

<b>Meeting</b>	<b>SPA Resources Committee</b>
<b>Date</b>	<b>17 June 2021</b>
<b>Location</b>	<b>Video Conference</b>
<b>Title of Paper</b>	<b>Provisional Year End Outturn 2020/21</b>
<b>Presented By</b>	<b>James Gray, Chief Financial Officer</b>
<b>Recommendation to Members</b>	<b>For Discussion</b>
<b>Appendix Attached</b>	<b>Appendix A – Provisional Outturn Finance Report Year to 31 March, 2020-21</b>

**PURPOSE**

The purpose of this report is to provide an update on the provisional 2020/21 financial outturn.

Members are invited to discuss the content of this paper.

## **1. BACKGROUND**

- 1.1 The SPA Board approved the revenue and capital budget for 2020/21 on 25 March 2020. The revenue budget was set with a revenue deficit of £44m inclusive of an initial ~£8m net income reduction due to COVID-19.
- 1.2 Budget setting was largely carried out prior to the impact of COVID-19 on Scotland and the budget paper acknowledged that the operational and financial impact of COVID-19 was highly uncertain and largely unquantifiable at that point in time but would be monitored and reported on throughout the year.
- 1.3 This report presents the provisional outturn position for financial year 2020/21. These figures are subject to external audit.
- 1.4 The high level position was presented to SPA Resources Committee on 18 May and SPA Board on 26 May and a more detailed position was presented to Corporate Finance and People Board on 01 June. There has been no material change to the overall position since these meetings, however these figures could be subject to change.

## **2. FURTHER DETAIL ON THE REPORT TOPIC**

### **2.1 Revenue**

The provisional outturn operating deficit of £36.0m is £8.0m lower than budget primarily due to additional funding received from the Scottish Government (£8.2m) to compensate the Police Authority for the impact of COVID-19. There are a number of other offsetting variances that have been managed as part of the in-year reforecasting process and broadly net to zero.

### **2.2 Capital**

The full year capital outturn spend for 2020/21 was £63.7m which was comprised of £51.4m of funding and an agreed overspend of up to £12.5m. Of the £12.5m, (£2.5m transfer from reform funding and up to £10.0m capital following consultation with the Scottish Government), £12.3m was spent on the modernisation and renewal of the police fleet and further remote working to support the COVID-19 response.

The year-end outturn variance for capital spend of £63.7m is £12.0m above budget of £51.7m in line with the authorised overspend of £12.3m. There are also a number of other offsetting variances that have been managed as part of the in-year reforecasting process and broadly net to £0.3m under budget and offset by reduced funding, primarily from property disposals.

**2.3 Reform**

The full year outturn of £22.5m is £2.5m under budget mainly driven by lower costs associated with SPRM appeals. Scottish Government approval was received to utilise £2.5m of reform funding to support capital expenditure.

2.4 The attached appendix details the variances between the provisional outturn and the 2020/21 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 invited to discuss the content of this report.



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# Appendix A

# Provisional Outturn Finance Report Year to 31 March, 2020-21

## Executive Summary

- This report sets out the provisional net outturn for the Scottish Police Authority (SPA) / Police Scotland for the year ended 31 March 2021. These figures are subject to external audit.
- The table below shows net expenditure and the funding available to the organisation in the year, split by the three budgetary streams: revenue, capital and reform.

<b>Overall Outturn Summary</b>	<b>Revenue</b>	<b>Capital</b>	<b>Reform - Revenue</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Expenditure (Provisional)</b>	<b>1,192.3</b>	<b>63.7</b>	<b>22.5</b>
<b>Funded By:</b>			
Grant-in aid	1,156.3	45.4	
Reform funding		4.6	25.0
Capital receipts		0.7	
Other grants		0.7	
<b>Total Funding</b>	<b>1,156.3</b>	<b>51.4</b>	<b>25.0</b>
<b>(Over) / Under</b>	<b>(36.0)</b>	<b>(12.3)</b>	<b>2.5</b>
<b>Movement versus Budget</b>	<b>8.0</b>	<b>(12.0)</b>	<b>2.5</b>

- **Revenue**

The provisional outturn operating deficit of £36.0m is £8.0m lower than budget £44.0m primarily due to additional funding received from the Scottish Government (£8.2m) to compensate the Police Authority for the impact of COVID-19. There are a number of other offsetting variances that have been managed as part of the in-year reforecasting process and broadly net to zero.

- **Capital**

The full year capital outturn spend for 2020/21 was £63.7m which was comprised of £51.4m of funding and an agreed overspend of up to £12.5m. Of the £12.5m, (£2.5m transfer from reform funding and up to £10.0m capital following consultation with the Scottish Government), £12.3m was spent on the modernisation and renewal of the police fleet and further remote working to support the COVID-19 response.

