

**SCOTTISH POLICE AUTHORITY
ANNUAL REPORT
AND ACCOUNTS
2017/18**

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CHAIR'S FOREWORD

In this, my first year as Chair of the Scottish Police Authority, I have been constantly inspired and enthused by the professionalism, commitment and dedication of the police officers and staff of Police Scotland. I fundamentally believe that we have an excellent police service in Scotland, one that is rooted in strong foundations and values and of which we can be proud. Like every public service, however, policing faces challenges – not least limited resources coupled with increasing demand.



Going forward, policing must adapt effectively to meet the needs of a changing Scotland and a changing world, while holding true to its core values and purpose - that means that we, all of us, must be willing to embrace change.

Policing is one of our nation's most important public services and Police Scotland is the UK's second largest police force, with a budget of more than £1 billion and a workforce of more than 22,000 people. The 10-year strategy 'Serving a Changing Scotland' sets out a clear direction of travel of how our police service will meet the needs of Scotland's diverse communities and work with other public services to keep people safe, both now and in the future. Police Scotland and the Scottish Police Authority have a shared responsibility to ensure that this is achieved.

A key focus of my efforts as Chair of the Authority has been to drive improvements in the leadership and governance of policing in Scotland. Police Scotland now has a new Chief Constable and a strengthened senior leadership team. Alongside that, new members have been appointed to the Board of the Scottish Police Authority, and the capability and capacity of the Authority is being enhanced. Financial stewardship has been strengthened, a more collaborative approach is being fostered and a stronger public service ethos and more transparent way of working has been developed. There is still much more to do, but I am in no doubt that significant progress has been made.

We are now five years on from the creation of a single police service for Scotland. Significant benefits have been realised, so too have many lessons been learned. We are now moving into a new chapter that includes an ambitious programme of transformation and change. The future is not without challenge, but I am confident that with the right people, purpose and values, we can work together to ensure that the people of Scotland have a police service which is fit for the future and in which they have confidence and trust.

Susan Deacon CBE
SPA Chair
24 October 2018

OVERVIEW

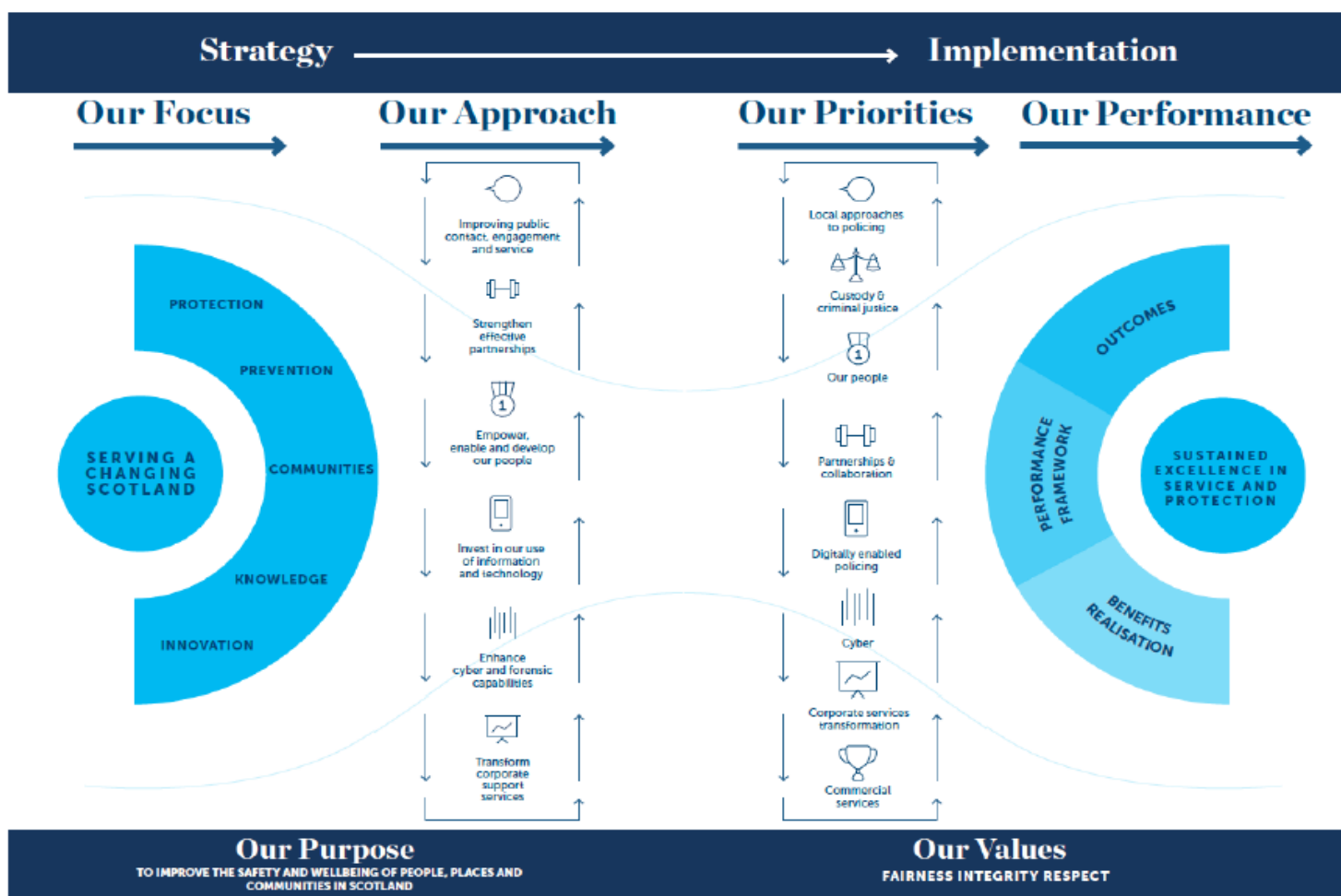
Police Scotland was established as a single national police service in 2013 along with the Scottish Police Authority, in what was one of the most significant public sector reforms since the creation of the Scottish Parliament in 1999.

