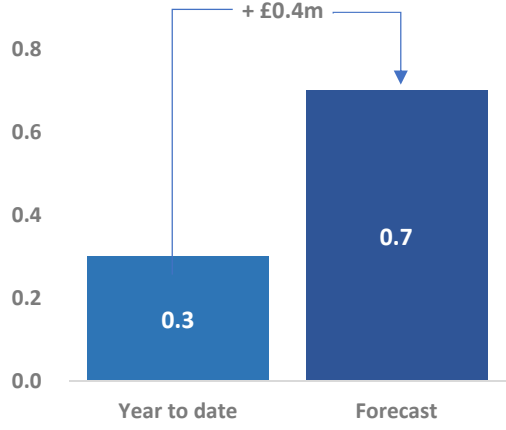
Revenue: PPE & cleaning (£m)



Capital forecast (£m)

	Year to date £m	2021/22 Q1 FY FC £m
Laptops	0.0	0.0
Video comms solution	0.0	0.0
Total	0.0	0.0

Revenue: overtime (£m)

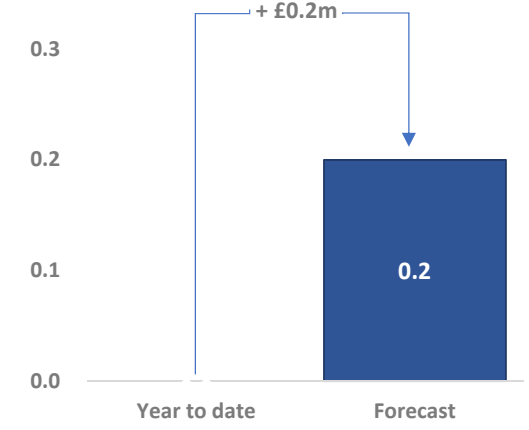


2019/20 - 2021/22 costs (£m)

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21	7.7	2.4
2021/22 YTD	1.0	0.0
Total	10.0	2.5

	Revenue £m	Capital £m
2019/20	1.3	0.1
2020/21	7.7	2.4
2021/22 Forecast	5.0	0.0
Total	14.0	2.5

Revenue: other costs (£m)



Revenue

(service area)

Budget deliverability status remains at amber

Year to date under forecast by £1.1m

FY break even position remains in line with budget

Q1 net expenditure forecast £9.1m over FY budget (fully funded)

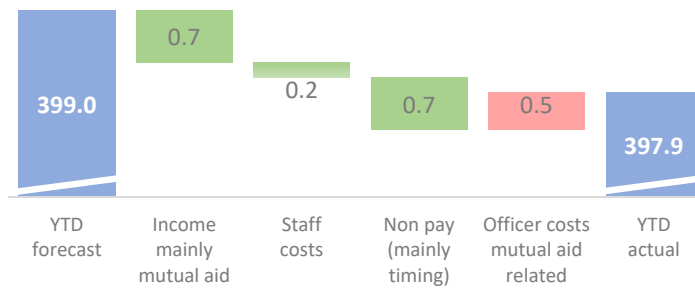
Scottish Government funding

- PSPP update £7.5m
- Post mortem toxicology £1.6m

Year to date costs lower than Q1 FC (£1.1m)

- Due primarily to timing variances.
- A number of threats and opportunities are being monitored, some of which may crystallise in the Q2 forecast.
- Additional PSPP cost (£7.5m) for police officers and police staff were included in Q1 forecast, supported by funding commitment from the Scottish Government. Pay award negotiations are ongoing in relation to both officers and staff.
- Unbudgeted transitional revenue costs for the transfer of Post mortem toxicology services from the University of Glasgow to Police Authority (£1.6m) were included in Q1 forecast, to be fully funded by the Scottish Government.
- In line with Scottish Government correspondence, it is forecast that additional committed funding (£9.1m) will be made available through the Spring Budget Revision (SBR).

