

SCOTTISH POLICE
AUTHORITY

Meeting	SPA Finance & Investment Committee – Public Session
Date	9 August 2016
Location	Pacific Quay, Glasgow
Title of Paper	2015-16 Unaudited Outturn Report
Item Number	3.1
Presented By	James Gray, Interim Chief Financial Officer
Recommendation to Members	For Information
Appendix Attached:	No

PURPOSE

The purpose of this report is to advise Members of the unaudited outturn report of the Scottish Police Authority (SPA) for the year ended 31 March 2016.

1. BACKGROUND

- 1.1 The SPA Board was presented with a high level draft outturn position on 20 June 2016. This report provides further detail on the 2015-16 outturn position, and also some additional information on the 2016-17 approved budget.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The following summary table on the unaudited outturn against the 2015-16 budget was set out in the report on 20 June 2016:

	Revenue	Capital	Reform
	£000s	£000s	£000s
Total budget	1,044,470	45,595	67,666
Net Expenditure for the year	(1,062,631)	(36,359)	(66,875)
Total (over)/underspend	(18,161)	9,236	791

- 2.2 When these 3 areas are taken together it results in an overall net overspend of £8.1m (0.75%) for the year.
- 2.3 The revenue outturn was also broken down as follows in the same report:

	Budget	Actual	Variance
	£000s	£000s	£000s
Police Scotland	1,013,884	1,031,282	(17,398)
SPA Corporate	4,594	3,964	630
Forensics	25,992	27,385	(1,393)
Total	1,044,470	1,062,631	(18,161)

Period 11 Forecast vs outturn report presented 20 June 2016

- 2.4 The table below sets out the forecast outturn position at the end of Period 11 as reported to the SPA Board on 31 March 2016 against the final outturn as reported on 20 June 2016:

	Revenue	Capital	Reform
	£000s	£000s	£000s
Forecast Outturn at Period 11 reported 31 March 2016	1,062,595	36,637	67,666
Actual Outturn reported 20 June 2016	1,062,631	36,359	66,875
Actual (over)/underspend against Period 11 forecast	(36)	278	791
Accuracy of total forecast against total actual outturn %	99.99%	99.24%	98.83%

- 2.5 The main reason for the variances were as follows:
- Revenue – the revenue outturn was only £0.036m over the forecast at period 11. However, given the size of the revenue budget further analysis has been set out below.
 - Capital – the actual outturn was £0.278m below the forecast at period 11. There were a number of small underspends across capital projections that account for this total variance.
 - Reform – the actual outturn was £0.791m below the forecast. At Period 11 it was expected that all of the Reform money would have been allocated to expenditure by the year-end. However, the final analysis of spend meant the total sum eligible to be allocated to Reform was less than anticipated at the time the period 11 projection was prepared.
- 2.6 Whilst the overall revenue position came in within 99.99% of the period 11 forecast, there were some variances between individual budget lines and this report provides explanation for those movements.
- 2.7 The table below sets out the difference between the forecast outturn at period 11 and the actual outturn as reported on 20 June 2016:

Period 11 Forecast vs outturn report presented 20 June 2016

	Period 11 Forecast	20 June actual outturn	(over)/under-spend against forecast	% change against forecast
	£000s	£000s	£000s	%
Total Police officer costs	734,684	737,965	-3,281	-0.4%
Total Police staff costs	192,789	192,702	87	0.0%
Other employee costs	7,759	2,621	5,138	66.2%
Premises costs	63,970	61,279	2,691	4.2%
Transport costs	24,795	24,193	602	2.4%
Supplies and services & ICT	61,414	65,611	-4,197	-6.8%
Administration	8,447	8,542	-95	-1.1%
Third party payments	12,494	14,122	-1,628	-13.0%
Capital Financing & Other costs	7,642	4,697	2,945	38.5%
Total expenditure	1,113,994	1,111,732	2,262	0.2%
Total Income	-49,386	-49,100	-286	0.6%
Unidentified Cost Reductions	-2,013	0	-2,013	100.0%
Net expenditure	1,062,595	1,062,632	-37	0.0%

