

Meeting	SPA Board Meeting
Date	26 June 2019
Location	Pollock Halls, Edinburgh
Title of Paper	Provisional Outturn
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Provisional Outturn Finance Report Year to 31 March, 2018-19

PURPOSE

The purpose of this report is to provide an update on the provisional 2018/19 financial outturn.

Members are invited to discuss the content of this paper.

1. BACKGROUND

- 1.1 This report presents the provisional outturn position for financial year 2018/19. These figures are subject to external audit.
- 1.2 The high level position was presented to the Board on 22 May. There has been no change to the overall position since this meeting, however these figures could be subject to change.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The provisional net outturn position in relation to revenue, capital and reform expenditure is set out in the table below.

Overall Outturn Summary	Revenue £m	Capital £m	Reform - Revenue £m
Net Expenditure (Provisional)	1,115.5	35.2	25.0
Funded By:			
Grant-in aid	1,080.1	24.0	
Capital grant		0.2	
Capital receipts		6.4	
Reform funding		4.6	25.0
Total Funding	1,080.1	35.2	25.0
(Over) / Under	(35.4)	0.0	0.0
<i>(Over) / Under - Forecast at Quarter Three</i>	<i>(35.6)</i>	<i>0.0</i>	<i>0.0</i>
<i>Movement from Forecast at Quarter Three</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>

- 2.2 The reasons for the movements in comparison to the budget are as follows:
- **Revenue** - The net expenditure forecast is £15.1m higher than budget due to in-year pay and other cost pressures including Police Officer pay award, SPRM and Operation Roll. Over the year, the Scottish Government increased Grant in Aid funding by £15.3m to cover these pressures as agreed with the Scottish Police Authority.
 - **Capital** - The full year outturn capital spend of £35.2m is in line with the amount of capital funding available. The year-end budget versus outturn variance of £6.4m is primarily due to a correction in the accounting treatment for disposals. The difference between the sale proceeds and the net book value (NBV) of the assets being disposed should be and now is recognised in revenue whilst the NBV is available to fund capital expenditure.

- **Reform** - The full year outturn revenue reform spend of £25.0m is in line with budget.

2.3 The attached appendix details the variances between the provisional outturn and the 2018/19 budget.

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 implication associated with this paper.

5. LEGAL IMPLICATIONS

5.1 There are no legal implication associated with this paper.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implication associated with this paper.

7. SOCIAL IMPLICATIONS

7.1 There are no 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 equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are requested to discuss the information contained within this report.



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Appendix A

Provisional Outturn Finance Report Year to 31 March, 2018-19

Executive Summary

- This report sets out the provisional net outturn for the Scottish Police Authority (SPA) / Police Scotland for the year ended 31 March 2019. These figures are subject to external audit.
- The table below shows final net expenditure and the funding available to the organisation in the year, split by the three budgetary streams: revenue, capital and reform.

Overall Outturn Summary	Revenue	Capital	Reform - Revenue
	£m	£m	£m
Net Expenditure (Provisional)	1,115.5	35.2	25.0
Funded By:			
Grant-in aid	1,080.1	24.0	
Capital grant		0.2	
Capital receipts		6.4	
Reform funding		4.6	25.0
Total Funding	1,080.1	35.2	25.0
(Over) / Under	(35.4)	0.0	0.0
<i>(Over) / Under - Forecast at Quarter Three</i>	<i>(35.6)</i>	<i>0.0</i>	<i>0.0</i>
<i>Movement from Forecast at Quarter Three</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>

- The net expenditure forecast is £15.1m higher than budget due to in-year pay and other cost pressures including Police Officer pay award, the Staff Pay & Reward Harmonisation (SPRM) programme and Operation Roll. Over the year, the Scottish Government increased Grant in Aid funding by £15.3m to offset these pressures as agreed with the SPA.

Revenue	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Police Scotland	1,065.7	1,081.2	(15.5)
Forensic Services	30.6	30.5	0.1
SPA Corporate	4.1	3.8	0.3
Total Net Expenditure	1,100.4	1,115.5	(15.1)
Funded By:			
Grant in Aid	1,064.8	1,080.1	(15.3)
Operating Deficit	35.6	35.4	0.2
Total	1,100.4	1,115.5	(15.1)

- The full year outturn capital spend of £35.2m is in line with the amount of capital funding available. The year-end budget versus outturn variance of £6.4m is primarily due to a correction in the accounting treatment for disposals and the consequent impact on the recognition of capital receipts.

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The difference between the sale proceeds and the net book value (NBV) of the assets being disposed should be, and now is, recognised in revenue whilst the NBV is available to fund capital expenditure.

