

<b>Meeting</b>	<b>SPA Resources Committee</b>
<b>Date</b>	<b>13 June 2022</b>
<b>Location</b>	<b>Video Conference</b>
<b>Title of Paper</b>	<b>Provisional Year End Outturn 2021/22</b>
<b>Presented By</b>	<b>Lynn Brown, Strategic Financial Planning and Budgeting Lead</b>
<b>Recommendation to Members</b>	<b>For Discussion</b>
<b>Appendix Attached</b>	<b>Yes Appendix A: Provisional Outturn Finance Report</b>

**PURPOSE**

The purpose of this report is to provide Members with an update on the provisional 2021/22 financial outturn position of the SPA and Police Scotland.

The high level position was presented to SPA Resources Committee on 10 May and SPA Board on 26 May. There has been no significant change to the overall position since these meetings, however these figures are still subject to external audit.

Members are requested to discuss the content of this paper.

## 1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2021/22 on 24 March 2021. The Scottish Government provided a £60m uplift in core revenue funding, as well as an additional £15m of one-off funding to support the impact of COVID-19. When combined, the total funding allowed the SPA to set with a **balanced revenue budget** with **no operating deficit**.
- 1.2 The SPA's funding allocation for capital and reform was set at flat cash for 2021/22, with the exception of an additional £0.5m to support Body Worn Video. When combined with disposal proceeds, the total funding available is £53.7m for capital and £25.0m for reform budgets.
- 1.3 The Chief Financial Officer provides the routine finance report which outlines the year to date and forecast position for the revenue, capital and reform budgets.

## 2 FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 This report sets out the provisional net outturn for SPA/ Police Scotland for the year to 31 March 2022. Year-end processes are continuing so the figures could be subject to change and subject to external audit.
- 2.2 Appendix A provides the detailed provisional outturn finance report.
- 2.3 Revenue
  - The provisional outturn revenue position for the year ended 31 March 2022 currently shows a net expenditure of £1,228.5m. Of this net expenditure, £1,216.2m relates to the core revenue budget which has broken even on a fully funded recurring basis, and £12.3m relates to the in-year impact of COVID (£2.7m under the £15m in-year funding allocation).
  - At the time of the quarter two forecast, all indications were that Police Scotland would not utilise all of the £15m in-year COVID funding. This was discussed with Scottish Government, and as a result a technical adjustment was made through the Spring Budget Revision (SBR) to remove £6.2m of the COVID funding from the overall budget allocation.
  - The emergence of the Omicron variant of COVID-19, and the additional restrictions that were put in place in December 2021,

had significant consequences for the operational policing response. Scottish Government therefore authorised the Police Authority to spend up to an additional £6.2m on COVID-19 related expenditure, effectively reinstating the full £15m COVID funding for 2021-22.

- The Police Authority only required to spend £3.5m of this additional authorised spend.
- As a result of timing, the £3.5m is presented as a technical (approved) overspend within Appendix A, however, as noted above, all spend is in line with the approved Scottish Government funding position.

#### 2.4 Capital

- The full year outturn currently shows capital spend of £58.1m and funding of £58.2m, resulting in an underspend of £0.1m.
- The year-end outturn variance of £0.1m is under budget, due to additional funding of £4.5m, provided by Scottish Government (£4.6m) offset by reduction in other funding sources (£0.1m) and additional authorised expenditure of £4.4m primarily related to post mortem toxicology (£3.4m) and other capital items (£1.0m).

#### 2.5 Reform

- The full year outturn currently shows revenue reform spend of £22.9m and funding of £23.1m, resulting in an underspend of £0.2m.
- The full year outturn is £0.2m under budget due primarily to slippage and delays in Transformation Resource, Enabling Policing for the Future (EPF) programme and Estates transformation totalling £2.1m offset by a revised funding reduction from Scottish Government of £1.9m.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 The financial position for the financial year 2021/22 are set out in this report.

