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Police Investigations and Review Commissioner

Hamilton House

Hamilton Business Park

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ML3 0QA

17 March 2022

Dear **[Redacted]**

BUDGET ALLOCATION AND MONITORING 2022-23

Purpose

I am writing, on behalf of the Scottish Ministers, to confirm the budget and associated grant in aid allocated to the Police Investigations and Review Commissioner (PIRC) for 2022-23 following the 2022-23 Scottish Budget process, to complete and submit details of proposed budget planning and drawdown information as well as set out arrangements for monitoring the budget and to provide guidance on related matters. The use of resources must be in accordance with the corporate plan, PIRC's Framework Document and any relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual. Relevant guidance may also include the setting out, from time to time, of expectations for the way that PIRC operates in support of Ministers' policy aims and objectives for the public sector as a whole.

Ministerial Priorities

Grant-in-aid is paid to enable PIRC to fulfil its statutory functions and to deliver Scottish Ministers' strategic objectives, which underpin their core purpose:

The body is responsible for undertaking independent investigations into serious incidents involving the police in Scotland when directed to do so by the Lord Advocate or at the request of the Chief Constable or the Scottish Police Authority. The body also provides independent scrutiny of the way police bodies operating in Scotland respond to complaints from the public and seek to ensure the Police Service of Scotland and the Scottish Police Authority have efficient and effective procedures in place for handling complaints. The Commissioner also has the discretion to investigate relevant police matters, which would be in the public interest.

Scottish Ministers expect the PIRC budget to support the delivery of their statutory functions and strategic priorities as well as implementing recommendations from Dame Elish Angiolini’s final report *Independent Review of Complaints Handling, Investigations and Misconduct Issues in relation to Policing*.

Budget

This section sets out the initial allocation per HMT classification.

| | £000s | Notes |
|------------------------|--------------|-------|
| Resource | 5,824 | ① |
| Capital | | ② |
| Financial Transactions | | ③ |
| Total | 5,824 | |
| Non-Cash | | ④ |
| UK Funded AME | | ⑤ |
| Total budget | 5,824 | |

- ① Resource spend scores most current expenditure. It comprises wages and salaries and operating costs offset by trading and other resource income.
- ② Capital spend comprises both Indirect Capital (capital grants to the public and private sector) and Direct Capital (additions to non-current assets and intangibles, offset by the net book value of expected disposals).
- ③ Financial Transactions comprises loans given which must go “beyond the public sector boundary” to individuals or entities in the private sector.
- ④ Non-cash comprises both Ringfenced funding (mainly depreciation) and SG AME Non-Cash (mainly provisions; other examples include pension liabilities, capitalised interest). The non-cash element of funding cannot be used for general expenditure.
- ⑤ UK Funded AME is only provided for specifically agreed items. The main examples are Lottery income and expenditure, some pension liabilities and Corporation Tax.

Transfers of budgetary provision **between** the classifications in the table above would require the prior approval of Scottish Government Finance. Any proposals for such transfers should therefore be submitted to the sponsor team. Transfers of budgetary provision **within** the classifications in the table above may be undertaken without reference to the Scottish Government, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

Budget changes

The Scottish Government is responsible for ensuring that the overall Scottish budget is managed effectively and within the limits set by the Scottish Parliament and HM Treasury. Core Scottish Government Directorates and sponsored / arms length bodies, such as NDPB’s, must therefore comply with the Scottish Public Finance Manual. This includes completion of the Accountable Officer template in support of robust decision-making, including assessment of value for money and affordability, including ensuring adequate audit trails and evidence are available to support transparency and public scrutiny for spending decisions.

Budget Scoring and IFRS 16

IFRS 16 Leases is being implemented from 1 April 2022. This potentially changes the accounting treatment of leases held by public bodies, both as a lessee and a lessor. The budget position in the table above excludes transition to IFRS 16, and is written under the basis of the previous lease treatments described by IAS 17. Transition arrangements are being agreed with HMT and the final budget reclassifications will be confirmed after receipt of the UK Main Estimates. We expect to include budget reclassifications to public bodies who require them as part of the Autumn Budget Revision.

Budget Revisions

Ministers have to manage the Scottish budget in the light of pressures and savings that may arise during the financial year. And PIRC may itself experience pressures and savings. Such factors may make it necessary for Ministers to make changes (upwards or downwards) to the budget and associated grant in aid for your organisation. Where, exceptionally, any changes have to be made I shall keep you informed of Ministers' intentions and give you the opportunity to comment.

Any agreed budget revisions will be processed through the Autumn and Spring Budget Revisions which are presented to Parliament during the financial year.