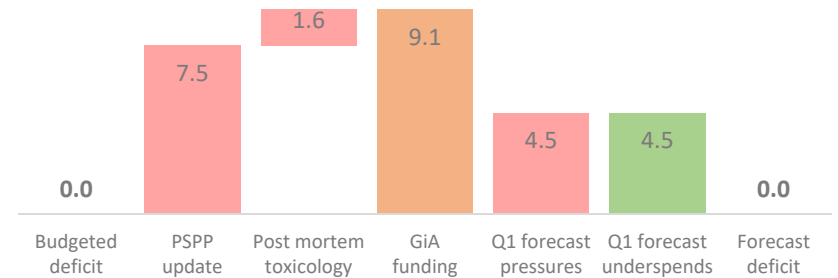
YTD actual v Q1 forecast (£m)



Detailed revenue variance (£m)

	Year to date			Full year		
	Q1 FC £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Police Scotland	385.6	384.7	0.9	1,178.9	1,187.6	-8.8
Forensic Services	11.8	11.7	0.1	36.5	37.2	-0.6
SPA Corporate	1.6	1.5	0.1	4.9	4.6	0.3
Total	399.0	397.9	1.1	1,220.3	1,229.4	-9.1
Funding						
GIA				1,220.3	1,229.4	-9.1
Core deficit				0.0	0.0	0.0
Total				1,220.3	1,229.4	-9.1

Q1 FC break even position in line with budget (£m)



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Revenue

(spend type)

Q1 forecast assumes £5m of direct Operation Talla costs in line with budget

Revenue variance by spend type - actual v Q1 FC (£m)

	Year to date				Full year			
	Q1 FC £m	Actual £m	Var. £m	%	Budget £m	FC £m	Var. £m	%
Police officers	274.3	274.8	-0.5	-0.2%	827.3	832.8	-5.5	-0.7%
Police staff	81.9	81.7	+0.2	+0.2%	249.4	252.0	-2.6	-1.0%
Non-pay	54.4	53.7	+0.7	+1.3%	174.0	176.0	-2.0	-1.1%
Income	-11.6	-12.3	+0.7	+6.0%	-30.4	-31.4	+1.0	+3.3%
Total	399.0	397.9	+1.1	+0.3%	1,220.3	1,229.4	-9.1	-0.7%

Pay

- Police officers - overspend mainly relates to additional overtime and allowances not forecast for G7, compensated by additional mutual aid.
- Police staff - forecast underspend relates to salaries, on costs and allowances (£0.1m) and staff overtime (£0.1m). Recruitment and attrition levels will continue to require careful monitoring as it is anticipated that FTE levels will fall back in line with budgeted assumptions based on Q1 forecast provided by each area.

Non-pay

- Primarily relates to timing underspends on property repairs (£0.3m), legal and liability claims (£0.3m), training costs (£0.1m), third party payments (£0.1m) and other costs (£0.1m) offset by fleet service and maintenance costs (£0.2m).

Income

- Additional G7 mutual aid income not forecast (£0.6m) and other income (£0.1m).
- Budget included a reduction of £10.0m to capture the current impact of COVID-19, compensated by additional SG funding.

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



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 the Q2 forecast

1 Police officer numbers were 17,289 FTE as per last externally reported quarter end 30 June 2021. 55 FTE is directly attributable to COP26 and reported separately. Actual 17,261.5 FTE is made up of 17,234 FTE for police officers and 27.5 FTE for police staff supernumerary.

6

DCC Local Policing

- Underspend in police staff costs (£0.2m) offset by overspend in officers overtime (£0.1m) and under recovery of income (£0.1m).

	£m	FTE
Q1 Forecast	41.4	2,599.9
Actual	41.4	2,606.1
YTD variance	0.0	-6.2
<i>FY FC v budget</i>	<i>-4.3</i>	<i>-8.7</i>

Deputy Chief Officer

- Underspends in property repairs (£0.3m) and other non-pay items (£0.1m) offset by fleet service and maintenance costs (£0.2m).

	£m	FTE
Q1 Forecast	46.2	993.8
Actual	46.0	994.2
YTD variance	0.2	-0.4
<i>FY FC v budget</i>	<i>0.5</i>	<i>8.4</i>

DCC Crime & Op Support

- Over recovery on mutual aid G7 income (£0.6m) and other income (£0.1m) offset by overspends in officers overtime (£0.1m) and other non-pay items (£0.3m).

	£m	FTE
Q1 Forecast	14.6	585.2
Actual	14.3	589.9
YTD variance	0.3	-4.7
<i>FY FC v budget</i>	<i>1.5</i>	<i>16.2</i>

Corporate centre

- Underspend in police officers pensions (£0.2m) and other costs (£0.1m).
- Police officer costs - overspend (£0.4m) mainly relates to allowances and additional on costs for overtime not forecast for G7, compensated by additional mutual aid.

	£m	FTE
Q1 Forecast	268.4	17,261.4
Actual	268.5	17,261.5
YTD variance	-0.1	-0.1
<i>FY FC v budget</i>	<i>-8.8</i>	<i>4.8</i>

DCC People & Professionalism

- Underspends in legal and liability claims (£0.3m) and other non-pay items (£0.2m).

