



Meeting	SPA Resources Committee
Date	19 June 2024
Location	Video Conference
Title of Paper	Unaudited Year End Outturn 2023/24
Presented By	Patrick Brown, Head of Finance
Recommendation to Members	For Discussion (Appendix A) and Approval (Appendix B)
Appendix Attached	Yes Appendix A – Provisional Outturn Finance Report and Appendix B (Budget revisions)

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 2023/24.

Members are also asked to approve the following 2023/24 budget revisions:

- £5.2m reduction in the revenue budget to reflect the impact of IFRS16 leases; and
- £8.4m increase in the capital budget to reflect the impact of IFRS16 leases.

Members are invited to discuss the report and appendix A and approve the Budget Revision in Appendix B.

1. BACKGROUND

- 1.1 The Authority approved the revenue and capital budget for 2023/24 on 23 March 2023. The Authority received a core revenue funding increase of £80m (6.4%) in 2023-24, £37m of which was required to meet the additional cost of the 2022-23 pay award, leaving a true figure of £43m for allocation in 2023-24.
- 1.2 In order to live within the budget settlement and deliver a balanced budget, over £50m of savings were included in the 2023/24 budget. Plans included reducing the workforce through a reduction in officer and staff numbers and options to reduce non-pay expenditure.
- 1.3 Pay award budgeting was in line with Public Sector Pay Strategy (PSPS). Pay awards through negotiation at both Police Negotiating Board (PNB) and Trade Unions were agreed in September. As part of the pay negotiations, the additional funding required (£18.3m) to support the process was underwritten by the Scottish Government. A budget adjustment has been approved to reflect this change in the 2023/24 revenue budget.
- 1.4 The Scottish Government (SG) supports the Police Authority in delivering certain initiatives / projects within the Justice Portfolio. These items were not allocated funding by SG in the core grant in aid allocation and was therefore not included as part of the original budget approved on 23 March 2023. SG have now agreed Spring Budget Revisions (SBR) of £6.3m to support these GiA funded initiatives / projects, and a budget adjustment was approved to reflect this additional funding.
- 1.5 A flat capital funding allocation of £53m (including capital receipts) was provided for 2023-24 and reform funding to support change and the transformation was baselined at £20m, representing a 20% reduction in reform from previous years.
- 1.6 IFRS 16 Leases is effective from 1 April 2022 in the public sector. Technical accounting adjustments during financial year 2023/24 are required that impacts both Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL) budgets. A budget adjustment has been proposed for both capital and revenue to reflect the impact of IFRS 16 – See Appendix B.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 A number of financial risks were highlighted as part of the budget approval process, some of which materialised in the first half of the financial year causing significant pressure on the 2023/24 revenue position. Mitigating actions and savings have been managed and delivered through our Policing Our Communities programme to bring spend back in line with the funded position.
- 2.2 The report at Appendix A sets out the provisional net outturn for SPA/ Police Scotland for the year ended 31 March 2024. These figures are still subject to finalisation and external audit. The final position will be reported in the Annual Report and Accounts (ARA).
- 2.3 The table below shows total expenditure compared to the funding available to the organisation in the year, split by the three budgetary streams: revenue, capital, and reform, with the full detail is set out at Appendix A:

Overall Outturn Summary	Revenue	Capital	Reform - Revenue
	£m	£m	£m
Total Expenditure (Provisional)	1,347.7	63.4	20.0
Funded By:			
Grant-in aid (core)	1,328.2	50.1	20.0
Grant-in aid (pay award)	18.3	0.0	0.0
Grant-in aid (additional)	6.4	0.1	0.0
IFRS 16 funding adjustment	(5.2)	8.4	0.0
Capital receipts	0.0	2.1	0.0
Other	0.0	2.7	0.0
Total Funding	1,347.7	63.4	20.0
Outturn position (Over) / Under	0.0	0.0	0.0
Total expenditure movement versus Q3 FC	(11.2)	8.5	0.0
Explained By:			
<i>IFRS16 expenditure adjustment (see budget revision at Appendix B)</i>	<i>(5.2)</i>	<i>8.4</i>	<i>0.0</i>
<i>(Reduction) / Increase in Q3 FC spend</i>	<i>(5.0)</i>	<i>0.1</i>	<i>0.0</i>

Revenue

- The provisional outturn revenue position for the year ended 31 March 2024 shows net expenditure of £1,347.7m against total funding of £1,347.7m, resulting in a break-even position. The movement against Q3 FC is £5.0m due to continued savings / cost reductions which has negated the need for contingency funding.

Capital

- The full year provisional outturn capital spend is £63.3m against funding of £63.3m, resulting in a break-even position against funding.