**4. PERSONNEL IMPLICATIONS**

4.1 There are no personnel implications associated with this report.

**5. LEGAL IMPLICATIONS**

5.1 There are no legal implications associated with this report.

**6. REPUTATIONAL IMPLICATIONS**

6.1 There are no reputational implications associated with this report.

**7. SOCIAL IMPLICATIONS**

7.1 There are no social implications associated with this report.

**8. COMMUNITY IMPACT**

8.1 There are no community implications associated with this report.

**9. EQUALITIES IMPLICATIONS**

9.1 There are no equality implications associated with this report.

**10. ENVIRONMENT IMPLICATIONS**

10.1 There are no environmental implications associated with this report.

**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, 2021-22

## Executive Summary

- This report sets out the provisional net outturn for SPA/ Police Scotland for the year to 31 March 2022. The detailed level position presented in draft shows no significant change from the high level position presented to the Corporate Finance & People Board on 3 May 2022. Year-end processes are continuing so the figures could be subject to change and 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>1,228.5</b>	<b>58.1</b>	<b>22.9</b>
<b>Funded By:</b>			
Grant-in aid	1,225.0	50.1	
Reform funding		4.6	23.1
Capital receipts		2.4	
Other grants		1.1	
<b>Total Funding</b>	<b>1,225.0</b>	<b>58.2</b>	<b>23.1</b>
<b>(Over) / Under against funding</b>	<b>(3.5)</b>	<b>0.1</b>	<b>0.2</b>

## Revenue Budget

The Scottish Government provided a £60m uplift in core revenue funding, as well as an additional £15m of one-off funding to support the impact of COVID-19. When combined, the total funding allowed the Police Authority to set a balanced revenue budget with no operating deficit. The Board approved the 2021-22 annual budget at the Authority meeting held on 24 March 2021.

As part of the Spring Budget Revision (SBR) process, Scottish Government provided additional funding of £10.9m to support the 2021-22 pay deal for police officers and staff and a number of specific initiatives. At the time of the SBR process, all indications were that the Police Authority would not utilise all of the £15.0m in-year COVID funding. This was discussed with Scottish Government, and as a result, a technical adjustment was made through the SBR to remove £6.2m of the COVID funding from the 2021-22 budget allocation.

The emergence of the Omicron variant of COVID-19, and the additional restrictions that were put in place in December 2021, had significant consequences for the operational policing response. Scottish Government therefore authorised the Police Authority to spend up to an additional £6.2m on COVID-19 related expenditure, effectively reinstating the full £15m COVID funding for 2021-22.

Table 1 below sets out the provisional revenue outturn position against budget for 2021-22.

Table 1

Revenue outturn	Budget £m	Outturn £m	Variance £m
Police officer costs	827.3	843.9	(16.6)
Police staff costs	215.0	214.0	1.0
Non-pay costs	165.9	166.5	(0.6)
Income	(29.4)	(35.7)	6.3
<b>Total Police Scotland</b>	<b>1,178.8</b>	<b>1,188.7</b>	<b>(9.9)</b>
<b>Forensic Services</b>	36.6	35.6	1.0
<b>SPA corporate</b>	4.9	4.2	0.7
<b>Net Expenditure</b>	<b>1,220.3</b>	<b>1,228.5</b>	<b>(8.2)</b>
<i>Categorised as:</i>			
<i>Net Expenditure core revenue budget</i>	1,205.3	1,216.2	(10.9)
<i>Net Expenditure COVID-19</i>	15.0	12.3	2.7
<b>Total Net Expenditure</b>	<b>1,220.3</b>	<b>1,228.5</b>	<b>(8.2)</b>
<i>Funding core revenue grant</i>	(1,205.3)	(1,216.2)	10.9
<i>Funding COVID-19</i>	(15.0)	(8.8)	(6.2)
<b>Funding Total</b>	<b>(1,220.3)</b>	<b>(1,225.0)</b>	<b>4.7</b>
<i>Core revenue budget</i>	0.0	0.0	0.0
<i>COVID-19 related expenditure</i>	0.0	(3.5)	(3.5)
<b>Approved overspend</b>	<b>0.0</b>	<b>(3.5)</b>	<b>(3.5)</b>

The table shows that core revenue budget has broken even on a fully funded recurring basis. Overall net expenditure is £10.9m higher than budget primarily due to pay deals and specific initiatives, all fully funded by Scottish Government. There are also a number of other offsetting variances that have been managed across the year as part of the quarterly reforecasting process, which broadly nets to zero.

