

Meeting	Public SPA Board Meeting
Date	22 June 2017
Location	Carlton Hotel, Edinburgh
Title of Paper	Financial Report – Indicative End Year Outturn
Item No.	7
Presented by	David Page, Deputy Chief Officer
Recommendation to Members	For Noting
Appendix Attached	Yes

PURPOSE

The purpose of this report is to advise of the 2016/17 indicative year-end financial outturn.

1. BACKGROUND

- 1.1 This report presents the provisional outturn position for financial year 2016/17.
- 1.2 Further detail of the financial position is presented within this report. A detailed report was also presented to Finance Committee on 1 June 2017 for review and consideration.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The indicative year-end outturn position is an overall overspend of £17.1m
- 2.2 The financial position is detailed further at Appendix 1.

3. FINANCIAL IMPLICATIONS

- 3.1 The indicative year-end financial outturn position for financial year 2016/17 is set out in this report.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no direct personnel implications associated with this report.

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5. LEGAL IMPLICATIONS

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

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no direct reputational implications arising from with 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 IMPLICATION

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are requested to:

Note the information contained within this report.

SCOTTISH POLICE
AUTHORITY



Provisional Outturn Report

2016/17

SPA Board

22 June 2017

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1. Executive Summary

1.1 This report sets out the provisional net outturn for SPA/Police Scotland for the year to 31 March 2017.

1.2 The table below shows final net expenditure and the funding available to the organisation in the year split by the three main budgetary streams of Revenue, Capital and Reform.

	Revenue £m	Capital £m	Reform £m	Overall Position £m
Provisional Final Net Expenditure	1,033.4	20.7	40.0	1,094.1
<u>Funding:</u>				
Grant-in-aid	(1,003.4)	(16.2)		
Capital receipts		(2.2)		
Reforming funding			(52.6)	
Additional Scottish Govt Funding	(0.6)	(2.0)		
Total Funding	(1,004.0)	(20.4)	(52.6)	(1,077.0)
Over/(Under) Spend	29.4	0.3	(12.6)	17.1

- The provisional net outturn is an overspend of £17.1m which is an improved position on the forecast position of £17.5m (reported consistently since period 5).
- The overriding reason for the revenue overspend of £29.4m is due to unidentified savings built into the budget not being delivered in-year (see variance analysis at Section 2.1).
- The capital budget was over-spent by £0.3m. The area contributing mostly to the overspend was the timing of ICT capital spend, with an element of project expenditure planned for 2017-18 spent ahead of schedule (see analysis at Section 2.4).
- The Reform budget was under-spent by £12.6m, largely due to the running costs of the Gartcosh Crime Campus (charged to Reform in previous years) no longer being an eligible charge against this Fund, and the fact that over £8m of the Reform budget was never allocated to specific reform projects (see analysis at Section 2.3).

2. 2016/17 Budget Analysis

Revenue budget

2.1 The table below sets out the 2016/17 provisional outturn against the full year budgeted expenditure and the prior year outturn.

	FULL YEAR POSITION			PRIOR YEAR ACTUAL	
	Budget £m	Draft Outturn £m	Variance (over)/under	15/16 Outturn £m	Variance: 16/17 Draft Outturn vs. 15/16 Outturn
<u>POLICE SCOTLAND:</u>					
Police Officer Costs	750.7	753.9	(3.2)	739.7	14.2
Police Staff Costs	170.0	169.8	0.2	167.9	1.9
Holiday Pay Accrual	(1.0)	(3.6)	2.6	(3.6)	-
Non-pay Costs	147.4	180.6	(33.2)	176.8	3.8
Income	(44.0)	(61.7)	17.7	(47.7)	(14.0)
Police Scotland Net Expenditure	1,023.1	1,039.0	(15.9)	1,033.1	5.9
<i>Forensics</i>	<i>27.8</i>	<i>27.7</i>	<i>0.2</i>	<i>27.4</i>	<i>0.3</i>
<i>SPA Corporate</i>	<i>4.0</i>	<i>3.7</i>	<i>0.2</i>	<i>4.0</i>	<i>(0.3)</i>
Total	1,054.9	1,070.4	(15.5)	1,064.5	5.9
Less: Expenditure Funded from Reform		(37.0)			
Net Expenditure (Revenue)		1,033.4			

