



Meeting	Authority Meeting
Date	21 June 2023
Location	Apex Grassmarket, Edinburgh
Title of Paper	Financial Indicative Outturn
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Discussion
Appendix Attached	Yes Appendix A – Provisional Outturn Finance Report

PURPOSE

The purpose of this report is to provide Members with an update on the financial outturn position of the SPA and Police Scotland for FY 2022/23.

1. BACKGROUND

- 1.1 The SPA Board approved the revenue and capital budget for 2022/23 on 23 March 2022. The Authority's core revenue funding increased by £40.5m (3.4%) in 2022/23. The budget also included £6.6m of one-off additional funding to support the in-year impact of COVID – mainly to fund lost income and recovery of the Justice system.
- 1.2 In addition to the above, revenue funding was provided in-year to support the transfer of post mortem toxicology services to the Authority and to support drug driving legislation. When combined with the core revenue funding and additional COVID support, this allowed a balanced revenue budget to be set for financial year 2022/23. Despite setting a balanced budget there has been several significant challenges facing the service that have had financial consequences for the organisation in financial year 2022/23.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 Pay award budgeting was originally based on Public Sector Pay Policy (PSPP). Pay awards through negotiation at both Police Negotiating Board (PNB) and Trade Unions were agreed in August and October respectively. As part of the pay negotiations, the additional funding required (£37.0m) to support the process was underwritten by the Scottish Government. A budget adjustment has been made to reflect this change in the 2022/23 revenue budget.
- 2.2 Capital and reform funding allocations were proposed as flat cash for 2022-23. Given the current impact of inflation, this represented a real terms reduction in funding. When combined with capital receipts, the capital allocation was £52.6m for 2022-23 which has been eroded by inflation and pays for significantly less. The Scottish Government originally allocated reform funding up to £25m to support change and the transformation of policing. However, as part of the Spring Budget Revision (SBR) transfer process, Reform funding was reduced to £21.3m, with £2.8m of the funding re-directed to support capital expenditure investment.
- 2.3 IFRS 16 Leases is effective from 1 April 2022 in the public sector. The standard provides a single lessee accounting model and, under the latest Financial Reporting Manual (FRM) requirements, requires

a lessee to recognise assets and liabilities for leases which last over 12 months, but not including low value leases. The standard will have the effect of largely eliminating the current “off-balance” sheet treatment of operating leases. Technical accounting adjustments during financial year 2022/23 were required that impacted both Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL) budgets, which saw a reduction in RDEL and an increase in CDEL but with minimal overall impact on funding. A budget adjustment has been made for both capital and revenue to reflect the impact of IFRS 16.

- 2.4 This report sets out the provisional net outturn for SPA/ Police Scotland for the year ended 31 March 2023. The figures are still subject to finalisation and external audit.
- 2.5 Appendix A provides the detailed provisional outturn finance report.

Revenue

- The provisional outturn revenue position for the year ended 31 March 2023 currently shows a net expenditure of £1,299.2m.
 - Of this net expenditure, £1,282.8m relates to the core revenue budget which has broken even on a fully funded recurring basis. There are a few significant offsetting variances (underspend in Police Officer costs due to lower FTE than budgeted offset by increased Police Officer overtime and unavoidable non-pay pressures (i.e., legal costs and inflation) that have been managed across the year as part of the quarterly reforecasting process, which broadly nets to zero.
 - A further £1.0m of net expenditure relates to non-core revenue budget and is £3.8m lower than budget primarily due over recovery of income offset by specific initiatives fully funded by Scottish Government. This allowed the Police Authority to return non-recurring COVID related funding of £3.8m, together with a reduction in Reform resource expenditure £0.9m, to the Scottish Government, as part of the Spring Budget Revision (SBR), to support their objective to find savings to meet increased costs of public sector pay, while balancing public finances.
 - The remaining £15.4m of net expenditure relates to operational costs (Operation Unicorn) associated with the passing of Her Majesty the Queen (HMTQ) which was covered in full by His

Majesty's Treasury (HMT) and has been dealt with as part of the Spring Budget Revision (SBR).

Capital

- The full year provisional outturn capital spends of £61.0m and funding of £61.1m resulting in an underspend of £0.1m.
- Overall total expenditure is £3.2m higher than budget mainly due to additional investment in fleet, which was primarily funded by £2.8m of revenue reform funding transferred to capital reform as part of the Spring Budget Revision (SBR) process.

Reform

- The full year outturn revenue reform spends of £21.4m and funding of £21.5m resulting in an underspend of £0.1m.
- Overall total expenditure is £3.6m under budget, mainly driven by lower levels of spend associated within transformation resource, delays and programme amendments within Enabling Policing for the Future (EPF), Policing in a digital world, Modern Contact and Engagement (MC&E) and other programmes.
- As part of the Spring Budget Revision (SBR) process, £2.8m of revenue funding was transferred to capital reform and £0.9m returned to the Scottish Government because of robust in-year forecasting processes.