Capital	Year End Outturn		
	Budget	Actual	Variance
	£m	£m	£m
Police Scotland	40.5	33.7	6.8
SPA / Forensics	1.1	1.5	(0.4)
Net Expenditure	41.6	35.2	6.4
Funded By:			
Grant in Aid	23.0	24.0	(1.0)
Capital Reform funding	4.6	4.6	0.0
Capital grant	0.0	0.2	(0.2)
Capital receipts	14.0	6.4	7.6
Total	41.6	35.2	6.4

- The full year outturn revenue reform spend of £25.0m is in line with budget.

Revenue Budget

Analysis by Spend Type

	Year to 31 March		
	Budget £m	Actual £m	Variance £m
Police Officers	786.6	803.8	(17.2)
Police Staff	177.0	178.7	(1.7)
Holiday Pay and TOIL accrual	0.0	2.7	(2.7)
Non-Pay Costs	142.7	144.3	(1.6)
Income	(40.6)	(48.3)	7.7
Total Police Scotland	1,065.7	1,081.2	(15.5)
Forensic Services	30.6	30.5	0.1
SPA Corporate	4.1	3.8	0.3
Total Police Authority	1,100.4	1,115.5	(15.1)

Police Officers (Full year provisional outturn: £17.2m overspend)

- The overspend is primarily driven the additional cost of the Police Officers' pay award above budget (£10.6m), overtime costs in relation to Operation Roll (£1.6m) and core activities / Allard ruling (£1.7m), European Working Time Directive (£2.5m) and pensions costs including ill-health and injury (£1.4m)

Police Staff (Full year provisional outturn: £1.7m overspend)

- The overspend relates to additional SPRM costs (£3.5m) and EWTD (£0.3m), partly offset by a £1.9m underspend due to vacant posts being in excess of the budgeted vacancy / turnover saving.

Holiday Pay and TOIL accrual (Full year provisional outturn: £2.7m)

- As part of the year end process, the Holiday pay and Time off in Lieu (TOIL) accruals calculation methodology was reviewed and refreshed, which identified an additional cost of (£1.9m) for prior year and (£0.8m) for the current year.

Non-Pay Costs (Full year provisional outturn: £1.6m overspend)**Premises Costs**

- (Full year provisional outturn: £0.6m overspend)**

The overspend was primarily due to Budgeted savings in the Estates function not achieved (£1.2m) and additional property repairs incurred (£1.5m), offset by a year-end statutory accounting procedure moving budgeted PFI interest Charge (£2.1m) to Capital Financing costs.

Transport Costs

- (Full year provisional outturn: £1.4m overspend)**

Due to: overspends in vehicle servicing and maintenance (£0.5m) as a consequence of a reduced vehicle replacement programme in the early part of the year; vehicle hire charges (£0.4m) and

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vehicle fuel (£0.9m), partly offset by underspends arising from the timing of travel (£0.1m) and mileage costs (£0.2m).

Supplies & Services

- ***(Full year provisional outturn: £1.0m underspend)***

This position mainly reflects underspends on: telecoms expenditure (£1.1m), airwave (£0.7m), and interpreters (£0.3m). This is offset by spend related to Operation Roll (£0.5m - externally fully funded) and other supplies and services overspends (£0.6m)

ICT

- ***(Full year provisional outturn: £1.8m underspend)***

The outturn variance position mainly reflects an underspend on IT maintenance.

Admin Costs

- ***(Full year provisional outturn: £2.2m overspend)***

Within this overspend position there are legal costs overspent (£2.5m) related to external solicitor fees. This is offset by underspends across printing, stationery and photocopiers costs (£0.3m).

Third Party Payments

- ***(Full year provisional outturn: £3.1m overspend)***

This overspend is mainly related to Operation Roll (£0.9m – externally fully funded), liability claims for major cases (£0.9m) and externally funded spend related to Violence Reduction Unit (VRU) and domestic abuse training.

Capital Financing

- ***(Full year provisional outturn: £1.9m overspend)***

As mentioned above in Premises costs, this is primarily due to a year-end statutory accounting procedures moving budgeted PFI interest Charge (£2.1m) to Capital Financing costs.

Other Costs

- ***(Full year provisional outturn: £5.1m underspend)***

This relates to the gain on disposal from a number of properties including Pitt Street, Glasgow.

Income (Full year provisional outturn: £7.8m favourable)

- Due to additional income (£2.4m) primarily from football, concerts and other operations. Extra specific grant funding (£2.1m) has been received as well as additional mutual aid income (£0.6m) in relation to operations conducted on behalf of other Forces, additional recovery of income in respect of rental and hire charges (£1.1m) and other various income (£1.6m).