2.8 The table shows that there were no material differences between the forecast and the outturn, but there were a number fairly large percentage variances against the forecast. Explanations have been set out below:

- **Total Police Officer costs** (variance: £3.281m/0.4%) – minimal variance.
- **Total Police Staff costs** (variance: £0.087m/0.0%) – minimal variance.
- **Other employee costs** (Variance: £5.138m/66.2%) – The main reason for sharp decrease in this expenditure line is largely due to the release of the £4.6m VR/VER provision which was reversed out of the balance sheet as a year-end adjustment.
- **Premises costs** (variance: £2.691m/4.2%) – the main reason for this variance was a year-end accounting adjustment. The Jackton PFI cost is made up of a unitary charge. Whilst the full amount is a real cost to Police Scotland each year, and is budgeted for as such, for accounting purposes the unitary charge has to be split between the element of the charge which relates to a principal loan repayment, and all other costs. This is because the principal loan repayment is a balance sheet cost, and does not impact upon the

income and expenditure statement for the purposes of annual accounts. Therefore a year end adjustment is made to remove £2.4m from premises costs, and it is transferred to capital financing costs.

- **Transport costs** (variance: £0.602m/2.4%) – there is no single reason for the underspend against forecast, other than in general response to the requirement to reduce expenditure to bring it back in to line with budget.
- **Supplies & Services and ICT** – (variance: £4.197m/6.8%) – this large increase in final outturn spend largely relates to the following costs not included in the period 11 forecast: one-off Airwave costs of £1.3m as well as a further £2.3m of reform funded costs within this budget line. These reform costs related to i6, C3, new body armour and PAVA.
- **Administration** – (variance: £0.095m/1.1%) – minimal variance.
- **Third Party Payments** – (variance £1.628m/13.0%) – the most significant element of movement relates to the increased the level of Home Office recharges to PS/SPA in 2015/16. The additional costs incurred were not included within the period 11 forecast as the final recharges had not yet been agreed and so final cost not yet know at that time.
- **Capital Financing and other costs** – (variance: £2.945m/38.5%) – one of the main reasons for this underspend against forecast is the release of TOIL accrual of £2m which hadn't been finalised at the time of the forecast (as this is done as part of the year-end processes and finalisation of the annual accounts). This additional unbudgeted release of the TOIL accrual of £2m to address the remaining unidentified cost reductions balance and an accounting adjustment for finance lease charges of £1.4m was partially offset by a transfer of £2.4m of additional cost relating the accounting adjustment for the PFI at Jackton.
- **Income** – (variance: £0.286m/0.6%) – immaterial difference.
- **Unidentified cost reductions** – (variance: £2.013m/100%) – this relates to the forecast £2m release of the TOIL accrual being accounted for within 'capital financing & other costs' in the finalisation of the accounts.

2015-16 Police Scotland Budget vs outturn report presented 20 June 2016

	Budget	20 June actual outturn	(over)/under-spend against budget	change against budget
	£000s	£000s	£000s	%
Total Police officer costs	752,192	737,965	14,227	1.9%
Total Police staff costs	196,688	192,702	3,986	2.0%
Other employee costs	2,282	2,621	-339	-14.9%
Premises costs	63,910	61,279	2,631	4.1%
Transport costs	24,838	24,193	645	2.6%
Supplies and services & ICT	60,819	65,611	-4,792	-7.9%
Administration	7,627	8,542	-915	-12.0%
Third party payments	13,343	14,122	-779	-5.8%
Capital Financing & Other costs	8,228	4,697	3,531	42.9%
Unallocated Savings	(23,552)	0	-23,552	n/a
Total expenditure	1,106,375	1,111,732	-5,357	-0.5%
Total Income	-61,905	-49,100	-12,805	-20.7%
Net expenditure	1,044,470	1,062,632	-18,162	-1.7%

Movements in the unaudited outturn report since 20 June 2016

- 2.9 The annual accounts exercise was still underway at the time of the last Authority meeting on 20 June 2016 and as such, it is always possible that late accounting adjustments are made to the outturn position. However, there have been no significant movements in the outturn figures. For the purposes of presenting a prior year comparative in the 2016-17 budget monitoring reports, the figures in the table below will be shown.