Five years on, building on the extensive changes which have already taken place to realise the benefits of a single police service, the SPA and Police Scotland have embarked on a journey towards further improvement and sustainability over the coming decade. This is set out in our ten-year strategy for change, 'Policing 2026: Serving a Changing Scotland':

<http://www.spa.police.uk/assets/128635/408187/policing2026strategy>

It is framed by a range of programmes that will drive strategic change, and is underpinned by a 3 Year Implementation Plan and a 3 Year Financial Plan.

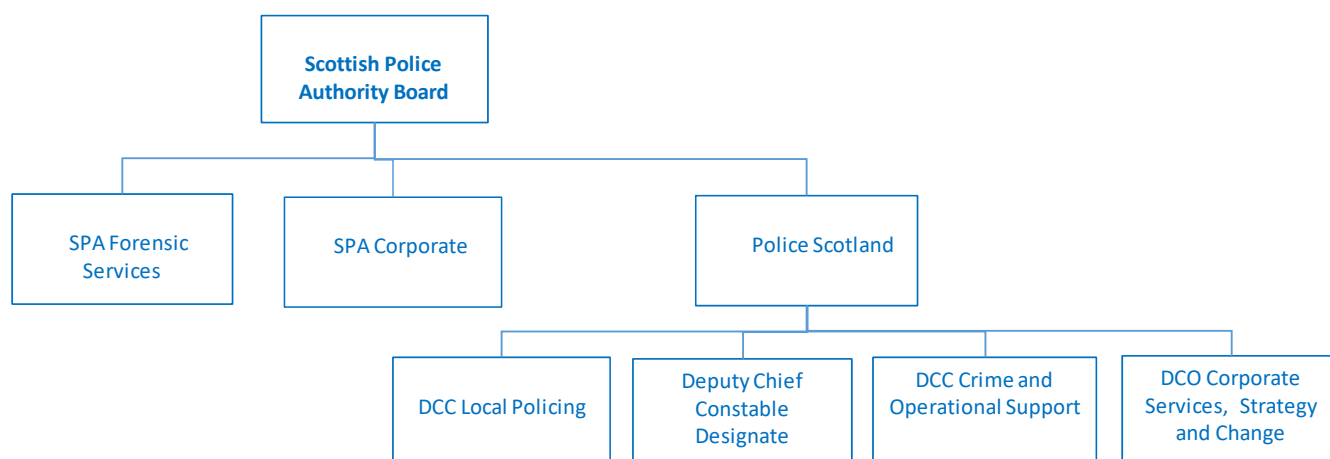
The opportunity and challenge now for Police Scotland, governed and supported by the SPA, is to deliver service transformation that will meet the rapidly-evolving needs of communities across Scotland whilst ensuring financial sustainability for the future. The key elements of the 'Policing 2026: Serving a Changing Scotland', and its implementation is described below:



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The purpose of the SPA and Police Scotland is not limited to responding to crime, but also to promote the safety and wellbeing of Scotland's people, places and communities. To do this effectively, we must understand and respond to the changing demands on policing, including through prevention. As Scotland changes, for example as part of an increasingly digital world, so must policing. The SPA has a central role in supporting this transformation and ensuring robust oversight and governance on behalf of the people of Scotland.

Our high level organisational structure as at 31 March 2018 was:



INTERIM CHIEF OFFICER'S STATEMENT

Since my appointment as Interim Chief Officer and Accountable Officer of the SPA in November 2017 it has been my privilege to work with the SPA Board and officials, police officers and staff, and our many stakeholders.



2017/18 saw significant changes in leadership across policing in Scotland, with the departures of the former SPA Chair, the former SPA Chief Executive and former Chief Constable. Working with the new Chair, Susan Deacon, and with the SPA Board, a key priority has been to strengthen the capability and performance of the SPA, and to improve our governance of and support for Police Scotland including its financial sustainability.