2.2 *Police Scotland Variance Analysis*

Police Officer Costs

Full year provisional outturn (£3.2m overspend)

Salaries and National Insurance are overspent by £3.9m (0.5%) largely due to officer numbers averaging above the budgeted 17,234 in the earlier part of the financial year. In addition, an average cost per rank was used for budgeting purposes which was lower than the actual cost incurred. This overspend has been partially offset by an overtime underspend of £0.7m. An underspend on allowances of £0.6m is offset by an overspend on police pension costs of the same sum.

Against prior year spend (£14.2m higher in 2016/17)

Current year spend is greater than last year due to the effect of the 1% pay award and a 3% increase in the rate of national insurance.

Police Staff Costs

Full year provisional outturn (£0.2m underspend)

There were underspends on overtime, allowances and special constable payments totalling £0.8m. This was partially offset by an overspend of £0.6m in salaries and on-costs (largely due an under-achievement of savings targets in Police Staff reductions).

Against prior year spend (£1.9m higher in 2016/17)

Current year spend is greater than last year due to the effect of the 1% pay award and a 3% increase in the rate of national insurance.

Release of Holiday Pay Accrual

Full year provision outturn (£2.6m favourable variance)

Untaken annual leave entitlement at the end of the financial year was significantly reduced from the budgeted level resulting in a total credit of £3.6m (against a budgeted release of £1m).

Against prior year spend – no change.

Non-Pay Costs (Detailed analysis included at Appendix B)

Full year provisional outturn (£33.2m overspend)

This overspend is largely attributable to unidentified savings of £28.7m at the end of the financial year. In addition, there were significant overspends in relation to accident damage of £1m (impact of no capital investment until late in the year resulting in greater repair costs); uniform costs of £2.1m (the significant in-year savings target set at 60% of budget was not realised); professional services £1.6m (professional fees incurred in relation to the Policing 2026, Commercial Excellence and Pay Modernisation projects). Further cost pressures included accident damage, transportation of deceased persons, premises repairs/ health and safety related expenditure and Specialist Crime Division (SCD) specialist equipment.

These overspends were offset by an underspend on VR/VER release costs due to leavers numbering 146 FTE compared to the budgeted number of 200.

Against prior year spend (£3.8m higher in 2016/17)

This is mainly due to an increase in VR/VER of £6.9m compared to 2015/16. This was a result of the release of a provision in 2015/16, which reduced the cost of VR/VER in that year to £0.8m, compared to an estimated net cost of £7.7m in the current year (with no release of provision). The remaining reduction in the non-pay cost base was £3.1m compared to 2015/16.

Income

Full year projection (£17.7m favourable variance)

The greatest element of the increased income relates to the 'i6' one-off compensation payment in 2016/17 as well as additional income from Services of Police recharges.

Against prior year income (£14m higher in 2016/17)

Mainly due to the 'i6' one-off compensation payment received in 2016/17.

Forensics & SPA Corporate

No material variances have arisen.

Reform Budget

- 2.3 The 2016/17 budget did not include a specific Reform budget, instead there were assumptions about how Reform funding could be allocated against specific costs, subject to Scottish Government approval. Therefore the table below does not show an actual against budget comparison.

The table below sets out the forecast full year spend at period 10 in relation to reform funding compared with the provisional outturn.