Reform

- The full year outturn revenue reform spend is £20.0m against funding of £20.0m, resulting in a break-even position against funding.

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 invited to discuss the report and appendix A and approve the Budget Revision in Appendix B.



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Appendix A

Provisional Outturn Finance Report

Year to 31 March 2024 (FY 2023-24)

Executive Summary

- This report sets out the provisional net outturn for SPA/ Police Scotland for the year to 31 March 2024. The detailed position presented shows no change from the high-level position presented to the Corporate Finance Board on 30 April 2024. These figures are still subject to finalisation and external audit. The final position will be reported in the Annual Report and Accounts (ARA)
- The table below shows a break-even position between 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 2023-24	Revenue £m	Capital £m	Reform - Revenue £m
Total Expenditure (Provisional)	1,347.7	63.4	20.0
Funded By:			
Grant-in aid (core)	1,328.2	50.1	20.0
Grant-in aid (pay award)	18.3	0.0	0.0
Grant-in aid (additional)	6.4	0.1	0.0
IFRS 16 funding adjustment	(5.2)	8.4	0.0
Capital receipts	0.0	2.1	0.0
Other grants	0.0	2.7	0.0
Total Funding	1,347.7	63.4	20.0
Outturn position (Over) / Under	0.0	0.0	0.0

Revenue Budget

The Authority received a £80.0m uplift in core revenue funding for 2023-24 - £37.0m to fund the additional cost of the 2022-23 pay award, leaving £43.0m for allocation in 2023-24. In order to live within the budget settlement and deliver a balanced budget, over £50m of savings were included in the 2023/24 budget. Plans included reducing the workforce through a reduction in officer and staff numbers and options to reduce non-pay expenditure.

As part of the Spring Budget Revision (SBR) process, Scottish Government provided additional funding of £18.3m to support the 2023-24 pay deal for police officers and staff, £6.4m for funded initiatives and programmes offset by a £5.2m net reduction relating to the impact of IFRS16 technical accounting adjustments for lease payments and lease interest, all of which were reflected as in-year budget adjustments.

The table below sets out the provisional revenue outturn position against the revised budget for 2023-24.

Revenue outturn	Revised Budget £m	Outturn £m	Variance £m
Police officer costs	902.8	902.0	0.8
Police staff costs	251.2	258.7	(7.5)
Non-pay costs	188.5	182.8	5.7
Income	(45.5)	(45.9)	0.4
Total Police Scotland	1,297.0	1,297.6	(0.6)
Forensic Services	45.1	44.8	0.3
SPA Corporate	5.6	5.3	0.3
Total expenditure	1,347.7	1,347.7	0.0
Funding core revenue grant (original)	1,328.2	1,328.2	0.0
Funding core revenue grant (additional)	18.3	18.3	0.0
Funding non-core revenue grant (net)	1.2	1.2	0.0
Funding total	1,347.7	1,347.7	0.0

A number of financial risks were highlighted as part of the budget approval process, some of which materialised in the first half of the financial year causing significant pressure on the 2023/24 revenue position. The Quarter 1 forecast highlighted net unfunded pressures of £18.9m, mainly due to overspends relating to police staff costs, police officer overtime and police officer pensions. Mitigating actions and savings have been managed and delivered through our Policing Our Communities programme to bring spend back in line with the funded position, delivering a balanced budget position for 2023/24 without the need for any additional contingency funding.

At a more detailed level, the most significant offsetting factors that contributed to the overall break-even position are:

- Police Officer costs (£0.8m under budget) – The underspend relates to police officer pay costs (£6.6m) due to costs and FTE running below budgeting assumptions and decrease in leave type balances (£1.0m) offset by overspends in core overtime (£2.4m), non-core overtime (£1.4m) and officer injury pension costs (£3.0m) mainly caused by inflationary pressures and increase in cases.
- Police Staff costs (£7.5m over budget) – The overspend mainly relates to in-year vacancy management savings not delivered (£6.5m) and overtime costs (£1.1m) offset by other items (£0.1m, net).
- Non-pay costs (£5.7m under budget) - the main items are:
 - Revenue contribution to Reform (£5.0m under) - reduction used to support decisions and mitigating actions to support the revenue position.
 - Other costs (£0.7m under, net).
- Income (£0.4m above budget) - over-recovery of income (£3.2m) mainly additional income received from local authority funded officers (£1.3m), fees and charges (£1.0m) and other income (£0.9m) offset by one-off NCA income not realised (£2.8m).
- Forensics (£0.3m under budget) - relates to police staff costs impacted by a higher number of staff vacancies throughout the financial year than budgeted (£1.1m) offset by third party outsourcing costs (£0.6m) and other costs (£0.2m).
- SPA Corporate (£0.3m under budget) - no material variances to report.

