



Meeting	SPA Resources Committee
Date	08 August 2023
Location	Video Conference
Title of Paper	Financial Monitoring Report - Quarter 1 2023/24
Presented By	Lynn Brown, Head of Corporate Finance
Recommendation to Members	For discussion
Appendix Attached	Yes - Appendix A – Quarter 1 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 at the end of Quarter 1 - FY 2023/24.

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

1. BACKGROUND

- 1.1 The Board approved the 2023-24 annual budget on 23 March 2023. This budget sets out the spending plans for Police Scotland, Forensic Services and SPA Corporate regarding revenue, capital, and reform for the coming financial year.
- 1.2 The Authority received a core revenue funding increase of £80m (6.4%) in 2023-24, £37m of which was required to meet the additional cost of the 2022-23 pay award, leaving a true figure of £43m for allocation in 2023-24.
- 1.3 A flat capital funding allocation of £53m (including capital receipts) has been confirmed for 2023-24 and reform funding to support change and the transformation has been baselined at £20m, representing a 20% reduction in reform from previous years.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 High inflation and expectations for 2023-24 pay award has resulted in significant financial challenges for the organisation that require to be managed as part of the annual budget process.
- 2.2 The Head of Finance provides the routine finance report which outlines the year to date and forecast position for the revenue, capital, and reform budgets.
- 2.3 Appendix A provides the detailed quarter one (Q1) finance report.

Revenue

- The year-to-date actual position versus budget is an overspend of £3.5m.
- The Q1 net expenditure forecast is £24.3m over budget, mainly due to overspends relating to pay; police staff costs, police officer overtime and police officer pensions.
- The above overspend is offset by estimated funding £5.4m receivable from Scottish Government as part of the Autumn and Spring Budget Reviews.
- It is critical we take action to start delivering the 3.7% savings that are included in the budget, as well as further action to bring other overspends back in line or to identify corresponding savings to ensure delivery of a balanced budget.

- Internal discussions are still ongoing to agree the specific measures to be implemented to reduce the emerging overspend.

Capital

- The capital forecast at Q1 is £53.7m, £0.7m (fully funded) above the budget position of £53.0m.
- Remaining slippage required at Q1 is £28.7m. Finance review suggests further potential slippage of £14.6m leaving £14.1m still to be identified. The overall position will be reviewed at Q2 with the view of prioritising spend as appropriate.
- Out of the £53.7m Q1 forecast, the spend profile indicates actual spend (£18.4m), committed orders (£20.9m) and expected capitalisation of staff costs (£3.2m) leaving non-committed spend (£11.2m).
- Although there is a year-to-date underspend of £2.7m, the actual spend at Q1 is significantly higher than that in previous years, indicating a shift in the pattern of capital spend.

Reform

- The reform forecast at Q1 of £25.0m is in line with budget.
- The quarter one reform forecast has resulted in the reduction of FY slippage of £8.7m, bringing the total slippage down to £2.7m from the budgeted amount of £11.4m.
- As above Q1 FC has already identified significant slippage and will continue to be reviewed.
- Out of the £25.0m forecast, the spend profile indicates actual spend (£4.6m) and committed spend (£11.8m) leaving non-committed spend (£8.6m).
- The year-to-date reform spend at Q1 is under budget by £0.1m.

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 invited to discuss the Quarter 1 financial position at Appendix A.



POLICE
SCOTLAND
POILEAS ALBA

SCOTTISH POLICE
AUTHORITY

Finance

Corporate Finance team

Appendix A

Finance report

Quarter 1 2023/24



Finance dashboard

Q1 2023/24

Year to June 2023

Revenue

R	R	R
Apr	May	Q1

- YTD £3.5m over budget
- FY Q1 FC £18.9m forecast overspend

Capital

G	G	G
Apr	May	Q1

- YTD £2.7m under budget
- FY Q1 forecast £0.7m over budget (fully funded)