A number of significant changes have already been made within the SPA. Since December 2017 the previous practice of holding separate 'public' and 'closed' Board meetings has ended; the SPA now holds Board meetings open to the public, with specific items of business taken in private only where necessary. The SPA Board has been strengthened with the appointment of seven new Members. Corporate governance and decision making has been improved through the re-establishment of the SPA's Complaints & Conduct Committee and the establishment of a new Succession Planning & Appointments Committee – both with delegated decision making powers – and through the revision of the SPA's Governance Framework. Joint work is underway with local government to improve the interactions between, and quality of national and local scrutiny of policing. Rapid improvements in how the SPA handles data have been made in response to recommendations from a 2017 audit by the Information Commissioner's Office and to enable compliance with new General Data Protection Regulations. Financial governance policies have been revised. The SPA has increased its level of engagement and collaborative working with external partners. On 2 May 2018 the SPA Board approved an SPA Improvement Plan for 2018/19. This plan builds on these initial improvements and sets out a comprehensive programme of improvement in four key areas:

- Board and Committees: ensuring that the structure, composition and workings of our decision making arrangements enable a strategic approach which focusses on the right issues at the right time and add value to the development of policing in Scotland;
- internal governance, policies and procedures: streamlining and improvement of SPA governance documents, policies and ways of working to deliver a more professional standard of operation which is consistent with best practice and builds a culture of continuous improvement;
- strengthening external relationships and engagement: embedding a collaborative, outward looking approach to everything that the SPA does so that that we can better reflect the public's and communities' view about policing in our actions and build partnerships which help us work more effectively; and
- building the SPA executive team's capacity and capability in order to deliver a professional and consistent standard of service in delivering the SPA's core functions.

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Good progress has been made in delivering improvements in each of these areas, and is being reported regularly to the Board. In particular, I welcome the rapid improvements made, with the support of the Chief Financial Officer, in the systems of assurance which support my role as designated Accountable Officer for the policing budget, and which enable me to provide assurance about the regularity, propriety and value for money of decisions taken which affect that budget.

In 2017/18 Police Scotland developed their transformation and change programmes in line with the 10 year strategy 'Policing 2026: Serving a Changing Scotland'. This work enabled a 3 Year Implementation Plan and an accompanying 3 Year Financial Plan and 10 Year Financial Strategy to be agreed on 2 May 2018 by the SPA Board. Work is now underway in harmonising staff terms and conditions of service, in moving to a single payroll system, in taking forward an integrated digital, data and ICT Outline Business Case, and in planning the transformation of corporate services.

Achieving financial sustainability and eliminating the current operating deficit by 2020/21 is a key priority, and good progress was made during 2017/18. Outturn for 2017/18 was £9.8 million better than planned, and in line with the 3-year deficit elimination trajectory. I was also pleased that the SPA was able to approve a budget for 2018/19 which will reduce further the operating deficit, and will keep us on track to meet our 2020/21 target. At time of writing forecast outturn for 2018/19 remains within budget.

I look forward to continued improvement in performance as both Police Scotland and the SPA, in the months ahead.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

PURPOSE AND ACTIVITIES OF THE ORGANISATION

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The SPA was established under the Police and Fire Reform (Scotland) Act 2012 to maintain the Police Service, promote policing principles, promote and support the continuous improvement in the policing of Scotland, to keep under review the policing of Scotland and to hold the Chief Constable to account for the policing of Scotland.

The SPA has overarching responsibility for governing the policing of Scotland, is the legal employer of all police staff and is responsible for the provision of forensic services. The designated Accountable Officer has responsibility for the entirety of the policing budget and is accountable to the Scottish Parliament for this expenditure.

The statutory purpose of Police Scotland is to improve the safety and wellbeing of people, places and communities in Scotland. Police Scotland, working in collaboration with others where appropriate, should seek to achieve that main purpose by policing in a way which is accessible to, and engaged with, local communities, promoting measures to prevent crime, harm and disorder.

Keeping People Safe

Understanding and responding to the needs of our communities remains the highest priority of Police Scotland. Currently, 75% of all police officers are directly aligned to local policing divisions and every officer, special constable, staff member and Police Scotland Youth Volunteer plays a vital role in the provision of a locally focused professional service to every locality and community across the country.

Police Scotland covers some 28,168 square miles and is the second largest police service in the UK after the Metropolitan Police, London. Police Scotland has a number of local policing divisions, each headed by a Local Divisional Commander who ensures that local policing in each area is responsive, accountable and tailored to meet local needs. Each division encompasses response officers, community officers, local crime investigation, road policing, public protection and local intelligence.

Alongside, and working closely with the local policing divisions, there are a number of national specialist divisions.

- The Specialist Crime Division (SCD) provides skilled investigative and intelligence functions such as Major Crime Investigation, Public Protection, Organised Crime, Counter Terrorism, Intelligence and Safer Communities. These specialist functions are of particular importance when a serious crime takes place, or public safety is under threat from criminals, and ensure that the most professional response is available, regardless of where you live.
- The Operational Support Division provides specialist support functions such as Road Policing and Air Support. The primary focus of any policing organisation is to provide an effective and efficient service to protect those at risk.

A key benefit of the creation of Police Scotland is the ability to match the level of response needed with appropriately skilled and trained resources anywhere in Scotland, and to respond to changing demands more swiftly than previous legacy arrangements. To understand current and future demands, Police Scotland conducts an annual strategic assessment which is used to ensure that the resource mix is best deployed to meet local demands and more specialist requirements.

Police Scotland is committed to protecting the public and focussing on those crimes that victimise the most vulnerable within our communities. Police Scotland work in partnership to develop innovative techniques to protect victims and target those responsible. For example, in terms of

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sexual crime, Police Scotland prevent and investigate while working with partners to provide support to victims and build their confidence to report sexual crimes.