	2015/16 Outturn Comparator for 2016/17 Monitoring £000s
Police Scotland	1,031,284
SPA Corporate	3,962
Forensics	27,386
Total	1,062,632

- 2.10 Further adjustments may be required depending on the outcome of Audit Scotland's work into the 2015-16 annual accounts.

2016-17 budget

2.11 The 2016-17 budget was presented at the 20 June 2016 SPA Board meeting. It summarised the overall budget, as set out on 11 May 2016, as follows:

	£000s
Police Scotland	1,031,703
SPA Corporate	4,012
Forensics	27,750
Total	1,063,465

2.12 However, the final budget for Police Scotland contained a number of adjustments reducing the total from £1,031.703m to £1,023.093m. The table below shows the adjustments:

	Budget per 20 June report	A	B	C	D	E	Adjusted budget	Period 3 virements	Period 3 Revised Budget
	£000	£000	£000	£000	£000	£000	Finance appendix table £000	Schedule 1a £000	Schedule 1 £000
Police Officer Costs	753,036					-6	753,030	-335	752,695
Police Staff Costs	169,033			2,253	-14	984	172,256	153	172,409
Non Pay Costs	152,967	-7,067	-1,523	-2,253		-983	141,141	438	141,579
Income	-43,333					-1	-43,334	-256	-43,590
Total	1,031,703	-7,067	-1,523	0	-20	-984	1,023,093	0	1,023,093

2.13 The adjustments as set out in the table above were as follow:

- Adjustment A – The original budget assumed that £7.067m of Reform funding could be applied to the Police Scotland budget. However, the Board decided not to apply this presently, and as such, it resulted in an increase in the required savings line by £7.067m, which was included in the non-pay budget line. The net impact on the budget is to reduce the level of budgeted expenditure by £7.067m.

- Adjustment B – the original budget incorporates the VAT saving of £1.523m within Reform from reducing expenditure on capital by £7.6m. The previous version of the budget assumed that this saving in reform funding would be directed to assist with the revenue position. However, as per the position at Adjustment A, the £1.523m of reform funding has not been applied here, so again it has increased the required savings budget line by £1.523m. The net impact on the budget is to reduce the level of budgeted expenditure by £1.523m.
- Adjustment C – the new budget monitoring templates includes VR/VER staff savings in other costs rather than Police Staff costs, so the budget saving has been transferred – this has no net impact on the budget.
- Adjustment D – immaterial, reduces budget by £20k overall.
- Adjustment E - Realignment to reflect missed Police Staff posts within LVRD. No net impact on the budget.
- Virements – explanations for the virements are set out in the budget monitoring report. There is no bottom line impact on the budget.

2.14 Once the adjusted budget for Police Scotland is added to the SPA and Forensic budgets, the overall position is set out below:

	Original Budget	Revised budget
	£000s	£000s
Police Scotland	1,031,703	1,023,094
SPA Corporate	4,012	4,012
Forensics	27,750	27,750
Total	1,063,465	1,054,856

3. FINANCIAL IMPLICATIONS

3.1 There are no financial consequences as a result of this report other than those contained within this report.

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications associated with this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There no reputational implications associated with this report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications directly associated with this report.

8. COMMUNITY IMPACT

8.1 There are no community impact implications directly associated with this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications directly associated with this report.

10 ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications as a consequence of this report.

RECOMMENDATIONS

Members are requested to:

1. Note the 2015-16 outturn position and movements in the 2016-17 budget.