Reform

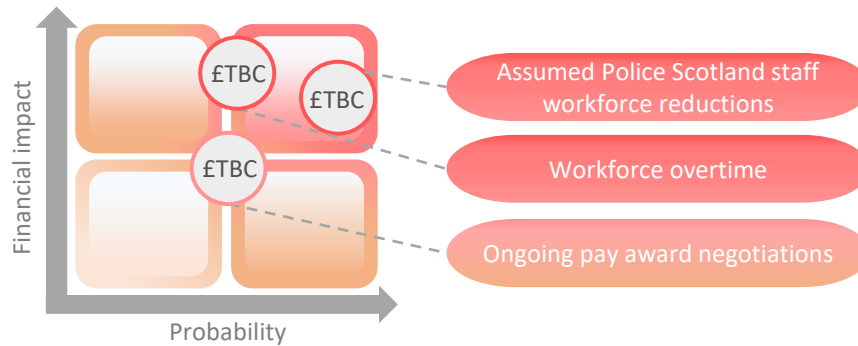
G	G	G
Apr	May	Q1

- YTD £0.1m under budget
- FY Q1 forecast in line with budget

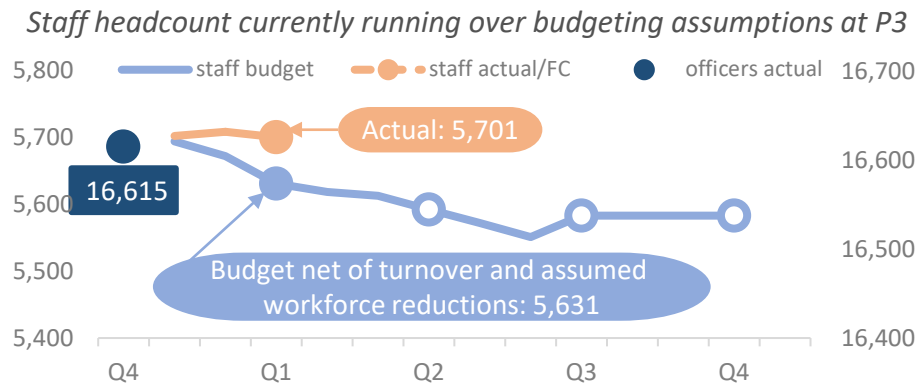
Revenue variance (£m)

	YTD actual v budget	FY Q1 FC v Budget
Police Scotland	-3.5	-24.0
Forensic Services	-0.1	-0.3
SPA corporate	0.1	0.0
Total	-3.5	-24.3
Funding		5.4
Net Q1 FC overspend		-18.9

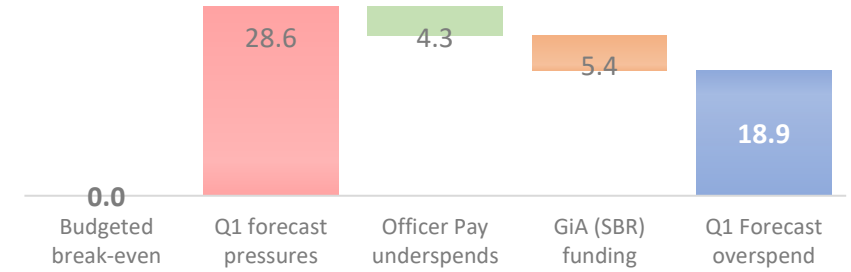
Threats



People numbers (FTE) – Revenue Budget

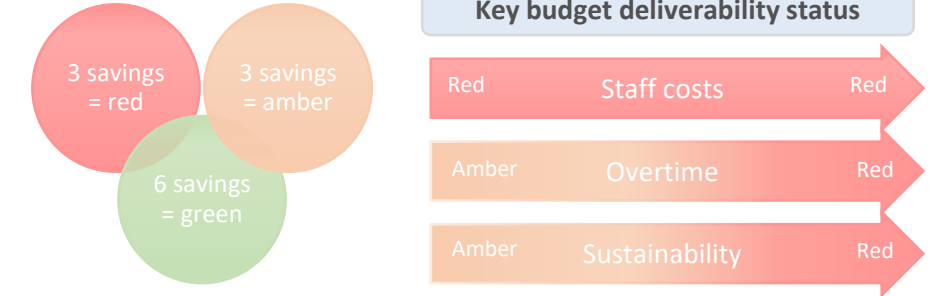


Revenue: Q1 FC £18.9m forecast overspend



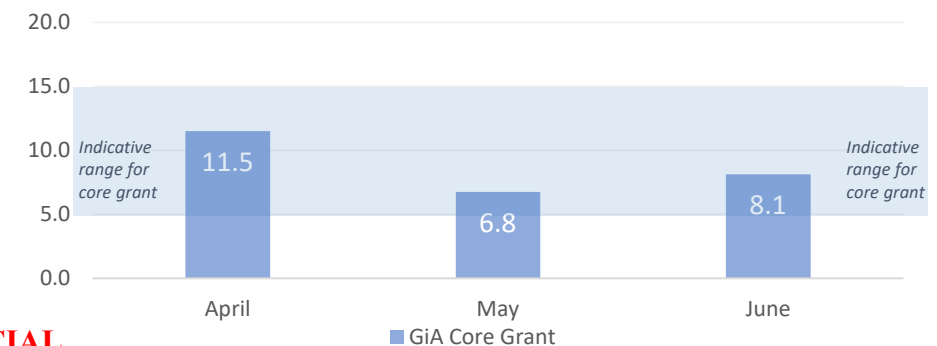
Savings tracker

Savings must be delivered to ensure the balanced budget position can be maintained