Forensic Services (Full year provisional outturn: £0.1m underspend)

- Staff cost underspend of £0.5m due to vacant posts, offset by an overspend in operational kits (£0.5m)

SPA Corporate (Full year provisional outturn: £0.3m underspend)

- Due to vacant posts.

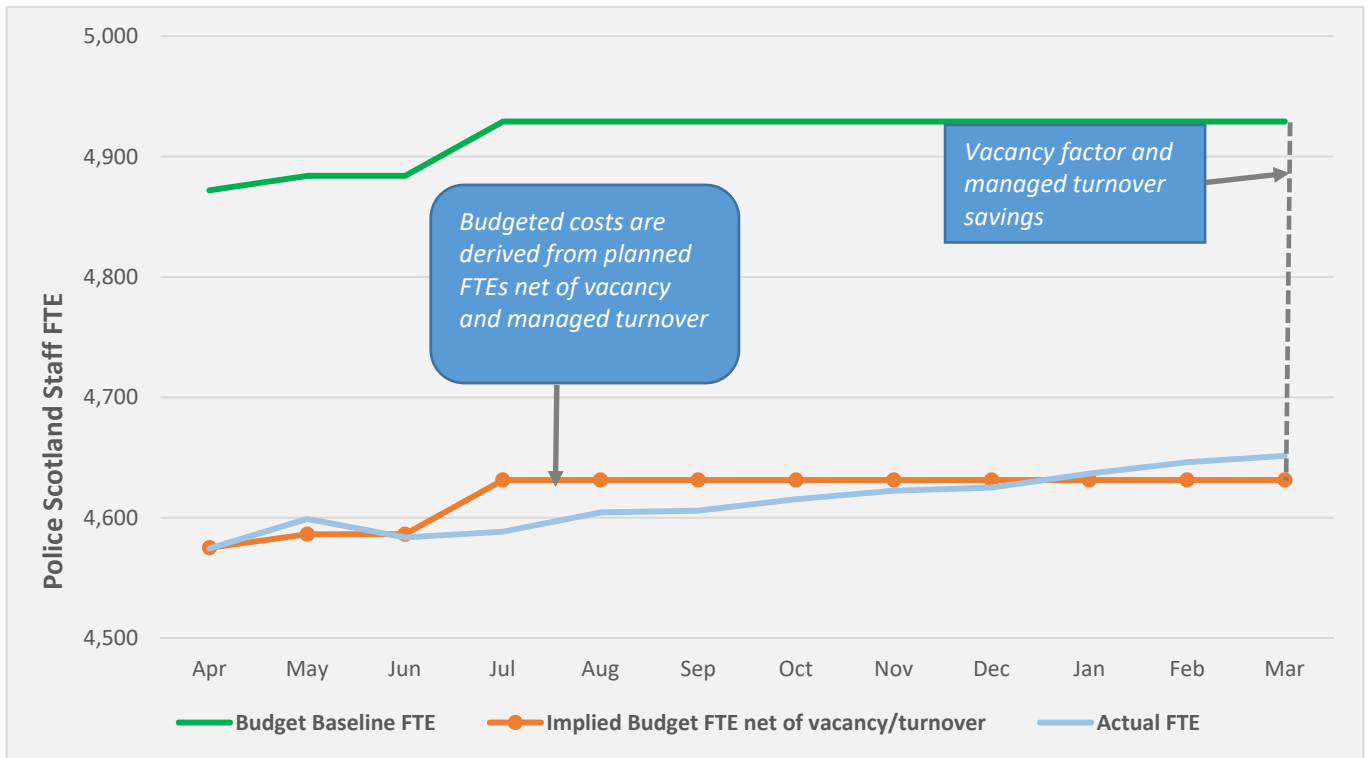
Police Officers & Police Staff Costs

Police Officers Costs

The budget assumes an establishment of 17,134 FTE Police Officers. The published Police Officer numbers as at the end of March are 17,251.16 FTE. The outturn overspend of £17.2m is primarily due to the Officers’ pay award increasing costs by £10.6m, additional recruitment in February of 95 officers (£0.4m), ill health and injury pensions (£1.4m), Operation Roll overtime (£1.6m), EWTD (£2.5m) and other operational overtime (£0.7m)

Police Staff Costs

The budgeted vacancy factor savings (£6.5m) and managed turnover savings (£3.2m) has been achieved and represent the gap between the actual and budgeted staff in post. A full year underspend of £1.9m (excluding SPRM additional costs) was achieved due to the number of vacant posts. Based on experience, the vacancy factor saving is assumed to be recurring and hence will continue into future years. The additional managed turnover saving is budgeted and managed centrally within non-distributable costs and was offset by staff savings across other business areas. Staff headcount as at the end of March was 4,651.5 FTE.