	£m	FTE
Q1 Forecast	15.0	722.2
Actual	14.5	724.9
YTD variance	0.5	-2.7
<i>FY FC v budget</i>	<i>2.3</i>	<i>-9.6</i>

Forensics & SPA corporate

- Forensic Services (£0.1m under) - primarily due to underspend in police staff costs.
- SPA Corporate (£0.1m under) - primarily due to over recovery of rental income.

	£m	FTE
Q1 Forecast	13.4	577.4
Actual	13.2	574.0
YTD variance	0.2	3.4
<i>FY FC v budget</i>	<i>-0.3</i>	<i>-1.0</i>

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Capital

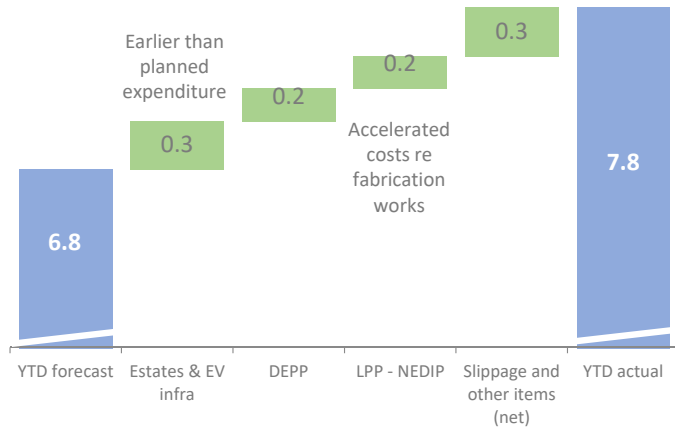
Budget deliverability status remains at amber

Year to date over forecast by £1.0m

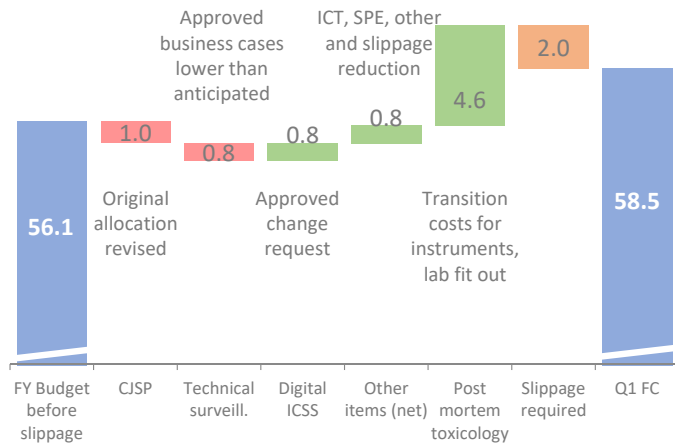
FY Q1 forecast £4.8m over budget (fully funded)

FY forecast requires £2.0m slippage

Year to date: forecast to actual (£m)



Forecast: movement budget to Q1 (£m)



Capital variance by programme (£m)

	Year to date			Full year		
	Q1 FC £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Estates	1.4	1.5	-0.1	8.2	8.2	0.0
EV Infrastructure	1.3	1.5	-0.2	3.2	3.2	0.0
Fleet	0.2	0.3	-0.1	8.5	8.5	0.0
ICT	0.4	0.4	0.0	7.0	7.4	-0.4
SPE	0.6	0.4	0.2	3.6	3.7	-0.1
Weaponry	0.3	0.4	-0.1	3.2	3.2	0.0
Forensics	0.0	0.0	0.0	1.6	1.6	0.0
<i>Change: legislative & inflight</i>						
CJ service programme	0.5	0.5	0.0	3.6	2.6	1.0
Post mortem toxicology	0.0	0.0	0.0	0.0	4.6	-4.6
Data drives digital (DDD)	0.1	0.0	0.1	3.1	3.2	-0.1
DEPP	1.2	1.4	-0.2	3.5	3.5	0.0
ICT	0.2	0.3	-0.1	3.1	3.9	-0.8
LPP - NEDIP	0.8	1.0	-0.2	1.5	1.5	0.0
Estates transformation	0.0	0.1	-0.1	2.5	2.5	0.0
RJLP	0.0	0.0	0.0	1.1	1.1	0.0
Technical surveillance	0.0	0.0	0.0	2.2	1.4	0.8
Other	0.0	0.0	0.0	0.2	0.4	-0.2
Slippage	-0.2	0.0	-0.2	-2.4	-2.0	-0.4
Total	6.8	7.8	-1.0	53.7	58.5	-4.8
Funding						
GIA				45.5	50.1	4.6
Reform				4.6	4.6	0.0
Cap receipts				3.6	2.6	-1.0
Other grants				0.0	1.2	1.2
Total				53.7	58.5	4.8