Human Trafficking (HT) is a grave violation of human rights and dignity. By its clandestine nature, it is often hidden from view; however, human traffickers operate in Scotland. Police Scotland support victims and target those who abuse, exploit and coerce victims into trafficking.

The abuse and neglect of children has devastating, often lifelong, consequences for victims, their families and communities. Police Scotland work collaboratively with partners to prevent and investigate the abuse or neglect of children. The physical abuse of children often takes place locally and can be perpetrated by family members and friends. However, technology is a critical central enabler for such crime, allowing perpetrators to groom, share and view information. Police Scotland's role is to safeguard and support those most at risk.

Cybercrime takes on a number of additional guises from cyberbullying to cyberattacks on businesses. This growth in cybercrime is likely to continue over the coming decade. The nature of cybercrime means its prevention, investigation and detection requires an evolving approach. Police Scotland work in partnership to prevent online abuse and attacks by employing victim risk reduction techniques and targeting potential perpetrators whether physically present or over an internet connection.

There is currently a severe level of threat of terrorism and Police Scotland is fully prepared to mitigate the impact of any terrorist incident on our communities. Police Scotland collaborates with national and local partners in pursuit of those who are intent on committing acts of terrorism while supporting vulnerable individuals who may be susceptible to radicalisation. Police Scotland also deliver a coordinated programme of protective security advice and support to key stakeholders, businesses and the public.

Serious and organised crime has an insidious effect in our communities and often benefits from human trafficking, cybercrime and terrorism. Police Scotland is committed to preventing this threat, diverting people from becoming involved in serious organised crime and using its products, deterring Serious Organised Crime Groups (SOCGs), disrupting them by supporting private, public and third sector organisations to protect themselves and by identifying, detecting and prosecuting those involved.

Vulnerability is multi-faceted, and the needs of individuals or communities are not always immediately apparent. The growing pressure from mental ill health requires ever greater collaboration and it is essential that earlier and more effective intervention from all key agencies is seen as a joint priority; tackling need while ensuring the most effective use of scarce specialist resources. Policing is increasingly becoming the first line of response, including at times where this is neither appropriate nor desirable.

Police Scotland's ability to deliver national capabilities in localities never been greater. Maintaining this national infrastructure with a local delivery capability is key in our relationships with other statutory and third sector partners who come together to deliver these emergency responses to events.

KEY ISSUES AND RISKS FACING THE SPA AND POLICE SCOTLAND

SPA Governance Arrangements

Since December 2017, with the appointment of a new SPA Chair and Interim Chief Officer, a comprehensive series of improvements in how the SPA works have been initiated. A number of these actions are summarised in the SPA Improvement Programme 2018/19, approved by the SPA Board on 2 May 2018. These are underpinned by key guiding principles to create an organisation which operates in a simplified and transparent way, is more collaborative and outward facing, is characterised by sound decision making, and is led by a more strategic non-executive board. The improvement actions respond to recommendations made by 14 external inspections, evaluations and reviews of the SPA which were published in the previous year, including by Audit Scotland, HMICS (including their June 2017 inspection report of the SPA), the Police Investigations and Review Commissioner, and the Information Commissioner's Office. The overall intention is to enable the SPA to fulfill better its core functions as a major public body, including its governance of Police Scotland. Progress on delivering the commitments in the Improvement Plan is reported regularly to the SPA Board. Key improvements already delivered include the appointment of seven new SPA Board Members, the ending of the practice of holding closed Board meetings, the ongoing development of a revised committee structure and the delegation of decision making powers to committees, a new governance framework, updated financial governance policies, and strengthened support for the role of the Accountable Officer.

This journey of improvement for the SPA must continue in the year ahead and beyond, with the Board operating at a more strategic level, focusing on key issues of public interest and concern and effectively holding to account the Chief Constable. An executive team with greater capability to support the governance of Police Scotland will provide advice to the Board, and support the development of the Authority as an effective, outward focused body which engages widely with the public and stakeholders.

Going Concern

The net asset position, before pension liabilities, demonstrates that the underlying operating model continues to be a going concern.

The Statement of Financial Position reports that the SPA had total net assets before pension liabilities of £363million (31 March 2017: £374million), however after pension liabilities the total net liabilities are £16.3billion as at 31 March 2018 (31 March 2017: £16.2billion). This position is driven by the fact that the organisation has estimated pension liabilities totalling £16.7billion (31 March 2017: £16.6billion). Over 99% of that pension liability relates to the Police Officers pension scheme, with the remainder relating to staff who are members of the various Local Government Pension Schemes throughout Scotland.

Given the range of factors, it is likely that the pension liability will increase over time unless there were to be future changes to the pension schemes. Funding from the Scottish Government will cover all ongoing pension contributions, however the overall pension liability will not be met from the SPA's sources of income.

Therefore the SPA considers there is a going concern basis for the preparation of these financial statements.

Key Risk Areas

Financial Sustainability & Financial Management

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If the SPA and Police Scotland do not prioritise and plan effectively, and ensure effective financial leadership and control, there is a risk that the organisation will not achieve financial sustainability, resulting in an inability to eliminate the operating deficit and implement 'Policing 2026: Serving a Changing Scotland'.