Reform	Forecast at Period 10 £m	Provisional Outturn £m	Movement £m
<i>Total Reform Funding</i>	<i>(52.2)</i>	<i>(52.6)</i>	<i>(0.4)</i>
VAT (PSoS & SPA Revenue)	20.7	20.5	(0.2)
VAT (PSoS & SPA Capital)	2.5	3.0	0.5
VR/VER packages	8.8	7.8	(1.1)
Gartcosh Rent & Running Costs <i>(not approved as Reform spend by SG)</i>	4.1	-	(4.1)
Forensics Organisational Change <i>(not approved as Reform spend by SG)</i>	0.1	-	(0.1)
Change Projects	6.4	7.4	1.0
Project 2026	1.0	1.3	0.3
<i>Total Expenditure</i>	<i>43.6</i>	<i>40.0</i>	<i>(3.6)</i>
Over (Under) Spend	(8.6)	(12.6)	(4.0)

Explanation of Main Variances

- **VAT Capital** - The VAT allocation to capital has increased from that previously forecast due to the additional capital spend incurred towards the end of the financial year.
- **VR/VER Packages** - The forecast was based on 200 leavers as assumed in the revenue budget. However the outturn was 146 leavers, albeit at a higher average cost than forecast.
- **Gartcosh Rent and Running Costs** – This favourable variance to forecast is a result of the running costs of the Gartcosh campus (charged to Reform in previous years) no longer being considered an eligible charge against this Fund.
- **Change Projects** - Further costs were allocated to Reform in relation to employees working on change/ modernising projects such as Pay Harmonisation, and Contact Command and Control Integration and Remodelling.

Capital Plan

2.4 The table below sets out the provisional capital outturn position against the original capital plan.

	Original Budget £m	Revised Plan £m	Provisional Outturn £m	Variance Against Original Budget £m (adverse)/favourable
Expenditure				
ICT Blueprint	8.8	8.8	10.2	(1.4)
C3 Stage 7 Procurement	1.2	1.2	1.6	(0.4)
National Cybercrime	1.9	0.3	1.1	0.8
Building Works Programme	5.1	2.6	3.2	1.9
Additional Capital (Estates & CJ Works)	0.0	0.0	2.0	(2.0)
Other CJ Works	1.4	1.4	0.5	0.9
Fleet Replacement	7.3	1.8	4.8	2.5
Forensics	0.7	0.7	0.3	0.4
TOTAL EXPENDITURE	26.4	16.8	23.7	2.7
Funding				
Scottish Government Grant	16.2	16.2	18.2	2.0
Capital Receipts	5.8	5.8	2.2	(3.6)
Reform funding (VAT)	4.4	2.4	3.0	(1.4)
TOTAL FUNDING	26.4	24.4	23.4	(3.0)
NET POSITION	0.0	7.6	0.3	(0.3)

2.5 During the year there was a planned reduction of the original capital budget in recognition of the revenue pressure in the current year (see revised plan column as above). However, this was putting significant pressure on the estate and fleet condition in particular, which was presenting itself as cost pressures in 2017-18, and as a result, the provisional net outturn is more in line with the original budget set in March 2016.

Variance analysis

Expenditure Overspends

- **ICT – Blueprint (£1.4m) and C3 Stage 7 Procurement (£0.4m)** – these overspends arose as a result of a decision to bring forward ICT spend from 2017-18 to progress key infrastructure required for 2026. This decision was taken on the basis that the capital plan was significantly underspent against the original plan at Period 10, so there was sufficient funding, and also on the basis that it would take pressure off the 2017/18 financial year.
- **Additional Capital – Estates and Criminal Justice (£2m)** – This spending was undertaken as a result of Scottish Government providing additional in-year funding specifically to improve the Police Estate (see funding variance below).

Expenditure Underspends

- There were underspends on all other expenditure headings. These were incurred as a result of a planned reduction in capital expenditure (see paragraph 2.5 above). However, against the revised capital plan, the fleet replacement expenditure was £3m higher and building works was £0.6m higher. This was the result of a decision taken late in the financial year to progress capital spending in these key areas to take revenue pressure away from the 2017-18 budget where cost pressures were arising as a result of the deterioration in the asset base.