Reform

Budget deliverability status remains at green

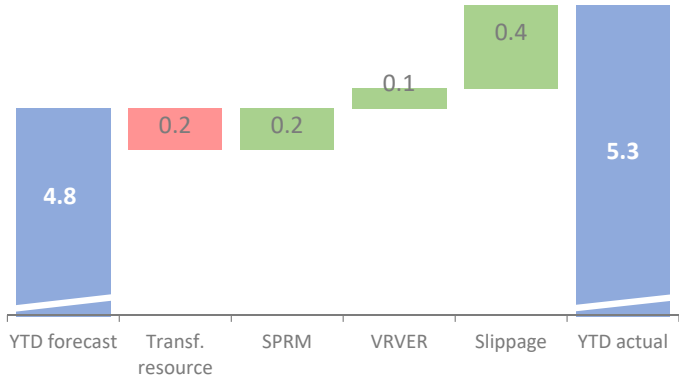
Year to date over forecast by £0.5m

FY Q1 forecast £0.6m over budget (fully funded)

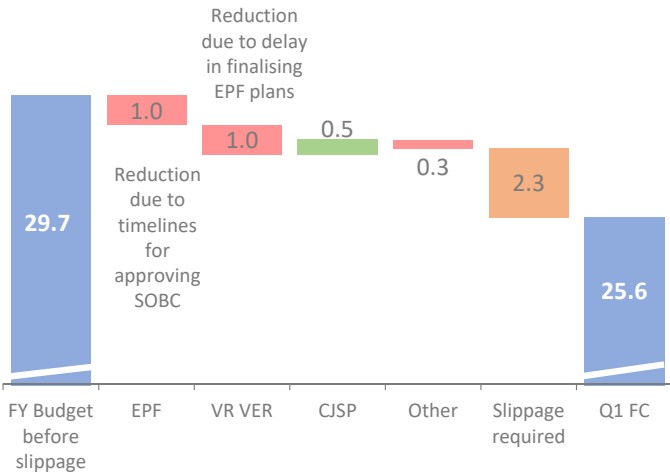
Budget holders remain confident on ability to spend the funding available

FY forecast requires slippage of £2.3m

Year to date: forecast to actual (£m)



Forecast: movement budget to Q1 (£m)



Reform variance by work stream (£m)

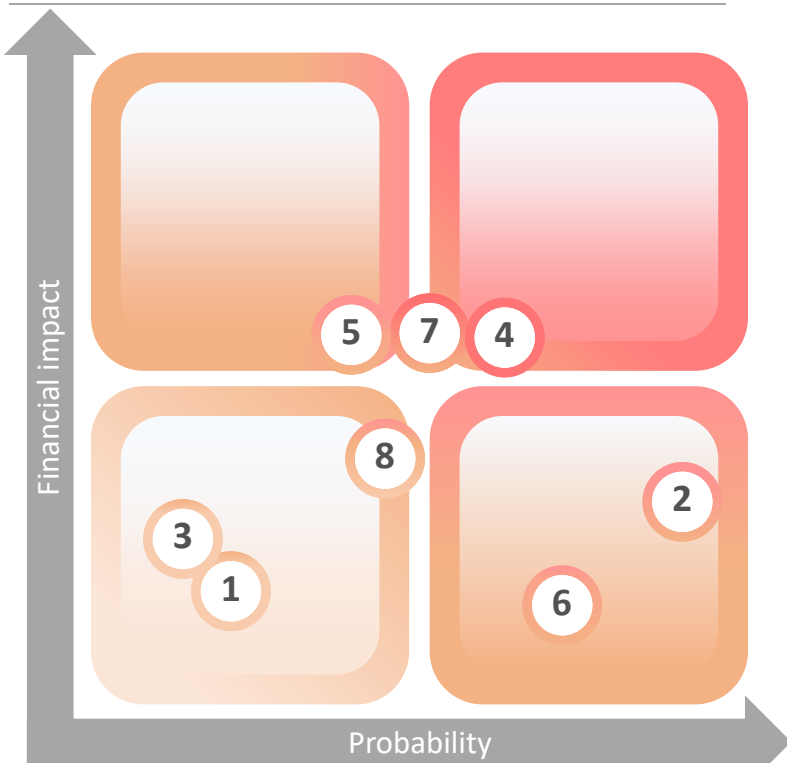
	Year to date			Full year		
	Q1 FC £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Transformation resource	3.2	3.0	0.2	12.1	12.1	0.0
SPRM	0.7	0.9	-0.2	2.2	2.2	0.0
Data drives digital	0.0	0.0	0.0	0.9	0.9	0.0
DEPP	0.1	0.1	0.0	1.2	1.0	0.2
Corp. change (incl. EPF)	0.0	0.0	0.0	3.8	2.8	1.0
Estates transformation	0.1	0.1	0.0	2.6	2.6	0.0
NEDIP	0.3	0.3	0.0	1.1	1.1	0.0
CJ service programme	0.1	0.1	0.0	0.3	0.8	-0.5
P&D programme	0.0	0.0	0.0	1.4	1.4	0.0
RJLP	0.0	0.0	0.0	0.4	0.4	0.0
VR VER	0.6	0.7	-0.1	2.8	1.8	1.0
Other	0.1	0.1	0.0	0.9	0.8	0.1
Slippage mgt	-0.4	0.0	-0.4	-4.7	-2.3	-2.4
Total	4.8	5.3	-0.5	25.0	25.6	-0.6
Funding						
GIA				25.0	25.0	0.0
Other grants				0.0	0.6	0.6
Total				25.0	25.6	0.6

