

Meeting	SPA Resources Committee
Date	16 June 2020
Location	Videoconference
Title of Paper	2019/20 Indicative Outturn
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Appendix A – Provisional Outturn Finance Report Year to 31 March, 2019-20

PURPOSE

The purpose of this report is to provide an update on the provisional 2019/20 financial outturn.

Members are asked to discuss the content of this paper.

1. BACKGROUND

- 1.1 This report presents the provisional outturn position for financial year 2019/20. These figures are subject to external audit.
- 1.2 The high level position was presented to the Board on 20 May and a more detailed position was presented to Corporate Finance and People Board on 02 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 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)	1,141.4	45.2	24.0
Funded By:			
Grant-in aid	1,114.6	35.8	
Capital receipts		4.4	
Reform funding		4.6	24.0
Other grants		0.5	
Total Funding	1,114.6	45.3	24.0
(Over) / Under	(26.8)	0.1	0.0
Movement versus Budget	(2.2)	(2.1)	1.0

- 2.2 The reasons for the movements in comparison to the budget are as follows:

Revenue

The provisional outturn operating deficit of £26.8m is £2.2m higher than budget primarily due to COVID-19 costs expenditure of £2.2m consisting of Personal Protective Equipment (PPE) £0.8m, additional Overtime £0.4m and the cost of annual leave days cancelled to support the operational policing requirements (£1.1m). 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.

Capital

The full year outturn capital spend of £45.2m was marginally under the capital funding available of £45.3m. The year-end outturn variance of £2.1m is above budget but offset by compensating increased funding,

primarily from property disposals and successful bids to the SG Justice Transformation fund.

Reform

The full year outturn revenue reform is £1.0m under budget due to grant-in-aid funding being reduced in-year from £25.0m to £24.0m, reflecting SPA contribution to the overall Scottish Government package for Brexit-related measures. The Reform funding available was used in full.

- 2.3 The attached appendix details the variances between the provisional outturn and the 2019/20 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 implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

- 7.1 There are no social implications 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, 2019-20

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Executive Summary

- This report sets out the provisional net outturn for the Scottish Police Authority (SPA) / Police Scotland for the year ended 31 March 2020. 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.

Overall Outturn Summary	Revenue £m	Capital £m	Reform - Revenue £m
Net Expenditure (Provisional)	1,141.4	45.2	24.0
Funded By:			
Grant-in aid	1,114.6	35.8	
Capital receipts		4.4	
Reform funding		4.6	24.0
Other grants		0.5	
Total Funding	1,114.6	45.3	24.0
(Over) / Under	(26.8)	0.1	0.0
Movement versus Budget	(2.2)	(2.1)	1.0

- The table below shows that against a budgeted revenue core deficit of £24.6m the actual out-turn position for the year was a £26.8m deficit, £2.2m over budget. The Scottish Government provided additional funding of £17.0m specifically to cover the deficit relating to Brexit, which exactly offset the costs incurred. Overall net expenditure was £4.7m higher than budget, although £2.5m of this corresponds with additional Grant in Aid funding received in-year for the police staff pay award and other funded initiatives. The net increase in the deficit versus budget is therefore £2.2m, driven by COVID-19 related costs. 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.

Revenue Budget	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Police Scotland	1,107.4	1,111.9	(4.5)
Forensics	32.1	33.2	(1.1)
SPA Corporate	4.5	3.6	0.9
	1,144.0	1,148.7	(4.7)
Less: SPRM implementation - funded by reform	(7.3)	(7.3)	0.0
Total Net Expenditure	1,136.7	1,141.4	(4.7)
Funded By:			
Grant in Aid	1,095.1	1,114.6	(19.5)
Operating deficit - core	24.6	26.8	(2.2)
Operating deficit - brexit	17.0	0.0	17.0
Total	1,136.7	1,141.4	(4.7)

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- Capital Expenditure in 2019/20 resulted in a slight underspend against confirmed funding by £0.1m due the slippage of a small percentage of orders in light of challenges with timing of orders and deliveries. However, capital expenditure was £2.1m higher than the original budget but offset by compensating increased funding, primarily from property disposals and successful bids to the Scottish Government Justice Transformation fund.