As mentioned previously, due to the emergence of the Omicron variant of COVID-19, Scottish Government authorised the Police Authority to spend up to an additional £6.2m on COVID-19 related expenditure, effectively re-instating the full £15.0m COVID funding for 2021-22. The Police Authority ultimately only required to spend £3.5m of this additional authorised spend. As a result of timing, the £3.5m is presented as a technical (approved) overspend above, however, as noted, all spend is in line with the approved Scottish Government funding position.

At a more detailed level, the most significant factors that contributed to the increased net expenditure costs versus budget (£8.2m) were as follows:

- Police Officer costs (£16.6m over budget) – The overspend against budget primarily reflects requirements to accrue for additional leave provisions (£11.1m) to cover re-rostered rest days and annual leave, extra cost of pay award funded by Scottish Government (£5.9m) offset by other net movements (£0.4m).
- Police Staff costs (£1.0m under budget) – The underspend mainly relates to higher staff attrition resulting in over-achievement of budgeted turnover savings (£3.0m) offset by additional cost

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of pay award funded by Scottish Government (£1.4m) and requirements to accrue for additional leave provisions (£0.6m).

- Non-pay costs (£0.6m over budget) – there are a number of offsetting variances within non-pay that have been managed across the year as part of the quarterly reforecasting process. The main items are:
  - Supplies and services (£3.7m under) - telecoms (£0.9m), specialist consumables (£0.7m), operational supplies (£0.6m), investigative expenses (£0.5m), firearm related costs (£0.5m) and interpreters costs (£0.5m).
  - Transport costs (£2.6m over) - mainly as a result of service and maintenance costs (£1.5m) and higher fuel prices above budgeted assumptions used (£0.8m), and other costs (£0.3m, net).
  - Legal liability claims (£2.2m over) - unbudgeted legal claims have been approved and accrued during the year.
  - Premises costs (£0.2m over) - higher property repairs (£1.9m) and utility costs (£0.7m) offset by additional NDR rebates (£2.3m) and other property costs (£0.1m, net).
  - Other costs (£0.7m under) – mainly loan charge interest (£0.8m) offset by other costs (£0.1m, net).
- Income (£6.3m above budget) - higher income received (£4.0m) above budgeting assumptions specific to items and events likely to be impacted by COVID-19 and one-off mutual aid income (£2.3m) relating to G7 summit held in Cornwall.
- Forensics (£1.0m under budget) - relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted (£0.7m), operational kits (£0.5m) and other non-pay costs (£0.6m) offset by transitional costs for the transfer of post mortem toxicology services from Glasgow University (£0.6m) and additional cost of pay award (£0.2m) funded by Scottish Government.
- SPA Corporate (£0.7m under budget) – underspend mainly relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted, third party payments, legal and other costs.



## Capital

Table 2 below sets the provisional capital expenditure and the capital funding for 2021-22 which resulted in an underspend of £0.1m against funding.