- **Reform - Revenue**

The full year outturn of £22.5m is £2.5m under budget mainly driven by lower costs associated with SPRM appeals. Scottish Government approval was received to utilise £2.5m of reform funding to support capital expenditure.

## Revenue Budget

The SPA Board approved the 2020/21 annual budget on 25 March 2020. The revenue budget was set with an operating deficit of £44.0m inclusive of an initial £8.0m net income reduction due to COVID-19. This meant that the approved budget included expenditure for the year which was £44.0m higher than the revenue funding available from the Scottish Government. Budget setting was largely carried out prior to the impact of COVID-19 on Scotland and the budget acknowledged that the operational and financial impact of COVID-19 was highly uncertain and largely unquantifiable at that point.

In November 2020, the Scottish Government approved additional funding of £8.2m which mainly covered the initial £8.0m net income removed from the 2020/21 budget due to COVID-19.

The table below sets out the final revenue outturn position against budget for 2020/21.

**Table 1**

Revenue outturn	Budget £m	Outturn £m	Variance £m
Police officer costs	817.7	817.0	0.7
Police staff costs	203.9	208.1	(4.2)
Non-pay costs	160.4	156.3	4.1
Income	(31.4)	(27.9)	(3.5)
<b>Total Police Scotland</b>	<b>1,150.6</b>	<b>1,153.5</b>	<b>(2.9)</b>
<b>Forensic Services</b>	34.2	35.1	(0.9)
<b>SPA corporate</b>	4.5	3.7	0.8
<b>Net Expenditure</b>	<b>1,189.3</b>	<b>1,192.3</b>	<b>(3.0)</b>
<b>Funding</b>	<b>(1,145.3)</b>	<b>(1,156.3)</b>	<b>11.0</b>
<b>Operating Deficit</b>	<b>(44.0)</b>	<b>(36.0)</b>	<b>8.0</b>

The table shows that against a budgeted revenue deficit of £44.0m the actual out-turn position for the year was a £36.0m deficit, £8.0m under budget. The Scottish Government provided additional funding of £11.0m, £8.2m specifically to compensate the Police Authority for the impact of COVID-19 and £2.8m for other funded initiatives. Overall net expenditure was £3.0m higher than budget corresponding with additional funding of £2.8m received. There are a number of other offsetting variances that have been managed across the year as part of the quarterly reforecasting process and broadly net to zero.

At a more detailed level, the most significant factors that contributed to the increased costs versus budget (£3.0m) were as follows:

- Police Officer costs (£0.7m under budget) – The underspend against budget primarily reflects underspends in non-core overtime (£1.1m), other core overtime (£0.5m), other salary costs (£1.1m) offset by overtime specific to COVID-19 response (£2.0m).
- Police Staff costs (£4.2m over budget) – The overspend mainly relates to lower staff attrition resulting in non-achievement of budgeted turnover savings (£2.6m) and the additional cost of one-off pay items (£1.6m).

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- Non-pay costs (£4.1m under budget) – the primary drivers for this underspend are ICT savings including telecoms (£4.0m); lower transport related costs due a reduction in fuel usage and non-essential travel due to COVID-19 restrictions (£2.3m); and the net benefit of other one-off non-pay items (£3.5m), offset by costs specific to the COVID-19 response for personal protective equipment (PPE), hygiene supplies and other related costs (£5.7m).
- Income was £3.5m lower than budget specifically for fees and charges mainly as a result of COVID-19. This further loss of income is in addition to the £8.0m reduction included at budget setting time to capture the initial impact of COVID-19.
- Forensics (£0.9m over budget) – overspend mainly relates to police staff costs impacted by a lower number of staff vacancies throughout the financial year than budgeted.
- SPA Corporate (£0.8m under budget) – underspend mainly relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted, premises, transport and other costs.



## Capital

The full year capital outturn spend for 2020/21 was £63.7m which was comprised of £51.4m of funding and an agreed overspend of up to £12.5m.

Of the £12.5m, (£2.5m transfer from reform funding and up to £10.0m capital following consultation with the Scottish Government), £12.3m was spent on the modernisation and renewal of the police fleet and further remote working to support the COVID-19 response.

The table below sets out in more detail the capital expenditure and the capital funding for 2020/21.