Capital	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Police Scotland	41.4	43.6	(2.2)
SPA / Forensics	1.7	1.6	0.1
Net Expenditure	43.1	45.2	(2.1)
Funded By:			
Grant in Aid	35.0	35.8	(0.8)
Capital Reform funding	4.6	4.6	0.0
Capital receipts	3.5	4.4	(0.9)
Other grants	0.0	0.5	(0.5)
Total	43.1	45.3	(2.2)

- Originally a total of £25.0m of revenue funding was made available by Scottish Government but subsequently this funding was reduced from £25.0m to £24.0m, reflecting the SPA's contribution to the overall Scottish Government package for Brexit-related measures. The reform funding available was used in full.

Reform	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Revenue Reform Expenditure	25.0	24.0	1.0
Funded By:			
Reform funding	25.0	24.0	1.0

Revenue Budget

Analysis by spend type	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Police Officers	818.1	818.2	(0.1)
Police Staff	186.9	187.3	(0.4)
Holiday Pay and TOIL accrual	0.0	0.9	(0.9)
Non-Pay Costs	143.0	149.7	(6.7)
Income	(40.6)	(44.3)	3.7
Total Police Scotland	1,107.4	1,111.8	(4.4)
Forensic Services	32.1	33.3	(1.2)
SPA Corporate	4.5	3.6	0.9
Total Police Authority	1,144.0	1,148.7	(4.7)

At a more detailed level, the most significant factors that contributed to the increased costs versus budget (£4.7m) were as follows:

- Police Officer costs (£0.1m over budget) – The overspend against budget primarily reflects additional cost of overtime £0.8m (including the response to COVID-19) offset by underspends in pensions (£0.5m) and other salary costs (£0.2m).
- Police Staff costs (£0.4m over budget) – The overspend mainly relates to increased pay award (£1.0m, fully funded), continuous improvement savings shortfall (£1.5m), other salary costs net of overtime (£0.2m) offset by the partial release of the 2018/19 SPRM recognition payment accrual (£2.3m).
- Holiday/ TOIL pay accrual (£0.9m over budget) – The cost of annual leave days cancelled to support COVID-19 operational policing requirements (£1.1m) offset by savings realised through reduction in TOIL.
- Non-pay costs (£6.7m over budget) – this overspend comprised a number of different items, the primary drivers being COVID-19 related expenditure of personal protective equipment (PPE) £0.8m; public order protective suits (£0.6m); estate maintenance (£1.7m); transport related costs (£1.9m); other funded initiatives (£1.5m); other supplies and services (£0.8m); bad debts written off (£0.5m); and savings and other one-off items originally budgeted in non-pay costs but realised in pay costs and income (£4.0m). These adverse variances were partially offset by underspends in ICT costs (£5.1m).
- Income was £3.7m higher than budget which had included a central challenge (£2.0m). The extra income achieved, of £5.7m consisted of: additional revenue (£1.8m) from the policing of events, primarily from football, concerts and other operations; extra specific grant funding (£1.2m) has been received as well as additional mutual aid income (£0.7m) in relation to operations conducted on behalf of other Forces; additional income in respect of the vehicle recovery scheme (£1.2m), rental and hire charges (£0.2m) and various other small items (£0.6m).

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- Forensics (£1.2m over budget) – The overspend mainly relates to police staff costs impacted by a lower number of staff vacancies throughout the financial year than budgeted, additional costs for operational kits and equipment maintenance.
- SPA Corporate (£0.9m under budget) - The underspends mainly relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted, premises and other costs.

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
Expenditure			
Estates	4.3	5.1	(0.8)
Fleet	2.9	6.6	(3.7)
ICT	6.1	5.5	0.6
Specialist Policing Equipment	2.8	2.2	0.6
Weaponry	2.1	1.0	1.1
Brexit	0.0	0.7	(0.7)
Forensic Services	1.7	1.6	0.1
BUSINESS AS USUAL CAPITAL EXPENDITURE	19.9	22.7	(2.8)
Mobile Working	10.7	10.0	0.7
Core Operating Solutions	5.9	4.8	1.1
National Network	3.3	3.3	0.0
Active Directory, Exchange & Lync (ADEL)	1.3	1.3	0.0
National Integrated Communications Control System (ICCS)	1.5	0.6	0.9
Cybercrime Technical Surveillance Programme (CTS)	1.0	0.7	0.3
Estates Transformation	0.5	0.0	0.5
Cyber Resilience	0.5	0.0	0.5
Automatic Number Plate Recognition (ANPR)	0.4	0.3	0.1
Criminal Justice Services Division (CJSD) Programme	0.0	0.8	(0.8)
Payroll	0.1	0.2	(0.1)
Offender Management Unit (OMU)	0.0	0.5	(0.5)
TRANSFORMATION CAPITAL EXPENDITURE	25.2	22.5	2.7
Slippage Management	(2.0)	0.0	(2.0)
TOTAL EXPENDITURE	43.1	45.2	(2.1)
Funding			
Grant Aid	35.0	35.8	(0.8)
Receipts	3.5	4.4	(0.9)
Reform Funding	4.6	4.6	0.0
Other grants	0.0	0.5	(0.5)
TOTAL FUNDING	43.1	45.3	(2.2)