Table 2

Capital outturn	Budget £m	Outturn £m	Variance £m
<b>Expenditure</b>			
Estates	11.4	11.4	0.0
Fleet	8.5	14.6	(6.1)
Digital Division	7.0	7.9	(0.9)
Specialist Policing Equipment	3.6	3.5	0.1
Weaponry & Officer Safety	3.2	2.2	1.0
Forensic Services	1.6	1.5	0.1
<b>Business as usual capital expenditure</b>	<b>35.3</b>	<b>41.1</b>	<b>(5.8)</b>
Criminal Justice Service Programme (CJSP)	3.6	1.9	1.7
Data Drives Digital (DDD)	3.1	1.8	1.3
Digitally Enabled Policing Programme (DEPP)	3.5	4.7	(1.2)
Digital Division	0.0	0.5	(0.5)
Modern Contact & Engagement (MC&E)	3.1	1.6	1.5
Local Policing Programme (LPP) - NEDIP	1.5	1.5	0.0
Estates Transformation	2.5	0.8	1.7
Rights & Justice Legislative Programme (RJLP)	1.1	0.1	1.0
Technical Surveillance	1.8	0.7	1.1
Cyber Capabilities	0.4	0.0	0.4
Project Weaver	0.0	3.4	(3.4)
Other Projects	0.2	0.0	0.2
<b>Transformation capital expenditure</b>	<b>20.8</b>	<b>17.0</b>	<b>3.8</b>
<b>Slippage management</b>	<b>(2.4)</b>	<b>-</b>	<b>(2.4)</b>
<b>Total expenditure</b>	<b>53.7</b>	<b>58.1</b>	<b>(4.4)</b>
<b>Funding</b>			
Grant in Aid	45.5	50.1	(4.6)
Reform funding	4.6	4.6	0.0
Receipts	3.6	2.4	1.2
Other grants	0.0	1.1	(1.1)
<b>Total funding</b>	<b>(53.7)</b>	<b>(58.2)</b>	<b>(4.5)</b>

A number of transformation programmes saw a delay in delivery in 2021-22, namely Criminal Justice Service Programme (CJSP), Estates Transformation, Data Drives Digital (DDD), Modern Contact & Engagement (MC&E), Rights & Justice Legislative Programme and Technical Surveillance offset by an acceleration of the Digitally Enabled Policing Programme (DEPP) and Digital Division transformation. A new project regarding the transfer of post mortem toxicology services from Glasgow University, was initiated in 2021-22 and was allocated full funding by the Scottish Government.

## Reform - Revenue

The Authority's revenue budget has included an element of non-recurring police change (reform) funding since 2013-14, the purpose of which has been to support the change and transformation of policing in Scotland.

Originally in 2021-22, 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, which demonstrated best value in the use of reform funding. As part of the Spring Budget Revision (SBR) process, £1.9m of revenue funding was returned to the Scottish Government as a result of robust in year forecasting processes. This captured the impact of Covid across a wide range of programmes, procurement and supplier routes and the challenging external recruitment market.

Table 3 below sets the provisional reform expenditure and the reform funding for 2021-22 which resulted in an underspend of £0.2m against funding:

**Table 3**

<b>Revenue reform outturn</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Transformation resource	12.1	9.7	2.4
Staff Pay and Rewards Modernisation (SPRM)	2.2	2.4	(0.2)
Data Drives Digital (DDD)	0.9	0.7	0.2
Digitally Enabled Policing Programme (DEPP)	1.2	0.9	0.3
Enabling Policing for the Future (EPF including Change)	3.8	1.4	2.4
Estates Transformation	2.6	0.2	2.4
Modern Contact & Engagement (MC&E)	0.0	0.0	0.0
NE Integration Project (NEDIP)	1.1	1.2	(0.1)
Criminal Justice Service Programme (CJSP)	0.3	0.1	0.2
People & Development Programme (P&D)	1.4	0.7	0.7
Rights & Justice Legislative Programme (RJLP)	0.4	0.0	0.4
VR/VER	2.8	3.7	(0.9)
Cyber Capabilities & Strategy	0.5	0.5	0.0
Other Projects	0.3	1.4	(1.1)
Slippage management*	(4.7)	-	(4.7)
<b>Total expenditure</b>	<b>25.0</b>	<b>22.9</b>	<b>2.1</b>
<b>Reform funding</b>	<b>(25.0)</b>	<b>(23.1)</b>	<b>1.9</b>

Similar to prior years, the greatest element of reform expenditure related to resources to support transformation projects, staff pay and reward modernisation (SPRM), voluntary redundancy programme and departmental reorganisations.

The full year outturn is £2.1m under budget, mainly driven by lower levels of spend associated within transformation resource, delays and programme amendments within Enabling Police for the Future (EPF), Estates Transformation and People & Development (P&D) programmes.