Table 2

Capital Outturn	Budget £m	Outturn £m	Variance £m
<b>Expenditure</b>			
Estates	11.2	8.6	2.6
Fleet	8.3	22.3	(14.0)
ICT	6.7	7.3	(0.6)
Specialist Policing Equipment	2.8	3.0	(0.2)
Weaponry	3.0	2.3	0.7
Forensic Services	2.3	2.0	0.3
COVID-19 Response	0.0	2.4	(2.4)
<b>Business as Usual Capital Expenditure</b>	<b>34.3</b>	<b>47.9</b>	<b>(13.6)</b>
Core Operational Solutions (COS)	6.3	4.4	1.9
Unified Communications & Contact Platform (UCCP)	1.6	0.2	1.4
National Integrated Communications Control System (ICCS)	1.2	0.8	0.4
Force Wide Analytics	0.5	0.3	0.2
Mobile Working	0.0	1.9	(1.9)
Public Services Network (PSN)	0.5	0.0	0.5
Cyber Capabilities and Technical Surveillance	0.5	0.3	0.2
Cyber Resilience	0.4	0.2	0.2
Criminal Justice Remodelling	3.9	4.6	(0.7)
North East Division Integration Project (NEDIP)	2.5	1.5	1.0
Estates Transformation	1.5	0.3	1.2
Emergency Service Mobile Communication Programme (ESMCP)	1.0	0.8	0.2
Age of Criminal Responsibility (Scotland) Act 2019 (ACRA)	0.5	0.0	0.5
Structured & Unstructured Data	0.3	0.2	0.1
Automatic Number Plate Recognition (ANPR)	0.0	0.1	(0.1)
Productions Remodelling	0.0	0.1	(0.1)
Transforming Corporate Support Services (TCSS)	0.0	0.1	(0.1)
<b>Transformation Capital Expenditure</b>	<b>20.7</b>	<b>15.8</b>	<b>4.9</b>
<b>Slippage Management</b>	<b>(3.3)</b>	<b>0.0</b>	<b>(3.3)</b>
<b>Total Expenditure</b>	<b>51.7</b>	<b>63.7</b>	<b>(12.0)</b>

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<b>Funding</b>			
Grant in Aid	45.0	45.4	0.4
Reform Funding	4.6	4.6	0.0
Receipts	2.1	0.7	(1.4)
Other Grants	0.0	0.7	0.7
<b>Total Funding</b>	<b>(51.7)</b>	<b>(51.4)</b>	<b>(0.3)</b>

A number of transformation programmes saw a delay in delivery in 2020/21, namely Estates Transformation, Unified Communication & Contact Platform (UCCP) and Core Operational Solutions (COS). All underspent funding allocated was redirected to areas of strategic importance as detailed in the Data Digital & ICT, Fleet and Estates strategies.

## Reform - Revenue

The SPA and Police Scotland revenue budget has included an element of non-recurring police change fund (reform) funding since 2013/14, the purpose of which has been to support the change and transformation of policing in Scotland during this period. Originally, a total of £29.6m was made available by Scottish Government (£25m of revenue funding as set out in the table below, and £4.6m of capital funding as noted in the capital section). The funding could only be drawn down once the SPA and Scottish Government were satisfied that there were robust business cases in place that demonstrated best value in the use of reform funding.

The table below provides a breakdown as to how the reform funding was utilised in 2020/21:

Table 3

Revenue Reform Outturn	Budget £m	Outturn £m	Variance £m
Transformation Resource	6.9	8.5	(1.6)
SPRM	10.2	6.6	3.6
Corporate Change : Including Transforming Corporate Support Services (TCSS)	3.5	1.4	2.1
Estates Transformation	2.1	0.8	1.3
VR/VER	2.1	4.2	(2.1)
Other Projects	0.8	0.3	0.5
Core Operational Solutions (COS)	0.6	0.1	0.5
Custody & Criminal Justice	0.5	0.1	0.4
National Integrated Communications Control System (ICCS)	0.2	0.0	0.2
Forensic Analysis - General	0.2	0.0	0.2
Cyber Resilience	0.2	0.1	0.1
Mobile Working	0.1	0.1	0.0
Cyber & Technical Surveillance	0.1	0.1	0.0
Op Talla (MS Teams)	0.0	0.2	(0.2)
Slippage Management	(2.5)	0.0	(2.5)
<b>Total</b>	<b>25.0</b>	<b>22.5</b>	<b>2.5</b>
<b>Reform Funding</b>	<b>(25.0)</b>	<b>(25.0)</b>	<b>0.0</b>

The greatest element of reform expenditure related to staff pay and reward modernisation (implementation and pay protection), voluntary redundancy programme and resources to support transformation projects and departmental reorganisations.

The full year outturn is £2.5m under budget, mainly driven by lower costs associated with SPRM appeals, alongside higher spends within transformation resource and the voluntary redundancy/voluntary early retirement (VR/VER) programme. A range of transformation programmes experienced a delay in delivery in 20/21, namely within Estates Transformation and Corporate Change. Any forecast underspend positions throughout the year were subject to redirection to further areas of strategic transformation.

Scottish Government approval was received to utilise £2.5m of reform funding to support capital expenditure.