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 in this report.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications in this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications in this report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications in this report.

8. COMMUNITY IMPACT

8.1 There are no community implications in this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no equality implications in this report.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications in 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 2023 (FY 2022-23)

Executive Summary

- This report sets out the provisional net outturn for SPA/ Police Scotland for the year to 31 March 2023. The detailed level position presented in draft shows no significant change from the high-level position presented to the Corporate Finance & People Board on 2 May 2023. The figures are still subject to finalisation and 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	Capital	Reform - Revenue
	£m	£m	£m
Net Expenditure (Provisional)	1,299.2	61.0	21.4
Funded By:			
Grant-in aid (core)	1,282.8	45.5	0.0
Grant-in aid (Operation Unicorn)	15.4	0.0	0.0
Grant-in aid (additional)	6.2	0.6	0.0
IFRS 16 - right of use assets	(5.2)	4.9	0.0
Grant-in-aid (Reform funding)	0.0	7.4	21.3
Capital receipts	0.0	1.4	0.0
Other	0.0	1.3	0.2
Total Funding	1,299.2	61.1	21.5
(Over) / Under against funding	0.0	0.1	0.1

Revenue Budget

The Scottish Government provided a £40.5m uplift in core revenue funding, as well as an additional £6.6m of one-off funding to support the impact of COVID-19 and other specific funding of £2.8m. When combined, the total funding allowed the Authority to set a balanced revenue budget for 2022-23.

As part of the Spring Budget Revision (SBR) process, Scottish Government provided additional funding of £37.0m to support the 2022-23 pay deal for police officers and staff which was reflected as an in-year budget adjustment. The budget was also adjusted to reflect the impact of IFRS16 technical accounting adjustments which saw a reduction in Resource Departmental Expenditure Limits (RDEL) £4.6m and an increase in Capital Departmental Expenditure Limits (CDEL) £5.2m.

The table below sets out the provisional revenue outturn position against budget for 2022-23.

Revenue outturn	Budget £m	Outturn £m	Variance £m
Police officer costs	876.8	868.2	8.6
Police staff costs	237.6	238.2	(0.6)
Non-pay costs	164.0	176.3	(12.3)
Income	(37.3)	(44.2)	6.9
Total Police Scotland	1,241.1	1,238.5	2.6
Forensic Services	41.7	40.6	1.1
SPA Corporate	4.8	4.7	0.1
Operation Unicorn	0.0	15.4	(15.4)
Net Expenditure	1,287.6	1,299.2	(11.6)
Funding core revenue grant	1,282.8	1,282.8	0.0
Funding non-core revenue grant (net)	4.8	1.0	3.8
Funding Operation Unicorn	0.0	15.4	(15.4)
Funding Total	1,287.6	1,299.2	(11.6)

The table shows that core revenue budget has broken even on a fully funded recurring basis. There are a few significant offsetting variances (underspend in Police Officer costs due to lower FTE than budgeted offset by increased Police Officer overtime and unavoidable non-pay pressures (i.e., legal costs and inflation) that have been managed across the year as part of the quarterly reforecasting process, which broadly nets to zero.

At a more detailed level, the most significant factors that contributed to the increased net expenditure costs versus budget (£11.6m) were as follows:

Core (break-even) and non-core (£3.8m under):

- Police Officer costs (£8.6m under budget) – The underspend relates to police officer pay costs (£24.2m) as FTE was 462 below budget assumptions, savings arising from 1.25% employers NI reversal (£2.8m) and decrease in leave type balances (£1.3m) offset by overspends in core

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(£10.2m) and non-core (£4.4m) overtime together with associated on-costs (£1.9m); and officer pension costs (£3.2m).

- Police Staff costs (£0.6m over budget) – The overspend mainly relates to staff overtime (£1.8m) and Digital Evidence Sharing capability staff costs (£1.6m) not budgeted but funded by the Scottish Government through SBR offset by higher staff attrition resulting in over-achievement of budgeted turnover savings (£2.1m) and savings arising from 1.25% employers NI reversal (£0.7m).
- Non-pay costs (£12.3m over budget) – the main items are:
 - Legal and liability claims (£4.3m over) - unbudgeted legal claims have been approved and accrued during the year.
 - Transport costs (£3.7m over) - overspend mainly as a result of higher fuel prices above budgeted assumptions used (£1.9m) due to inflation, accident damage repairs (£0.8m) and other items (£1.0m).
 - Premises costs (£3.4m over) - higher property repairs (£1.7m), utility costs (£0.6m) due to inflationary pressures, cleaning & waste management (£0.9m) and other property costs (£0.2m, net).
 - Other costs (£0.9m over).
- Income (£6.9m above budget) - over-recovery of income (£10.9m) mainly due to airport income (£2.6m) above budgeting assumptions, increases in mutual aid (£3.5m), services of police (£1.6m), specific grant funding (£1.5m), seconded officers (£0.9m) and other income (£0.8m) offset by a central income challenge of £4.0m.
- Forensics (£1.1m under budget) - relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted (£1.0m) and other costs (£0.1m, net).
- SPA Corporate (£0.1m under budget) - no material variances to report.