Although challenges remain over the medium to longer term, very significant progress has been made over the last year towards ensuring Police Scotland achieves financial sustainability. In March 2017 the SPA approved a revenue budget for 2017/18 with a forecast deficit of £47.2 million. The Auditor General noted the "...frank commentary on the scale of the financial challenge facing policing in Scotland and the more detailed information provided on planned expenditure"

[Source: Auditor General Section 22 Report – Setting Police Scotland's budget for 2017/18 section 6]. The accompanying financial strategy noted that beyond the forecast deficit of £47.2 million in 2017/18, deficits were also forecast in 2018/19 of £35.6 million and in 2019/20 of £15.9 million, before the deficit would be eliminated in 2020/21. The financial outturn actually delivered in 2017/18 was £9.8 million better than forecast: a deficit position of £37.4 million. In March 2018 the SPA approved a robust budget in line with the trajectory to eliminate the deficit within 3 years. It also approved in May 2018 a 3 Year Financial Plan and a 10 Year Financial Strategy, both of which give greater confidence than previously available that policing will achieve financial sustainability in the medium and longer term.

In order to maintain this positive progress, the pace of transformation and reform within policing must be maintained and the planned programmes to realise the 10 year strategy 'Policing 2026: Serving A Changing Scotland' delivered on schedule. To support this, Police Scotland has increased its change management capability, and the SPA is taking steps to improve its oversight and governance of service transformation and change at both Board and executive levels.

Police Scotland appointed a new permanent Chief Financial Officer on 1 July 2017. In order to support the continuing demands on the finance department investment has been made to support the organisation in the management and delivery of required savings. A new finance department senior management team structure has therefore been developed, and seven new strategic leads for finance have been in place since May 2018 in order to enable the implementation of a full finance transformation plan.

The next phase of restructure is now underway and will deliver a finance structure which is fit for the future.

This requires a significant investment in technology and working practices in order to change the way the organisation makes purchases, records transactions, reports both internally across the organisation and externally to our many stakeholders. This is integral to Police Scotland's organisation-wide management. The full transformation of the finance function is not due to be completed until the end of 2019, and takes into account 26 individual projects which are at various stages of development and approval.

Information Security & Compliance with General Data Protection Regulation (GDPR)

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If the SPA and Police Scotland do not ensure compliance with GDPR, there is a risk of significant penalties and loss of public confidence. There is a further risk that information will be retained unlawfully or shared inappropriately due to a lack of compliance with the legislation.

SPA hold electronic and hard information assets which are recorded on an information asset register. The register was extensively updated from January to May 2018 in preparation for GDPR. Following an audit by the Information Commissioner's Office in 2017, extensive work was undertaken by the SPA to respond to the recommendations and to move towards GDPR compliance. At 25 May 2018, SPA was not fully compliant with all requirements, but plans and actions are progressing to reach full compliance.

A security incident reporting process is in place in the SPA and Police Scotland. A relevant Standard Operating Procedure (SOP) is published on the Police Scotland intranet, and is in operation. The processes include mechanisms for escalating, reporting and addressing significant incidents. The Standard Operating Procedure has been updated to reflect the changes arising from the implementation of GDPR. An internal incident management process has also been developed to assure appropriate management of data loss incidents.

High risk assets are accredited and have annual review of compliance. This process includes independent vulnerability testing by approved testers. New systems are risk managed through the accreditation process and the scope includes procurement, design, suppliers, security operating procedures, testing, governance and certification. The Police Scotland Senior Information Risk Owner (SIRO), Information Asset Owners (IAO) and information management roles have been mandated by the Senior Leadership Board.

The Police Scotland SIRO has recently taken up post and has participated in relevant training. The Information Security Manager (ISM) and staff in information management posts have undergone relevant training and have appropriate qualifications and experience for the roles. The IAO list and training is to be revised and aligned to the information asset register.

ICT Strategy & Infrastructure

If the SPA and Police Scotland do not commit to, and invest in a clear vision and strategy for ICT, Digital and Data capabilities, there is a risk that delivery of 'Policing 2026: Serving a Changing Scotland' will be compromised.

Following the inception of Police Scotland, a phase of evaluating and stabilising our technology estate was undertaken, which has included the development and implementation of over 30 national Information and Communications Technology (ICT) systems, the design and implementation of a national High Speed Network Backbone to support Contact, Command and Control, the support of the C3iR Programme (Control Room Consolidation), delivery of a desktop refresh programme incorporating over 15,000 desktop devices and the on-going maintenance and support of the technical infrastructure.

'Policing 2026: Serving a Changing Scotland' clearly articulates the urgent necessity for Police Scotland to have a significantly enhanced technology capability to effectively deliver the police service and protect the people of Scotland.

Towards the end of 2017 Police Scotland determined there was a need to develop an integrated national Vision, Strategy and Delivery Plan for Digital Data and ICT. During the period January to

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April 2018, working in conjunction with a professional services partner, a series of initial documents was developed which together signal a clear direction of travel, including a Strategy, an Outline Delivery Plan and a Strategic Outline Case (SOC). These documents were endorsed by the SPA Board at their meeting on 31 May 2018. On 27 September the SPA Board approved a Digital, Data & ICT Outline Business Case which takes the next steps towards delivering the required benefits set out in the Strategy.