Budget Monitoring

Forecast outturn and spend to date for the financial year should be reported to the sponsor team by completing and submitting the Budget Forecast/Actual Expenditure HMT monitoring spreadsheet (Annex B) each month. A completed spreadsheet providing the position at the end of the financial year 2022-23 should be submitted to the sponsor team by 14 April 2023. Where appropriate (e.g. for depreciation) costs may be calculated on the basis of one twelfth of the budget for each month.

It is essential that this exercise is completed each month and submitted to the sponsor team by the dates advised to allow the sponsor team and SG Finance to fully evaluate returns. This information is required for submission to SG DG Assurance Boards and SG Corporate Board for their considerations of the overall SG financial position and also for required reporting to HM Treasury.

Grant in Aid

As a result of current legislative provisions, Scottish Government funding for its sponsored bodies is shown in the annual Budget Act in terms of grant in aid i.e. the net cash figure required to support agreed budgets. The authorised cash grant in aid for PIRC for 2022-23 is £5,824,000. This represents an increase of £350,000 from 2021-22 to enable the organisation to meet its statutory functions including increasing demand, staff pension costs, civil legal costs and costs associated with the public inquiry. It will also enable the organisation to continue to implement recommendations identified in Dame Elish Angiolini's final report *Independent Review of Complaints Handling, Investigations and Misconduct Issues in relation to Policing*.

Grant in aid should be (re)profiled and drawn down using the relevant spreadsheet in the attached Excel workbook, Annex C. A profile has been provided and you should thereafter submit an updated profile to the sponsor team as part of the grant claim providing details of grant in aid already drawn down, a profile of monthly grant in aid requirements for the remainder of the financial year and a note of the unrestricted cash reserves held at the end of the previous month. **Please provide an initial profile for 2022-23 by 6 April 2022.**

The updated profiles will be used for monthly cash management forecasts provided to HM Treasury and as the basis for the payment of grant in aid - unless notification to the contrary is received by the sponsor team at least 10 days before payment is due to be made. The sponsor team will normally aim to make payments of grant in aid by the 30th of each month. **Grant in aid should not be drawn down in advance of need.** Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the body and the level of funds required to meet any liabilities at the year-end. At the end of the financial year, the sponsor team and PIRC will formally agree the total grant in aid attributable to that particular period. It is important to maintain a reconciliation of grant in aid against HMT budgets.

Issues Arising

Relationships between Scottish Government and the PIRC are supported by regular communication between the PIRC, officials and Ministers, to ensure there are no surprises and early resolution of any issues.

If you have any questions arising from this letter, or if you foresee any financial issues developing in the course of the year, please do not hesitate to contact **[Redacted]** **[Redacted]** within your sponsor team. The sponsor team will, where necessary, consult relevant Scottish Government Finance colleagues.

Yours sincerely

[Redacted]

[Redacted]

Deputy Director

Copy to: **[Redacted]**

[Redacted]

For and on behalf of Scottish Ministers

Annexes:

A – Detailed Budget allocation per HMT classification

B – Budget Forecast/Actual Expenditure HMT monitoring spreadsheet

C– Grant in Aid profile and drawdown -spreadsheet

ANNEX A

DETAILED BUDGET ALLOCATION 2022-23

| | <i>Budget on HMT database</i> | <i>HMT Classification*</i> |
|---|---------------------------------------|--------------------------------|
| | <i>£000s</i> | |
| Wages and salaries | 5,100 | Resource |
| (Gross) Operating costs | 724 | Resource |
| Trading and other resource income (negative) | | Resource |
| Depreciation | | Non-Cash Ringfenced |
| Amortisation | | Non-Cash Ringfenced |
| Impairment | | Non-Cash Ringfenced |
| Provisions | | AME Non-Cash |
| Accruing pension liability | | Non-Cash (UK Funded AME) |
| Capital grants | | Capital |
| Capital additions to non-current assets (including investments) | | Capital |
| Net book value of disposals of non-current assets (including investments) (negative) | | Capital |
| Loans to the private sector | | Financial Transactions |
| Total net expenditure (as recognised by HMT) | 5,824 | |

* For a full explanation of HM Treasury's budgeting rules see the current version of [Consolidated budgeting guidance](#).

Any accruals for staff benefits will score as DEL, in line with the latest guidance from Treasury with their PES Paper (2020) 08.

Non cash budgets are ring fenced which means that (for example) any underspend on depreciation cannot be used to fund actual cash expenditure. "AME" stands for Annually Managed Expenditure, which covers expenditure which HMT accepts is volatile and is therefore subject to different controls.