Funding

- **Scottish Government Grant (positive variance £2m)** – Additional funding of £2m was received from Scottish Government in-year specifically ring-fenced for the purpose of improving the condition of the Police Estate;
- **Capital Receipts (Adverse variance £3.6m)** – There was slippage in the sale of properties during the year against the approved budget which resulted in this adverse variance. In particular, the delay in sale of Chambers Street resulted in a capital receipt of approximately £2m not being realised in year. However, it should be noted, that the receipts from the properties not sold in 2016-17 will be realised in 2017-18 and have been built into the budget.

NOT PROTECTIVELY MARKED

END OF REPORT

NOT PROTECTIVELY MARKED

Appendix A – Detailed analysis of non-pay expenditure

Revenue budget – Non-Pay Costs

The table below sets out the 2016/17 revenue budget and provisional outturn for the full financial year. It also includes a comparison to the prior year actual.

	FULL YEAR POSITION			PRIOR YEAR ACTUAL	
	Budget	Outturn	Variance (over)/under	2015/16 Outturn	Variance: 16/17 Outturn vs. 15/16 Actual Outturn
	£m	£m	£m	£m	£m
Other Employee Costs	9.7	9.2	0.5	2.3	6.9
Premises Costs	63.3	63.0	0.3	60.3	2.7
Transport Costs	21.9	23.1	(1.2)	23.7	(0.6)
Supplies and Services less Telecoms	24.6	28.7	(4.1)	27.7	1.0
ICT & Telecoms	30.0	30.5	(0.5)	33.5	(3.0)
Administration	6.1	7.5	(1.4)	7.9	(0.4)
Third Party Payments	12.5	13.1	(0.6)	13.4	(0.3)
Capital Financing	8.0	4.7	3.3	7.6	(2.9)
Other Costs	0.0	0.8	(0.8)	0.5	0.3
Unidentified Savings	(28.7)	0.0	(28.7)	0.0	0.0
Total Non-Pay Costs	147.4	180.6	(33.2)	176.9	3.7

Police Scotland Variance Analysis

Other Employee Costs

Full year provisional outturn against budget (£0.5m underspend)

Total redundancy costs in the year, including the actual costs of payments for Continuing Added Years (CAY) is £7.7m against a budget of £8.3m. Redundancy costs are underspent due to fewer VR/ VER leavers than anticipated at the end of the financial year. The total final number of leavers was 146 compared to that budgeted of 200.

Against prior year spend (£6.9m higher in 2016/17)

In 2015/16, the release of a provision reduced the net cost of VR/ VER releases in that year to £0.8m. In 2016/17 there was no release of provision and the net cost was £7.7m, resulting in a movement of £6.9m.

Premises Costs

Full year provisional outturn against budget (£0.3m underspend)

There was an underspend of £0.8m against the Private Finance Initiative (PFI) charge. This underspend was forecast earlier in the financial year and largely relates to an over-provision in the budget (the full cost of the PFI payment being included when part of the cost is not a charge against the revenue DEL target). There is a net overspend of £0.5m across a number of other budget lines.

Against prior year spend (£2.7m higher in 2016/17)

Current year spend is greater than the previous year mainly due to the fact that in 2015/16, the cost of the PFI charge for Jackton Police College had been transferred out of Police Scotland premises costs. For revenue budgeting purposes the PFI charge is a Police Scotland cost, however, for the prior year final outturn, External Audit required the interest charge (£2.3m) to be allocated as an SPA Corporate cost. This year-end adjustment has not yet been made for 2016/17 to maintain consistency with the 2016/17 budget).

Transport Costs

Full year provisional outturn against budget (£1.2m overspend)

The current year overspend against budget relates primarily to a £1.0m overspend on the cost of accident damage repairs and £0.4m on servicing and maintenance costs. Additional costs have been incurred repairing and maintaining vehicles due to the fact that there was no capital investment in fleet replacement until the latter stages of the financial year.

Against prior year spend (£0.6m lower)

Current year spend is lower than the prior year largely due to reductions of £0.9m made in travelling costs (public transport, essential and casual users mileage) as business areas actively managed down this expenditure by reducing journeys in order to contribute to unidentified savings targets.