During 2017/18, a number of key developments were successfully delivered in support of organisational objectives. Apart from business as usual projects, these included:

- C3iR Stages 5 and 6 – Control Room consolidation in the North – Aberdeen and Inverness
- Core Infrastructure Enhancement
- Development of the National Custody system to support the Criminal Justice Act legislative changes
- Support to the 'Policing 2026: Serving a Changing Scotland' Transformation Portfolio and 3 Year Implementation Plan
- Release of an Invitation to Tender (ITT) for the refresh of the Police Scotland National Network
- Migration of 3,000 users to the new national domain for email, file access and authentication – Active Directory Exchange Lync (ADEL)
- Design and implementation of technology across multiple Cybercrime units.

An ICT Business Plan has now been developed to outline the objectives approach and activity that ICT will undertake in 2018/19 to progress delivery of strategic objectives and the 3 year implementation plan. Specifically, our activities in 2018/19 will be aimed at achieving the following objectives:

- Rationalise, nationalise & mobilise our estate
- Deliver ICT in a modular, agile manner
- Promote an enterprise information sharing environment
- Innovate our supply chain
- Develop a flexible adaptable workforce
- Build our service on a modern performant infrastructure
- Prioritisation of services

Payroll Provision

Following the creation of the single national police service, individual legacy areas maintained different payroll systems. If Police Scotland does not move to a single payroll system prior to expiry of legacy systems there is a risk that greater costs are incurred, that management information is not consistent across legacy areas, and that the implementation of the staff pay and reward modernisation project is delayed. Work is underway to address this and will conclude by the end of 2018/19.

The payroll systems in operation for all police officers and staff were inherited from the legacy organisations on 1 April 2013, and have yet to be modernised or consolidated into one cohesive system. A significant programme of work was therefore delivered during the year in a drive towards a national payroll solution for Police Scotland and it is expected to implement in full by 31 March 2019.

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The new system and operating procedures, which have begun to be implemented, are removing a number of high level control weaknesses and significantly improve efficiency. The quality of information available for financial management and reporting will also improve once the single system is fully operational.

Given that the wages and salaries costs of the organisation represent over 80% of the SPA and Police Scotland budget, it is important that these improvements are delivered by 31 March 2019.

In order to manage risk appropriately the payroll project has defined internal Police Scotland management arrangements that include a formal Project Board.

Change & Transformation Management

Given the volume of change activity underway, if the SPA and Police Scotland do not have the capacity and capability to deliver projects in line with agreed timescales and approved budgets, the support needed to deliver 'Policing 2026: Serving a Changing Scotland' will be compromised. There is a further risk that if there is insufficient employee engagement in the scale of cultural change underway this could compromise staff wellbeing and hinder the delivery of 'Policing 2026: Serving a Changing Scotland'.

Police Scotland is continuing through a period of significant change that is intended to stabilise day to day corporate support activities in order to achieve the level of professional standards expected for an organisation of its size and nature. In addition, around 30 key strategic transformation projects to support 'Policing 2026: Serving a Changing Scotland' are currently in development or in delivery. Police Scotland's People Strategy is specifically focused on delivering inspiring leadership, positive working environment and organisational health.

As a result of the volume of change activity underway and with a view to appropriately managing risk, Police Scotland has established a central change function comprising Programme Managers, Project Managers and Business Analysts who now work under the direction of the Director of Change. A robust governance framework has now been implemented to support the programmes of work and professional services support is also enhancing the effectiveness of project delivery.

Workforce Planning

The organisation workforce plan is currently under development and as such, in conjunction with the significant transformation activity taking place across the organisation, there is a risk that the organisation does not prioritise or structure its workforce effectively. This would result in less effective operational delivery and an inability to budget effectively and manage our change programme to achieve the benefits.

It is also a key tool in supporting the enhancements to future iterations of the financial plan. Workforce planning has been identified as an area of development for the organisation, with a team now in place to create a Strategic Workforce Plan in 2018/19.

Staff Pay & Reward Modernisation Programme

Members of police staff are currently employed on a variety of different terms and conditions which were effective prior to the merger of the legacy forces. The Staff Pay and Reward Modernisation Programme (SPRM) is being progressed to introduce new, standard terms and conditions for all Police staff. There is a risk that there will not be sufficient funding to cover the costs associated with the implementation of SPRM.

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SPA has now received approval from the Scottish Government to support proposals for the complex SPRM programme which has reviewed pay, terms and conditions and benefits for all staff.

On 10 May 2018, the organisation entered into formal negotiations with Trade Union colleagues, Unison and Unite, to secure agreement for a new fair and consistent set of pay, terms and conditions for all our police staff.

Conclusion of this stage will result in delivery of a set of arrangements that will greatly improve fairness and equity in relation to terms and conditions of employment including a standard working week, standard leave, public holidays and a standard approach to pay and grading roles.