Operation Unicorn (£15.4m over):

- Operational costs (Operation Unicorn) associated with the passing of Her Majesty the Queen (HMTQ) was covered in full by His Majesty's Treasury (HMT) and has been dealt with as part of the Spring Budget Revision (SBR).

As noted above, overall net expenditure on the non-core revenue budget is £3.8m lower than budget primarily due to over recovery of income offset by specific initiatives fully funded by Scottish Government. As a result of the underspend against non-core revenue budget, the Police Authority was able to return non-recurring COVID related funding of £3.8m, together with a reduction in Reform resource expenditure of £0.9m, to the Scottish Government, as part of the Spring Budget Revision (SBR), to support their objective to find savings to meet increased costs of public sector pay, while balancing public finances.

Capital

The table below sets the provisional capital expenditure and the capital funding for 2022-23 which resulted in an underspend of £0.1m against funding.

Capital outturn	Budget £m	Outturn £m	Variance £m
Expenditure			
Estates	14.2	9.9	4.3
Fleet	11.2	13.7	(2.5)
EV infrastructure	6.2	3.0	3.2
Digital Division	14.3	12.0	2.3
Specialist policing equipment	5.3	3.5	1.8
Weaponry & officer safety	2.6	1.3	1.3
Forensic Services	1.4	0.8	0.6
Business as usual capital expenditure	55.2	44.2	11.0
Criminal Justice Service Programme (CJSP)	4.5	0.4	4.1
Data Drives Digital (DDD)	3.0	2.2	0.8
Digitally Enabled Policing Programme (DEPP)	4.3	1.7	2.6
Digital Division	0.8	0.3	0.5
Modern Contact & Engagement (MC&E)	2.1	2.0	0.1
Estates Transformation	8.4	3.5	4.9
Rights & Justice Legislative Programme (RJLP)	0.4	0.3	0.1
Technical Surveillance	1.4	0.7	0.7
Policing in a digital world	2.4	0.0	2.4
Project Weaver	0.0	0.6	(0.6)
IFRS16 - right of use assets	5.2	5.1	0.1
Other projects	0.6	0.0	0.6
Transformation capital expenditure	33.1	16.8	16.3
Slippage management*	(30.5)	-	(30.5)
Total expenditure	57.8	61.0	(3.2)
Funding			
Grant in Aid - core	45.5	45.5	0.0
Grant in Aid - other	0.0	0.6	(0.6)
IFRS16 - right of use assets	5.2	4.9	0.3
Reform funding	4.6	7.4	(2.8)
Receipts from sale of assets	2.5	1.4	1.1
Other	0.0	1.3	(1.3)
Total funding	(57.8)	(61.1)	(3.3)

* Slippage management relates to anticipated actual implementation of spending plans and phasing of spend over the financial year.

Overall total expenditure is £3.2m higher than budget mainly due to additional investment in fleet, which was primarily funded by £2.8m of revenue reform funding transferred to capital reform as part of the Spring Budget Revision (SBR) process.

Reform - Revenue

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

A total of £29.6m was originally made available by Scottish Government (£25m of revenue reform funding as set out in the table below, and £4.6m of capital reform funding as noted in the capital section). As part of the Spring Budget Revision (SBR) process, £2.8m of revenue funding was transferred to capital reform and £0.9m returned to the Scottish Government because of robust in-year forecasting processes.

The table below sets out the reform expenditure and the reform funding for 2022-23 which resulted in an underspend of £0.1m:

Revenue reform outturn	Budget £m	Outturn £m	Variance £m
Transformation resource	14.4	11.7	2.7
Digital Division	0.2	1.3	(1.1)
Data Drives Digital (DDD)	0.9	0.4	0.5
Digitally Enabled Policing Programme (DEPP)	0.0	0.7	(0.7)
Policing in a digital world	3.1	1.3	1.8
Enabling Policing for the Future (EPF including Change)	1.5	0.3	1.2
Estates Transformation	1.0	0.5	0.5
Modern Contact & Engagement (MC&E)	2.8	1.6	1.2
People & Development Programme (P&D)	1.1	0.3	0.8
Rights & Justice Legislative Programme (RJLP)	0.6	0.0	0.6
VR/VER	3.0	2.4	0.6
Other Projects	2.9	0.9	2.0
Slippage management*	(6.5)	-	(6.5)
Total expenditure	25.0	21.4	3.6
Funding			
Grant in Aid	25.0	21.3	3.7
Other grants	0.0	0.2	(0.2)
Total funding	(25.0)	(21.5)	3.5

* Slippage management relates to anticipated actual implementation of spending plans and phasing of spend over the financial year.

The full year outturn is £3.6m under budget, mainly driven by lower levels of spend associated within transformation resource, delays and programme amendments within Enabling Policing for the Future (EPF), Policing in a digital world, Modern Contact and Engagement (MC&E) and other programmes.