Cash flow management (£m)

Maintaining cash balances at a moderate level demonstrates effective cash management



Revenue

(service area)

Budget / Forecast deliverability status is red

Q1 net expenditure forecast £24.3m over budget (£5.4m funded)

Q1 FC net overspend against funding £18.9m

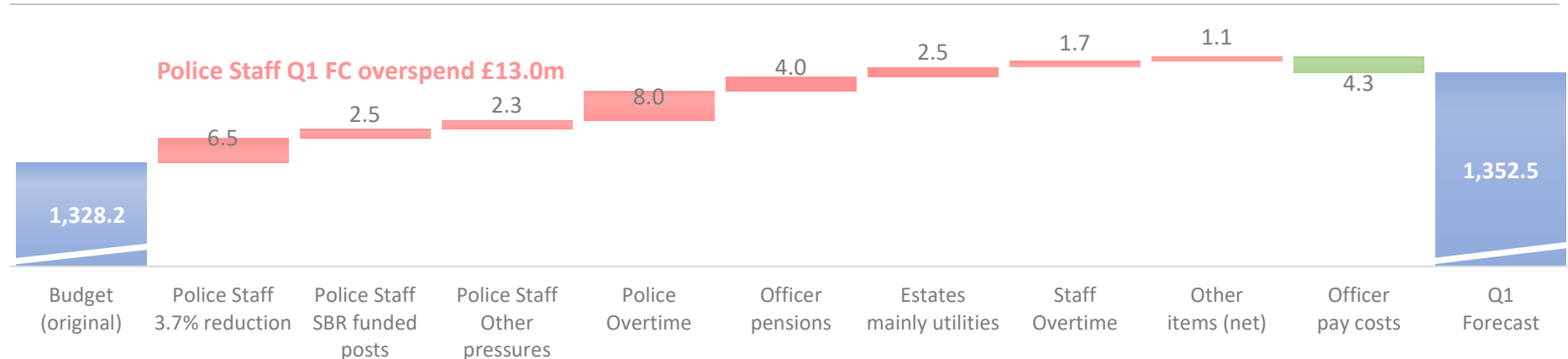
Total expenditure £18.9m over funding

- Q1 net expenditure forecast £24.3m over budget, mainly due to overspends relating to pay; police staff costs, police officer overtime and police officer pensions.
- Offset by estimated funding £5.4m receivable from Scottish Government as part of the Autumn and Spring Budget Reviews.
- It is critical we take action to start delivering the 3.7% savings that are included in the budget, as well as further action to bring other overspends back in line or to identify corresponding savings to ensure delivery of a balanced budget.
- Internal discussions are ongoing to agree the specific measures to reduce the £18.9m net forecast overspend.

Revenue variance by area (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Police Scotland	322.6	326.1	(3.5)	1,278.5	1,302.5	(24.0)
Forensic Services	10.8	10.9	(0.1)	44.5	44.8	(0.3)
SPA Corporate	1.3	1.2	0.1	5.2	5.2	0.0
Total expenditure	334.7	338.2	(3.5)	1,328.2	1,352.5	(24.3)
Funding						
GiA - core				1,328.2	1,328.2	0.0
GiA - other				0.0	5.4	5.4
				1,328.2	1,333.6	5.4
Net Q1 FC overspend				0.0	(18.9)	(18.9)

Detailed budget to FY Q1 forecast (£m) *



* Includes pressures of £5.4m funded through Autumn and Spring Budget Review

Revenue

(service area)

Year to date over budget by £3.5m

Budgeted savings tracker – see page 8

Revenue variance by spend type (£m)