Capital Budget

As part of the 2023-24 budget, a total of £4.6m funding from the Scottish Government was baselined into the Authority's capital budget lines, taking the core capital funding from £45.5m to £50.1m. Capital receipts of £2.9m were also budgeted.

The Spring Budget Revision (SBR) provided an additional non-cash funding adjustment increase of £8.4m relating to the impact of IFRS16 technical accounting for leased assets.

The 2023-24 capital budget was overallocated by £32.1m to help mitigate the risk of annual budget settlements and to provide budget holders with the flexibility to plan and manage capital expenditure over a longer time period.

With over 65% of available funding spent by the end of Quarter 2, difficult decisions were required in-year to reduce or slow down capital expenditure to live within the funding available, delivering a break-even position against funding by the end of Quarter 4.

Table below sets out the capital expenditure and the capital funding for 2023-24 which resulted in a break-even position:

Capital outturn	Variance	Revised Budget	Outturn	Variance
	Ref	£m	£m	£m
Fleet	A	14.5	15.0	(0.5)
Digital Division	B	13.9	8.3	5.6
Estates	C	12.9	10.2	2.7
EV infrastructure	C	5.3	2.6	2.7
Specialist policing equipment	D	5.0	2.5	2.5
Weaponry & officer safety	D	2.2	0.5	1.7
Forensic Services	D	1.8	0.7	1.1
Business as usual capital expenditure		55.6	39.8	15.8
Estates Transformation	C	15.0	7.7	7.3
Digitally Enabled Policing Programme (DEPP)	E	4.7	2.0	2.7
Data Drives Digital (DDD)	E	3.0	2.3	0.7
Rights & Justice Legislative Programme (RJLP)	E	2.3	0.4	1.9
Policing in a digital world	E	1.4	0.3	1.1
Digital Division	E	0.9	0.4	0.5
Modern Contact & Engagement (MC&E)	F	0.5	1.5	(1.0)
Other projects	E	1.7	0.7	1.0
Transformation capital expenditure		29.5	15.3	14.2
Total expenditure before IFRS16 accounting adjustment	G	85.1	55.1	30.0
IFRS16 accounting adjustment		8.4	8.3	0.1
Total expenditure before slippage		93.5	63.4	30.1
Slippage management*		(32.1)	0.0	(32.1)
Total expenditure		61.4	63.4	(2.0)
Grant in Aid - core		50.1	50.1	0.0
Grant in Aid - IFRS16 (net)		8.4	8.4	0.0
Grant in Aid - other		0.0	0.1	0.1
Receipts from sale of assets		2.9	2.1	(0.8)
Other grants		0.0	2.7	2.7
Funding Total		(61.4)	(63.4)	2.0

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

Overall reduction in total expenditure to achieve slippage was managed during the year as follows:

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Capital Variance Reference	Categories	Variance £m Under/(Over)	Explanation
A	Fleet	(0.5)	<ul style="list-style-type: none"> Additional investment in fleet (fully funded by grants receivable from Safety Camera Partnership)
B	Digital Division BAU	5.6	<ul style="list-style-type: none"> Natural slippage of £2.8m due to extending timelines for Digital Interview Room Recorders and RAS Infrastructure projects. Slowdown of projects equates to £2.8m, spend across desktops and laptops and network infrastructure.
C	Estates BAU	2.7	<ul style="list-style-type: none"> Natural slippage of £8.8m due to projects not progressing as quickly as expected such as EV infrastructure, CJSD custody upgrade, Project Quest, and officer housing. Slowdown and pausing of projects equates to £3.9m and included pausing works at Vigilant House, Oban, and Housing
C	Estates Transformation	7.3	
C	EV infrastructure	2.7	
		12.7	
D	Specialist policing equipment	2.5	<ul style="list-style-type: none"> Natural slippage of £1.5m was achieved predominately through SPE and Forensics due to project timelines extending. Slowdown of projects totals £3.8m and related to spend which had not been committed at Q2 forecast
D	Weaponry & officer safety	1.7	
D	Forensic Services	1.1	
		5.3	
E	Other transformation capital	7.9	<ul style="list-style-type: none"> Natural slippage of £7.9m due to governance timelines for projects being longer than anticipated
F	MC&E	(1.0)	<ul style="list-style-type: none"> Relates to UCCP (£0.6m) and National ICCS (£0.4m) where change requests were approved in August and October respectively to extend project timelines.
G	TOTAL	30.0	Expenditure variance before IFRS16 accounting adjustment and slippage

Reform budget - 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.