Supplies and Services (excl. Telecoms)

Full year provisional outturn against budget (£4.1m overspend)

The main contributing factors are overspends on uniforms costs (£2.1m); transportation of deceased persons (£0.6m) and professional services (£1.6m).

There is a full year overspend against budget on uniforms costs of £2.1m. When the budget was set a target was allocated to achieve savings of £1.8m. During the year actions to reduce costs this cost did not materialise. In addition, there were also specific additional cost pressures arising from the requirement to equip additional Public Support Officers and Firearms Officers (£0.3m) as well as providing new winter clothing for Officers in the north of Scotland (£0.2m).

Proposals are currently being progressed to revise the way in which uniforms are purchased and managed in 2017/18. In the meantime budgets have been devolved to divisions and departments in 2017/18 in order to achieve alignment of budget with responsibility for spend (the budget was held by Procurement in 2016/17 and prior years).

The cost of transportation of deceased persons is £0.6m overspent. Savings were anticipated as a result of the introduction of new national contracts for this service, in addition to a standardised process and cost reimbursement from the Crown Office and Procurator Fiscal Service (COPFS). Whilst savings have been achieved, the amount reimbursed from the COPFS has been lower than anticipated and the Force is continuing to pursue claims.

The amount of spend on professional services is £1.6m higher than budget. This additional spend reflects costs funded from the Police Reform budget and primarily relates to the Policing 2026 Project.

Against prior year spend – (£1.0m higher in 2016/17)

The main increase is in relation to externally sourced professional services in relation to Policing 2026 transformation programmes.

ICT Costs (incl. Telecoms)

Full year provisional outturn against budget (£0.5m overspend)

This main reason for the overspend is unbudgeted in-year costs in relation to Home Office ICT applications.

Against prior year spend (£3.0m lower than 2016/17)

The reduced expenditure is attributable to lower spend on telecoms (£1.7m). A procurement review in 2016/17 of the telecoms contract has resulted in lower spend compared with the previous financial year (£1.2m). In addition, the telecoms cost incurred in 2015/16 was inflated due to the payment of historic charges levied in respect of previous financial years (£0.5m). The budget for Telecoms in 2015/16 was £11.8m and this was reduced to £10.6m in 2016/17.

In addition, there was a reduced spend on ICT maintenance, licenses and subscriptions compared with the prior year (£1.1m). This reduction is broadly in line with the budget reduction year on year and is attributable to the review and re-tendering of contracts to realise savings. In addition, ICT have also been reviewing the service level applicable to each contract and considering where a lower service level would meet the organisational requirements.

Administration Costs

Full year provisional outturn against budget (£1.4m overspend)

This overspend mainly relates to £1.2m of legal costs payable and arose from the year-end review of legal liabilities.

Against prior year spend (£0.4m lower than 2016/17)

Overall current year spend is lower than the prior year due to savings achieved on stationery (resulting from the new single national contract for stationery) and advertising. Photocopier costs have significantly reduced on last year. The reduction was due to the implementation of a new contract for photocopier devices which has achieved savings.

Third Party Payments

Full year provisional outturn against budget (£0.6m overspend)

The majority of the overspend (£0.5m) relates to the cost associated with the settlement of various liability claims.

Against prior year spend (£0.3m lower than 2016/17)

Additional one-off costs were incurred in the prior year in relation to Home Office charges from earlier financial years that had been disputed.

Capital Financing

Full year provisional outturn against budget (£3.3m underspend)

This is made up of three elements: an over-provision within the budget of £1.7m (corrected for 2017/18); the reclassification of £0.9m of expenditure out of the revenue budget; and a £0.5m reduction in interest costs due to historically low interest rates.

Against prior year spend (£2.9m lower than 2016/17)

The lower spend also reflects the accounting changes made in the current year.

Other Costs

Full year provisional outturn (£0.8m overspend)

This overspend reflects the cost of unbudgeted year-end adjustments.

Against prior year spend (£0.3m higher than 2016/17)

Reflects the cost of year-end accounting adjustments.