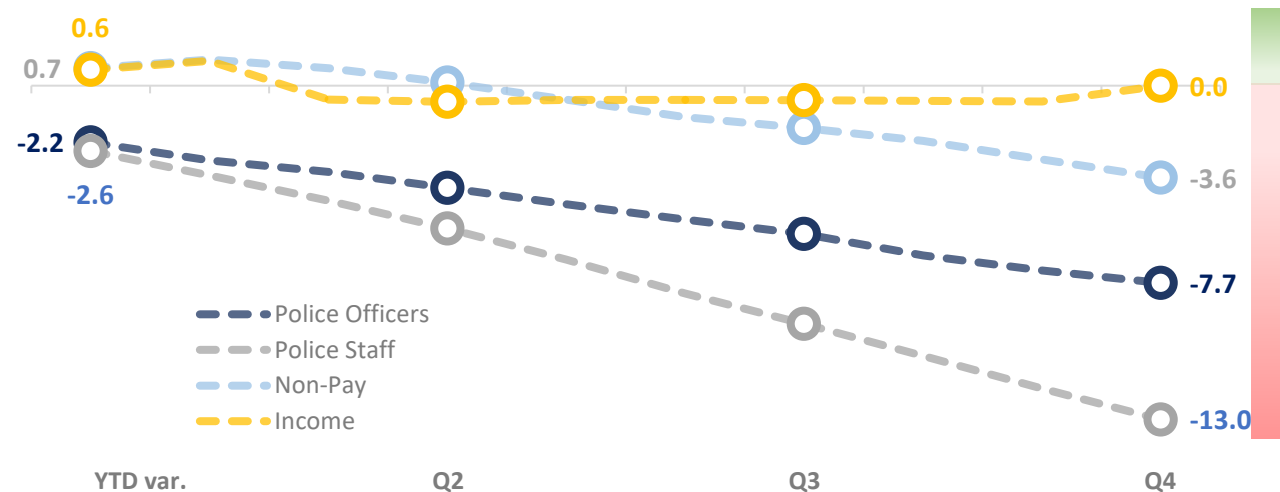
	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Police officers	223.2	225.4	(2.2)	(1.0%)	883.6	891.3	(7.7)	(0.9%)
Police staff	72.8	75.4	(2.6)	(3.6%)	289.8	302.8	(13.0)	(4.5%)
Non-pay	49.1	48.4	0.7	1.4%	201.5	205.1	(3.6)	(1.8%)
Income	(10.4)	(11.0)	0.6	5.8%	(46.7)	(46.7)	0.0	0.0%
Total	334.7	338.2	(3.5)	(1.0%)	1,328.2	1,352.5	(24.3)	(1.8%)

* Includes pressures of £5.4m funded through Autumn and Spring Budget Review

Revenue variances

- Significant savings have been built into the 2023/24 budget which are being actively monitored throughout the year.
- The savings tracker on page 8 shows that the key risk areas in terms of financial deliverability are police officer overtime, police staff costs and sustainability savings.
- This is reflected in the Q1 FC position along with additional pressures in police officer pensions and police staff overtime.
- Variances are explained in detail on pages 5 and 6.

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



OFFICIAL

Revenue

(spend type)

Police officers variance by spend type (£m)

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Police officer pay	210.4	209.5	0.9	0.4%	837.7	833.4	4.3	0.5%
Overtime - core	4.9	5.9	(1.0)	(20.4%)	15.6	22.5	(6.9)	(44.2%)
Overtime – non-core	0.9	1.5	(0.6)	(66.7%)	3.6	4.7	(1.1)	(30.6%)
Allowances	1.4	1.4	0.0	0.0%	5.5	5.5	0.0	0.0%
Pensions	5.6	7.1	(1.5)	(26.8%)	21.2	25.2	(4.0)	(18.9%)
Total	223.2	225.4	(2.2)	(1.0%)	883.6	891.3	(7.7)	(0.9%)

Police staff variance by spend type (£m)

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Staff pay and allowances	72.3	74.3	(2.0)	(2.8%)	287.4	298.7	(11.3)	(3.9%)
Overtime	0.5	1.1	(0.6)	(120.0%)	2.1	3.8	(1.7)	(81.0%)
Special constables	0.0	0.0	0.0	0.0%	0.3	0.3	0.0	0.0%
Total	72.8	75.4	(2.6)	(3.6%)	289.8	302.8	(13.0)	(4.5%)

Police officer costs

- Police officers - FY overspends relate to core overtime (£6.9m), pension costs (£4.0m - injury £2.9m, ill health £1.5m) offset by pension sanction charges £0.4m, non-core overtime (£1.1m), offset by underspends in officer pay & allowances (£4.3m)

Police staff costs

- Police staff - relates to vacancy management savings not achieved (£6.5m), staff costs not budgeted that will be funded at SBR (£2.5m), other items (£2.3m) and overspend on staff overtime (£1.7m).