Integration of British Transport Police (BTP) into Police Scotland

The Railway Policing (Scotland) Act 2017 makes provision for the integration of the functions of the BTP into Police Scotland. There is a risk that, if the integration is not managed in a controlled and informed way, the policing of railways in Scotland is not carried out effectively, resulting in possible danger to the public and an insufficient service to railway operators.

Ministers had previously agreed a target date of 1 April 2019 for the integration. During the year it was agreed that this date would be revised following delivery of a detailed programme of work. Reporting to a Joint Programme Board chaired by Scottish Government and the UK Government that would map out the operational and corporate complexities to enable safe integration. Following the outputs of the work done to date, on 27 August 2018 Scottish Ministers decided that interim arrangements should be explored in order to give effect to the devolution of railway policing more quickly than would be possible to achieve with full integration.

PERFORMANCE SUMMARY & ANALYSIS

1) Policing Performance

Total Crime Summary

2017/18 was the fifth year since the formation of Police Scotland from the 8 regional legacy forces. Performance has been continually monitored and the service has strived to make improvements in its operations.

Total Crime has increased by 3.4% compared to last year. However, as highlighted in previous reports, the basis of measurement has changed following a proposal from Police Scotland to the Scottish Crime Recording Board (SCRB). A separate crime for possession of a weapon when used in the commission of a crime is now recorded. Total crime compared on a like for like basis has increased by 1.7%, with the other 1.7% explained by the change in recording practices.

The main performance measures for Police Scotland relate to the level of crime and overall recorded crime statistics are available on the Scottish Government website at <http://www.gov.scot/Publications/2017/09/3075/345310>. The following sections of this report provide a more detailed analysis of operational performance.

Public Confidence

Ensuring broad engagement across Scotland's increasingly diverse communities and capturing feedback about satisfaction and confidence in our police service is critical to ensuring long term relevance and legitimacy.

Acknowledging the need for a more co-ordinated strategic approach to how this is accomplished was the basis for implementing the Public Confidence Steering Group in March 2017.

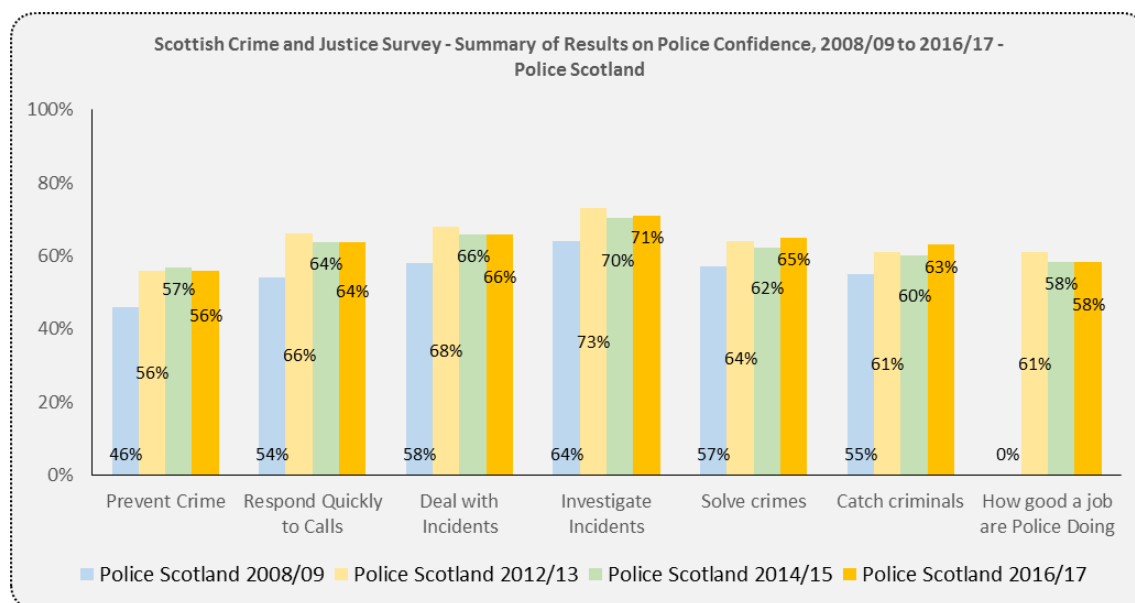
The Police Scotland Executive lead for the development of this work (Assistant Chief Constable for Professionalism and Assurance) is overseeing the development of an improvement plan. This work is being supported and informed by academic research and review. The fifth meeting of the Public Confidence Steering Group took place during Q1 2018/19.

At present, confidence and satisfaction measures are being captured from both external (Scottish Crime and Justice Survey – SCJS) and internal (User Satisfaction Survey - USS) sources. The SCJS which captures results on police confidence was last reported on in March 2018 and related to research conducted between April 2016 and March 2017.

Overall, across Scotland, confidence that Police were doing a good or excellent job is reported at 58%, the same figure as 2014/15 but down from 61% in 2012/13. The 2016/17 report can be accessed at:

<https://beta.gov.scot/publications/scottish-crime-justice-survey-2016-17-main-findings/>

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Operational Priorities

Police Scotland's operational priorities for 2017/18 were identified as:

- Reduce harm caused by violence, disorder & antisocial behaviour, domestic abuse and hate crime;
- Prevent harm caused by Serious Organised Crime Groups (SOCG) and enhance our response to cyber threats and internet enabled crime;
- Reducing and mitigating the risk and impact of terrorism and domestic extremism
- Protecting people at risk of harm and reduce the impact of neglect, abuse and sexual crime;
- Reduce road casualties and detect / deter criminality on our roads;
- Prevent and reduce the threat of acquisitive crime.