As part of the 2023-24 budget, a total of £20.0m funding from the Scottish Government was baselined into the Authority's resource budget lines. A further £5.0m from revenue budget was allocated to revenue reform to support change and transformation.

As part of the Quarter 2 forecast, the total reform funding allocation was reduced from £25.0m to £20.0m, with £5.0m used to support the decisions and mitigating actions agreed to support the 2023-24 core revenue position.

The table below sets out the reform expenditure and reform funding for 2023-24 which resulted in a break-even position:

Revenue reform outturn	Variance Ref	Revised Budget £m	Outturn £m	Variance £m
Transformation resource	A	17.1	13.1	4.0
Estates Transformation Programme	B	5.0	0.9	4.1
People & Development Programme	C	2.7	1.0	1.7
Modern Contact & Engagement	F	1.7	1.6	0.1
Digital Division	D	1.4	0.4	1.0
Policing in a Digital World	E	1.4	0.1	1.3
VR/VER	F	1.3	0.8	0.5
Data Drives Digital	F	0.4	0.5	(0.1)
Other Projects	F	5.4	1.6	3.8
Slippage management*	G	(11.4)	0.0	(11.4)
Total expenditure	G	25.0	20.0	5.0
Grant in Aid		20.0	20.0	0.0
Contribution from revenue budget		5.0	0.0	(5.0)
Funding Total		(25.0)	(20.0)	(5.0)

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

Overall slippage £11.4m and reduction in contribution from revenue budget £5.0m was achieved during the year by a reduction in total budgeted expenditure of £16.4m as follows:

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Reform Variance Reference	Categories	Variance £m Under/(Over)	Explanation
A	Transformation Resource	4.0	<ul style="list-style-type: none"> Budget setting process takes into consideration the full resources requirement to support all Programmes and Projects. Prioritisation and natural slippage through the programmes, alongside a challenging external resource market are the main contributors to the underspend.
B	Estates Transformation programme	4.1	<ul style="list-style-type: none"> Natural slippage due to projects not progressing as quickly as expected such as Project Falcon, Project Quest, and officer housing.
C	People & Development Programme	1.7	<ul style="list-style-type: none"> Pause during the year in Your Leadership Matters (YLM) programme.
D	Digital Division	1.0	<ul style="list-style-type: none"> Mainly due to supplier delays re Microsoft Office 365.
E	Policing in a Digital World	1.3	<ul style="list-style-type: none"> Delay in training and capability work as further governance work not yet completed.
F	Other reform spend categories	4.3	<ul style="list-style-type: none"> Natural slippage due to governance timelines for projects being longer than anticipated
G	TOTAL	16.4	Total Expenditure variance £5.0m plus budgeted slippage target £11.4m



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Appendix B

Budget revisions

Provisional Outturn 2023/24



Budget revisions - IFRS 16 adjustments

Revenue budget - £5.2m reduction

Capital budget - £8.4m increase

IFRS 16 Leases

- IFRS 16 Leases is effective from 1 April 2022 in the public sector.
- This 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 2023/24 are required that impacts both Resource Departmental Expenditure Limits (RDEL) and Capital Departmental Expenditure Limits (CDEL) budgets.
- The impact is a **net reduction in revenue budgets (RDEL - £5.2m)** to reduce the base lease cost and recognise interest only, and **an increase in capital budgets (CDEL - £8.4m)** to reflect the capital value of the lease.
- The RDEL budget adjustment has been made in the areas impacted.
- The CDEL adjustment has been shown separately within the total capital budget.
- Overall, there is minimal overall impact on bottom line funding.

IFRS 16 revenue budget adjustment (£m)

	Original budget £m	Revised Budget £m	Budget reduction £m
By service area			
Police Scotland	5.8	0.3	-5.5
SPA Corporate	0.0	0.3	0.3
Funding GIA – core	5.8	0.6	-5.2
	£m	£m	£m
By spend type			
Non-pay costs	5.8	0.6	-5.2
Total	5.8	0.6	-5.2
	£m	£m	£m
By business area			
CFO - estates	3.6	0.0	-3.6
CFO - fleet	0.1	0.0	-0.1
OSD - helicopter	2.1	0.0	-2.1
SPA Corporate	0.0	0.3	0.3
Corporate centre	0.0	0.3	0.3
Total	5.8	0.6	-5.2

IFRS 16 capital budget adjustment (£m)

	Original budget £m	Revised Budget £m	Budget increase £m
By programme			
IFRS16 accounting adj.	0.0	8.4	8.4
Funding (GIA – IFRS 16)	0.0	8.4	8.4