Revenue

(spend type)

Non-pay variance by spend type (£m)

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Other employee	1.1	1.0	0.1	9.1%	5.2	5.3	(0.1)	(1.9%)
Premises	17.2	17.1	0.1	0.6%	68.6	71.1	(2.5)	(3.6%)
Transport	5.5	5.6	(0.1)	(1.8%)	21.4	21.7	(0.3)	(1.4%)
Supplies & Services	9.9	9.0	0.9	9.1%	39.6	38.3	1.3	3.3%
ICT	8.2	8.7	(0.5)	(6.1%)	33.8	35.3	(1.5)	(4.4%)
Administration	2.8	2.6	0.2	7.1%	11.3	11.2	0.1	0.9%
Third party payments	3.5	3.6	(0.1)	(2.9%)	14.5	15.1	(0.6)	(4.1%)
Other	0.9	0.8	0.1	11.1%	7.1	7.1	0.0	0.0%
Total	49.1	48.4	0.7	1.4%	201.5	205.1	(3.6)	(1.8%)

Income variance by type (£m)

	Year to date				Full year			
	Bud £m	Act £m	Var. £m	%	Bud £m	Q1 FC £m	Var. £m	%
Specific grant funding	(2.1)	(1.7)	(0.4)	(19.0%)	(11.0)	(10.7)	(0.3)	(2.7%)
LA funded officers and staff	(1.1)	(1.5)	0.4	36.4%	(4.6)	(6.1)	1.5	32.6%
Public fees	(1.0)	(1.0)	0.0	0.0%	(4.1)	(3.9)	(0.2)	(4.9%)
Rental and hire	(1.8)	(1.6)	(0.2)	(11.1%)	(7.2)	(7.1)	(0.1)	(1.4%)
Mutual aid	(0.4)	(0.7)	0.3	75.0%	(1.6)	(1.5)	(0.1)	(6.3%)
Services of police	(2.6)	(3.0)	0.4	15.4%	(12.4)	(11.0)	(1.4)	(11.3%)
Seconded officers	(0.3)	(0.4)	0.1	33.3%	(1.3)	(1.5)	0.2	15.4%
Other income	(1.1)	(1.1)	0.0	0.0%	(4.5)	(4.9)	0.4	8.9%
Total	(10.4)	(11.0)	0.6	5.8%	(46.7)	(46.7)	0.0	0.0%

Non-pay

- Premises costs (£2.5m over) - full year relates mainly to utilities: sustainability savings not achieved (£1.6m) and increase in unit costs (£1.0m) offset by other items (£0.1m, net).
- Other non-pay costs (£1.1m over, net)

Income

- Mainly additional local authority funded officers from Lothian & Borders (£1.5m) offset by other income (£1.5m, net).

OFFICIAL

Revenue

(further business area detail)

DCC Local Policing

- Overspends in police officer overtime (£4.1m), police staff costs (£3.1m) and staff overtime (£1.3m) offset by an over-recovery of income (£1.6m) and underspend in supplies and services (£0.2m).

	£m	FTE
Budget	144.6	2,584.9
Q1 Forecast	151.3	2,599.2
FY variance	(6.7)	(14.3)
<i>YTD variance</i>	<i>(1.4)</i>	<i>(17.5)</i>

DCC Crime & Op Support

- Overspend in police officer overtime (£2.0m), under-recovery of income (£2.1m) offset by underspend in supplies and services (£0.6m) and other items (£0.1m, net).

	£m	FTE
Budget	52.4	774.3
Q1 Forecast	55.8	748.0
FY variance	(3.4)	26.3
<i>YTD variance</i>	<i>0.3</i>	<i>24.5</i>

DCC Professionalism, Strategy and Engagement

- Overspend in police staff costs (£0.6m) and supplies and services (£0.3m) offset by an over-recovery of income (£0.2m).

	£m	FTE
Budget	41.3	574.2
Q1 Forecast	42.0	565.4
FY variance	(0.7)	8.8
<i>YTD variance</i>	<i>0.2</i>	<i>7.8</i>

Deputy Chief Officer

- Overspends in estates costs, mainly utilities (£2.5m), ill health pension costs (£1.5m), police staff costs (£0.5m) offset by underspends in other non-pay costs (£0.2m, net).

	£m	FTE
Budget	182.7	1,163.1
Q1 Forecast	187.0	1,154.2
FY variance	(4.3)	8.9
<i>YTD variance</i>	<i>(0.9)</i>	<i>8.9</i>

Corporate centre

- Overspends relates to vacancy management savings not yet achieved (£6.5m), police officer injury pension (£2.5m), staff costs not budgeted that will be funded at SBR (£2.0m) and other items (£2.2m) offset by underspend in police officers pay costs (£4.3m).

	£m	FTE
Budget	857.5	16,504.1
Q1 Forecast	866.4	16,667.4
FY variance	(8.9)	(163.3)
<i>YTD variance</i>	<i>(1.7)</i>	<i>(84.1)</i>

Forensics services & SPA corporate

- Forensic Services (£0.3m over) - relates to third party outsourcing costs (£0.7m) offset by underspend in staff costs (£0.4m).
- SPA Corporate (in line with budget) - no material variances.