Risk analysis

The revenue budget is carrying further risks that may materialise.

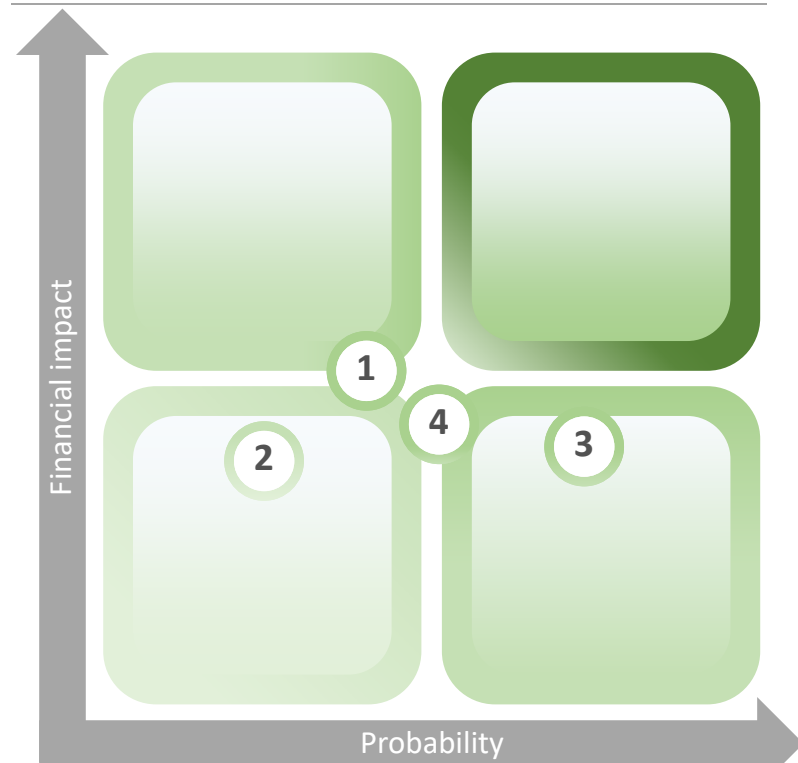
Threats and opportunities risks will continue to be monitored in Q2.

Threats



1. Backlog in ill-health retrials created as a result of the COVID-19 pandemic.
2. Budgeted assumptions for pay award
3. Potential increased revenue costs due to lower capital settlement.
4. Potential unbudgeted legal claims and other one-off costs.
5. Organisational response, workforce absence and further reductions to income as a result of COVID-19.
6. Negotiations currently ongoing with regards to SPA's charges for various third party payments.
7. Work is ongoing to understand the potential impact of expenses to be offset against chargeable gains from property sales.
8. Estates - Hard FM, Soft FM and condition survey works.

Opportunities



1. If the employment market increases and attrition starts to overtake recruitment and delays in recruitment continue, then the budget pressure accommodated in the 2021/22 staff budget may reduce creating capacity to reinvest in the organisation.
2. 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 year.
3. Modern Apprenticeship in policing - levy income.
4. Estates mast rebates - potentially higher return than anticipated.

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