Indicator	Full Year Budgeting Assumption	Status
Vacancy factor saving <i>(based on the historic turnover % per Division / Department)</i>	£6.5m	↑ Achieved
Managed turnover saving <i>(further vacancy managed saving)</i>	£3.2m	↑ Achieved

Capital - including Capital Reform

The Capital Investment Group develops proposals on capital allocations based on an assessment against policing priorities, business need and available funding. Business as usual (BAU) capital budgets are supported by rolling programmes of investment across key business areas. Change capital budgets are notionally allocated and formally approved through relevant SPA governance following the development of a robust business case.

	Year to 31 March		
	Budget £m	Actual £m	Variance £m
<u>Business As Usual</u>			
Estates	4.5	4.5	0.0
Fleet	5.3	7.0	-1.7
ICT	6.6	6.0	0.6
Specialist Policing Equipment	3.3	3.0	0.3
Weaponry	1.4	0.8	0.6
<u>Change</u>			
Corporate Services Transformation	0.1	0.0	0.1
P2P - Procure to Pay	0.4	0.0	0.4
Telematics	0.4	0.4	0.0
Custody Remodelling	0.9	0.3	0.6
Productions Remodelling	1.1	0.1	1.0
CJ Records Management	0.3	0.2	0.1
Mobility	1.8	1.4	0.4
Core Operating Solution	4.9	3.2	1.7
Cybercrime Capability	0.5	0.0	0.5
Payroll Transformation	0.1	0.2	-0.1
ICT - National Network	1.8	0.5	1.3
ICT - ADEL	4.3	3.6	0.7
ICT - Digital ICCS	2.5	2.1	0.4
Automatic Number Plate Recognition	0.2	0.3	-0.1
Microwave Downlink	0.1	0.1	0.0
Total Police Scotland	40.5	33.7	6.8
Forensics	1.1	1.5	-0.4
Scottish Police Authority	1.1	1.5	-0.4
Slippage Management	0.0	0.0	0.0
Total	41.6	35.2	6.4
<u>Funding Source:</u>			
Grant Aid	23.0	24.0	-1.0
Receipts	14.0	6.4	7.6
Reform Funding	4.6	4.6	0.0
Capital Grant Income	0.0	0.2	-0.2
Total Funding	41.6	35.2	6.4

▪ **(Full year provisional outturn: £6.4m underspend)**

Capital Expenditure in 2018/19 matched the funding available for investment. However, capital expenditure was £6.4m lower than the original budget. This was as a result of securing lower than budgeted capital receipts, thus reducing the overall level of funding available. The resulted in the pausing of proposed investment projects such as Custody and Productions Remodelling in order to ensure expenditure aligned to available funding.

Other transformation projects (Core Operating Solution, Mobility, National Network) were delayed in moving into the delivery phase due to required procurement timescales and business case governance. The funding profiles for these projects have been reset for the forthcoming financial year. Where underspends were identified in excess of the capital receipts deficit, funding was redirected to areas of strategic importance such as investment in Fleet.

Continuation of business case improvement along with closer working relationship with both Estates and Legal departments to manage property disposals have been put into practice during 2018/19. The continued focus on strengthening of process and communication relating to capital management remains a priority and will support the progress made thus far.

As many of the key transformation projects moved into the delivery phase during 2018/19, capital expenditure in 2019/20 will be based on scheduled contractual milestones and project deliverables enabling more robust planning.

Revenue Reform

The Scottish Government has made up to £29.6m of revenue and capital funding available through the Police Reform and Change Fund. Business cases are required to support the use of reform funding which must demonstrate that spend is transformational in nature and these business cases require the approval of the SPA and Scottish Government prior to funding being released.

The table below shows the year to date spend on the revenue element of the reform funding (£25.0m). The capital element of the reform funding (£4.6m) is included in the capital section of this report.

	Year to 31 March		
	Budget £m	Actual £m	Variance £m
<u>Revenue</u>			
TRCG Resourcing	11.6	9.7	1.9
Professional Services	7.9	6.4	1.5
Digital & Efficiency Transformation	2.3	1.7	0.6
Operational Policing Transformation	0.6	0.3	0.3
Corporate Services Transformation	0.5	0.3	0.2
VR VER	2.1	1.4	0.7
SPRM	0.0	5.2	(5.2)
Total	25.0	25.0	0.0

The Reform funding available was used in full. The largest element of Reform expenditure related to resources supporting transformation projects and departmental re-organisations. As part of the programme to harmonise staff pay and reward (SPRM), additional Reform funding was used to fund the element of the in-year impact that was not originally budgeted. This reduced the funding available for VR/VER, other transformation projects and professional services support.