	£m	FTE
Budget	49.7	644.0
Q1 Forecast	50.0	623.3
FY variance	(0.3)	20.7
<i>YTD variance</i>	<i>0.0</i>	<i>22.5</i>

Savings tracker

The financial deliverability status of these savings reflect their Q1 FC position. Where these items are proposed to deliver the savings / reductions, they will continue to be monitored and be highlighted as threats if deliverability is in doubt.

Key risk areas in term of financial deliverability are:

- Officer overtime
- Police staff costs
- Sustainability savings

The below savings have been built into the budget and each must be delivered to ensure the balanced budget position can be maintained. Budget and financial deliverability risk rating included.

Workforce saving	Detail	FY value	YTD value	Budget deliverability	Financial deliverability
Police Officers	~16,638 operating model – assumes that all anticipated external funding will be received.	-	-		
Police overtime	Assumes that core officer overtime will be managed within the core budget allocation	-	-		
Police Staff	Assumed Police Scotland workforce reductions	-	-		
Non-pay saving	Detail	FY value	YTD value	Budget deliverability	Financial deliverability
Property repairs	Statutory, health and safety and security maintenance only	£3.2m	£0.8m		
Sustainability savings	More efficient use of gas and electricity	£1.7m	-		
Digital efficiency	Additional savings to be identified within Digital Division	£0.5m	£0.1m		
Service and maintenance	Switch to ULEV results in lower costs and newer vehicles	£0.6m	£0.1m		
Vehicle hires	Further roll out of car club scheme resulting in less hire cars	£0.3m	£0.0m		
EV fuel savings	Fuel savings realised due to the utilisation of ULEV	£0.3m	£0.0m		
Op Tarn	Change in method of reviewing / charging for costs	£0.7m	£0.2m		
Specialist policing	Reduction of training, clothing and equipment costs	£0.1m	£0.0m		
4% efficiency target	Procurement efficiency target on selected non-pay budgets	£1.1m	£0.3m		
NON-PAY SAVINGS BUILT INTO BASE BUDGET		£8.5m	£1.5m		

Capital

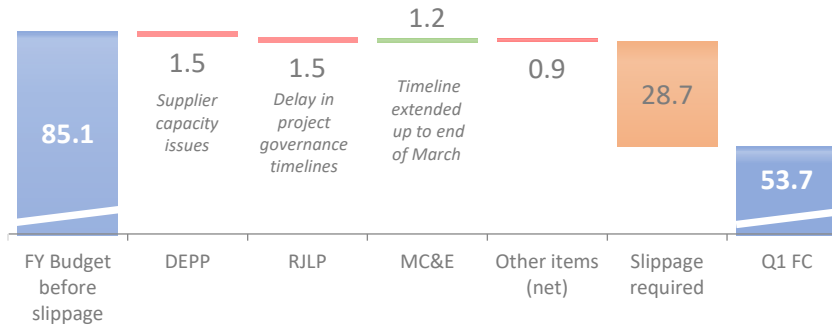
Budget / Forecast deliverability status is green

FY Q1 forecast £0.7m over budget (fully funded) but still requires £28.7m slippage

Finance review suggests further potential slippage of £14.6m leaving £14.1m still to be identified. The overall position will be reviewed at Q2 with the view of prioritising spend as appropriate

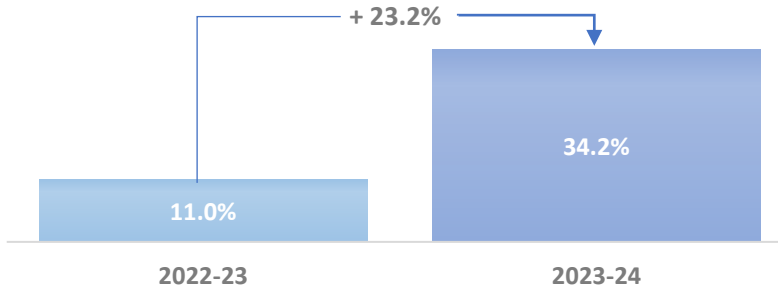
Actual spend at P3 is significantly higher than previous years, indicating a shift in the pattern of capital spend

Forecast: movement budget to Q1 FC (£m)

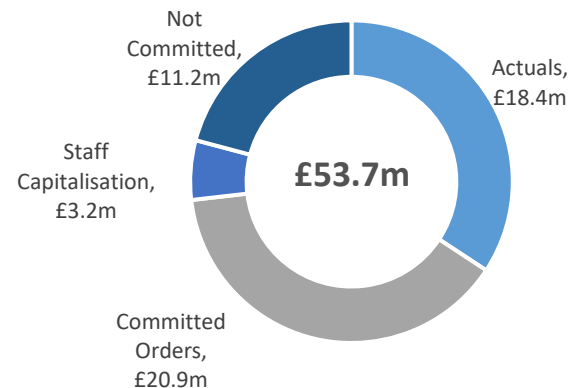


Year to date : % of forecast spent

Capital spend shows improvement compared to last year



Forecast: spend profile overview (£m)