Capital Expenditure in 2019/20 resulted in a slight underspend against confirmed funding by £0.1m due the slippage of a small percentage of orders in light of challenges with timing of orders and deliveries. However, capital expenditure was £2.1m higher than the original budget but offset by compensating increased funding, primarily from property disposals and successful bids to the SG Justice Transformation fund.

Transformation projects (Mobile Working, Core Operational Solutions, National Network and ADEL) had material funding allocations and have experienced significant positive delivery across their programmes.

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Where in-year underspends were identified, funding was redirected to areas of strategic importance such as investment in Estates, Fleet and CJSJ programmes.

Strategic oversight and budgetary reporting alongside the supporting governance and business case development processes continued to be developed and enhanced throughout the year, providing critical and timely data to support the delivery of the Capital BAU and Transformation programme within budget. As in prior years, the continued focus on the strengthening of process and communication relating to capital management remains a priority and will assist in the delivery of the 2020/21 Capital programme against a challenging backdrop that includes both COP-26 and COVID-19.

As many of the key transformation projects moved into the delivery phase during 2019/20, capital expenditure in 2020/21 will be based on the full delivery of these in-flight committed projects, new legislative programmes and additional funding allocations across BAU.

Revenue Reform

The SPA and Police Scotland Resource 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) but subsequently the revenue grant-in-aid funding was reduced from £25.0m to £24.0m, reflecting the SPA's contribution to the overall Scottish Government package for Brexit-related measures. 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 this reform funding.

	Year to 31 March		
	Budget	Actual	Variance
	£m	£m	£m
Transformation Resource	6.4	7.8	(1.4)
SPRM Implementation	7.3	7.3	0.0
SPRM Pay Protection	2.5	2.5	0.0
Core Operating Solutions (COS)	2.2	1.0	1.2
National Network	1.5	1.1	0.4
Contact Assessment Model (CAM)	1.3	0.3	1.0
VR VER	1.0	1.3	(0.3)
Transforming Corporate Support Services	1.0	0.0	1.0
Mobile Working	0.9	0.3	0.6
Commercial Excellence	0.5	0.9	(0.4)
Cybercrime Technical Surveillance Programme (CTS)	0.5	0.2	0.3
Demand Productivity Performance	0.3	0.1	0.2
National Integrated Communications Control System (ICCS)	0.2	0.0	0.2
Purchase to Pay (P2P)	0.2	0.1	0.1
Cyber Resilience	0.2	0.0	0.2
Payroll Interim	0.1	0.1	0.0
Procurement Improvement Plan	0.0	0.5	(0.5)
Analytics Transformation Professional Services	0.0	0.2	(0.2)
Leadership Assessment	0.0	0.2	(0.2)
Criminal Justice Services Division (CJSD) Programme	0.0	0.1	(0.1)
Slippage Management	(1.1)	0.0	(1.1)
TOTAL	25.0	24.0	1.0
REFORM FUNDING	25.0	24.0	1.0

The Reform funding available was used in full. The greatest element of Reform expenditure related to resources to support transformation projects and departmental reorganisations (Transformation Resource and VR VER).

As part of the project to harmonise staff pay and rewards (Staff Pay and Reward Modernisation, SPRM), the SPA agreed to fund an element of the in-year financial impact through the Reform budget. This reduced the funding available for other transformation projects and professional services support.

Key projects such as Core Operational Solutions, National Network, Contact Assessment Model and Mobile Working had material funding allocations to support the delivery of these key strategic programmes.