Capital variance by programme (£m)

	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Fleet	9.8	7.3	2.5	14.5	14.8	(0.3)
Digital Division (ICT)	3.5	3.0	0.5	13.9	13.9	0.0
Estates	4.0	2.6	1.4	12.9	12.9	0.0
EV Infrastructure	1.3	1.2	0.1	5.3	5.3	0.0
SPE	1.0	0.8	0.2	5.0	5.0	0.0
Weaponry	0.4	0.3	0.1	2.2	2.0	0.2
Forensic services	0.2	0.2	0.0	1.8	1.4	0.4
<i>Change: legislative & inflight</i>						
Estates transformation	1.9	1.3	0.6	15.0	15.0	0.0
DEPP ①	1.0	0.6	0.4	4.7	3.2	1.5
DDD ②	0.3	0.4	(0.1)	3.0	3.0	0.0
RJLP ③	0.0	0.1	(0.1)	2.3	0.8	1.5
Policing in a digital world	0.0	0.0	0.0	1.5	1.5	0.0
Digital Division	0.0	0.0	0.0	0.9	0.8	0.1
MC&E ④	0.2	0.4	(0.2)	0.5	1.7	(1.2)
Other projects	0.2	0.2	0.0	1.6	1.1	0.5
Slippage	(2.7)	0.0	(2.7)	(32.1)	(28.7)	(3.4)
Total	21.1	18.4	2.7	53.0	53.7	(0.7)
Funding						
GIA - core				50.1	50.1	0.0
Capital receipts				2.9	2.9	0.0
Other				0.0	0.7	0.7
Total				53.0	53.7	0.7

OFFICIAL

① DEPP = Digitally Enabled Policing Programme

② DDD = Data Drives Digital

③ RJLP = Rights & Justice Legislative Programme

④ MC&E = Modern Contact & Engagement

Reform

Budget / Forecast deliverability status is green

FY Q1 forecast in line with budget

FY forecast requires slippage of £2.7m

Q1 FC has already identified significant slippage and will continue to be reviewed in the context of any decisions arising from proposals to reduce the Revenue Budget Q1 FC overspend

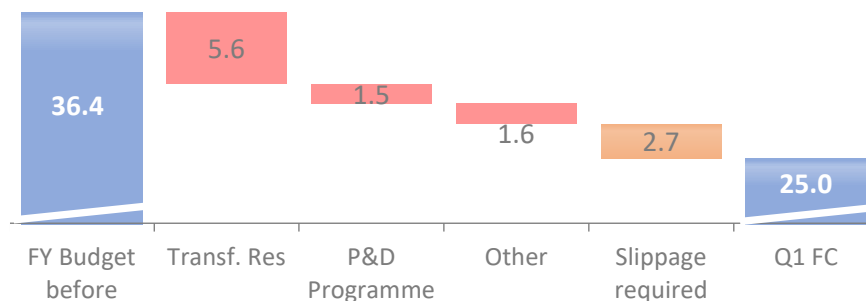
Year to date under budget by £0.1m

- ① MC&E = Modern Contact & Engagement
- ② EPF = Enabling Policing for the Future
- ③ DDD = Data Drives Digital

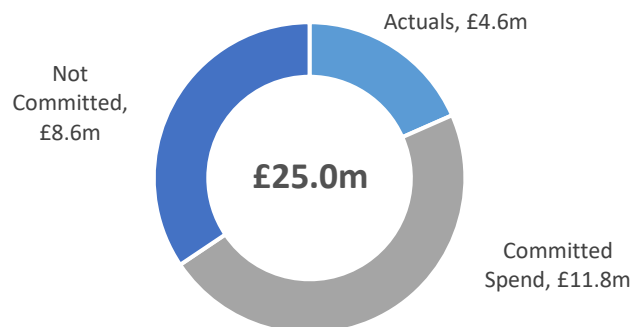
Q1 Forecast variances

- Transformation resource (£5.6m under) - forecast assumptions updated to exclude bids not yet approved by CDIO and reflects an appropriate success rate % for bids currently approved.
- P&D programme (£1.5m under) - mainly unallocated budget for which no plans have been developed.
- Other projects (£1.6m under) - re-profile of material projects like SERR and NLED.
- Slippage (£8.7m reduction) - as a result of the above, budgeted slippage has moved from £11.4m to £2.7m.

Forecast: movement budget to Q1 FC (£m)



Budget: spend profile overview (£m)



Reform variance by work stream (£m)

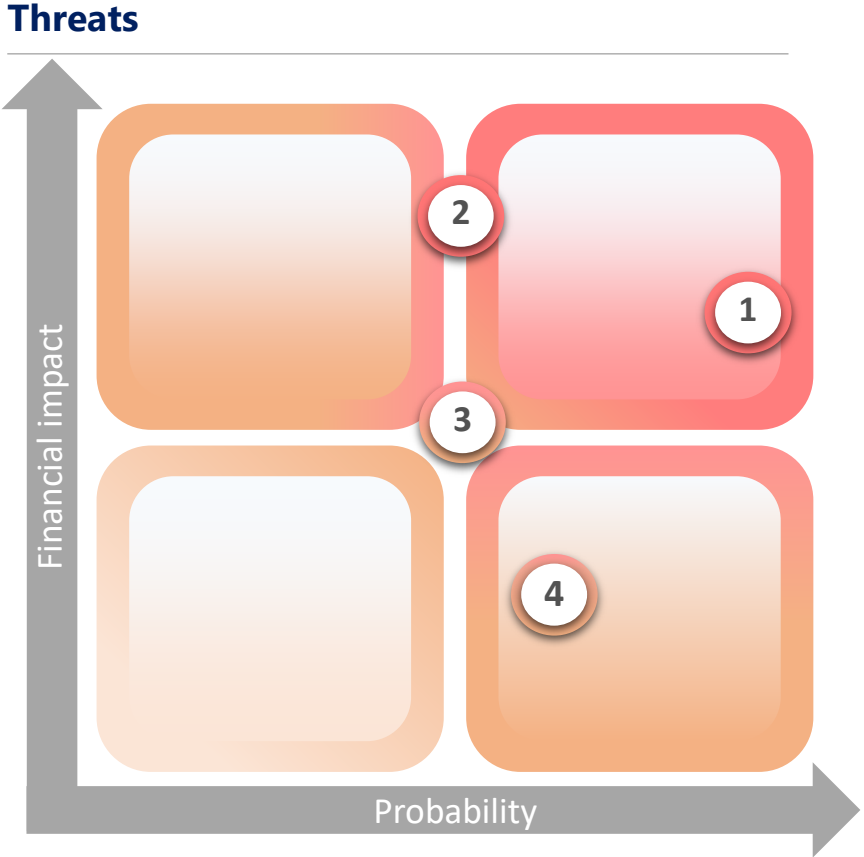
	Year to date			Full year		
	Budget £m	Actual £m	Var. £m	Budget £m	Q1 FC £m	Var. £m
Transformation resource	3.6	2.7	0.9	17.1	11.5	5.6
Estates transformation	0.2	0.2	0.0	5.0	4.8	0.2
P&D Programme	0.3	0.0	0.3	2.7	1.2	1.5
MC&E ①	0.8	0.9	(0.1)	1.7	2.0	(0.3)
Policing in a digital world	0.0	0.0	0.0	1.4	1.4	0.0
Digital Division	0.3	0.3	0.0	1.4	1.4	0.0
VR/VER	0.1	0.2	(0.1)	1.3	1.3	0.0
EPF ② (incl. Corporate Change)	0.0	0.0	0.0	0.7	0.7	0.0
DDD ③	0.0	0.0	0.0	0.4	0.4	0.0
Other projects	0.5	0.3	0.2	4.7	3.0	1.7
Slippage	(1.1)	0.0	(1.1)	(11.4)	(2.7)	(8.7)
	4.7	4.6	0.1	25.0	25.0	0.0
Contribution from Revenue Budget				(5.0)	(5.0)	0.0
Total				20.0	20.0	0.0
Funding						
GIA - core				20.0	20.0	0.0

OFFICIAL

Risk analysis

The revenue budget risks have been reflected in the Q1 FC and contribute to the net overspend against funding of £18.9m

These financial threats will be evaluated and continue to be monitored once internal discussions to agree the specific measures are implemented



1. Assumed Police Scotland staff workforce reductions – assumed reduction of PS staff through use of a vacancy management and VR/VER.
2. Workforce overtime - current use of overtime is not sustainable in the long-term creating a risk that spend cannot be managed within budget.
3. Pay costs - various pay assumptions have been made with regards to pay award, headcount, attrition and savings. Any variations to these assumptions will be managed throughout the year.
4. Property repairs – it has been assumed only priority 1 and priority 2 repairs will be completed, however this creates an additional risk and backlog of repairs. Potential to overspend and increased costs in future years as minor repairs become major.