Detailed performance reports have been presented quarterly to the SPA Board and are published throughout the year on the SPA website at <http://www.spa.police.uk/meetings-events/board-meetings/>

Violence, Disorder & Antisocial Behaviour

Key Performance Indicator (KPI): Police Scotland will work in partnership to reduce harm caused by public and private space violence, disorder and antisocial behaviour, domestic abuse and hate crime.

Safer Communities Prevention Task Force (SCPTF) has supported a number of operations across Greater Glasgow and Edinburgh in preventing violence, gathering intelligence and carrying out disruption and intervention tactics against violent individuals and Serious Organised Crime Groups. Safer Communities are also examining existing practices across Scotland with the aim of establishing a consistent partnership approach to any incident regarding a weapon within educational establishments.

Police Scotland's Stop and Search Assurance Framework is now in place after approval at the SPA Policing Committee in October 2017. The Framework is allowing stop and search activity to be tested to support and maintain its use in accordance with the Code of Practice. Police

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Scotland's National Stop and Search Unit have issued internal communications and continue to work closely with Divisions to support areas for improvement following the Independent Advisory Group on Stop and Search (IAGSS) 6 month review and the implementation of the Stop and Search Assurance Framework.

Safer Communities delivered the Police Scotland Hate Crime Campaign from 16-30 March 2018. The main theme of the campaign was to focus on offenders. Statistics suggested that perpetrators peak from 11-15 year olds with peer to peer offending being the most prevalent among this age group. As young people in education feature prominently as both victims and offenders, education formed the basis of the campaign.

The Community Improvement Partnership (CIP) completed an Anti-Social Behaviour Noise Initiative. This focussed joint police and housing actions across 5 Policing Divisions to address ongoing noise issues. The initiative saw an 87% reduction in noise complaints during the 3 week operational phase with a longer term reduction of 47.5% over the following months. Building on this success, the CIP will now develop a year round model for identifying and jointly tackling noise complaints.

Serious Organised Crime

KPI: Police Scotland will work in partnership to prevent harm caused to individuals, communities and businesses by Serious Organised Crime Groups (SOCG) and enhance our understanding and response to cyber threats and internet enabled crime.

SOCG Mapping aims to co-ordinate a multi-agency response to Serious Organised Crime (SOC) in Scotland. It assists in identifying opportunities for partnership working; establishing leadership for targeted action; prioritising threats, enablers, groups and individuals and in agreeing the operational responses required.

A threat assessment of SOCG in Scotland is undertaken on a quarterly basis, resulting in an analytical report providing a detailed and comprehensive picture of the threat from SOC in Scotland. The report aims to identify and assess the nature, scale and impact of SOCGs and identify emerging trends to inform operational decision making through the tasking and delivery process.

Police Scotland continue to develop a Firearms Threat Desk (FTD) to manage and mitigate the threat, risk and harm posed by the criminal use of firearms and ammunition, by means of effective collaboration with partners and other key stakeholders. The continuous assessment, development and sharing of relevant intelligence with partners, allows the FTD to inform not only the current assessed threat from within Scotland, but also from a global, European and United Kingdom perspective.

Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) recently published its review into Firearms Licensing in Scotland. Although it indicated that significant progress has been made since the establishment of Police Scotland, to develop a national firearms licensing service and to deliver a new system of air weapon licensing, the report included a number of recommendations for Police Scotland to take forward, together with the SPA.

An initial Police Scotland cybercrime threat assessment has been produced. The report identified many challenges in terms of data collection and assessment as well as crime, intelligence and incident recording. As a consequence, an action plan to address or mitigate these challenges is

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being developed and a further threat assessment will be delivered. The Cyber Skills Working Group will consider Force digital knowledge and skills needs and identify current and future training requirements.

Operation REDWALL was one of Scotland's longest running Police operations and focused on the production, supply, distribution and preventative messaging in relation to New Psychoactive Substances (NPS). The introduction of the Psychoactive Substance Act 2016 effectively removed the overt sale of NPS from UK high streets overnight.

Police Scotland continues to work closely with partners to address the stigma around substance use. This includes continued engagement with recovery communities, bereaved families and drugs users, to break down barriers and improve understanding of wider issues. This engagement is currently being extended to include recovery communities within the prison estate who are recognised as being at significant risk of relapse upon release.

In February 2018 the Economic Crime Financial Investigation Unit (ECFIU) undertook a week of planned operational activity aimed at targeting vishing fraud and in particular "mule account holders" who allow their accounts to be used to launder the proceeds of crime. To date there are 17 individuals from across Scotland either charged and reported or pending for Proceeds of Crime Act (POCA) offences. Police Scotland also launched a media campaign to raise public awareness of the dangers of money transfer cyber frauds. This is aimed at adults living in Scotland that hold bank accounts. There is a secondary audience for the campaign, across social media only, targeting potential "money mules".

Counter Terrorism & Domestic Extremism

KPI: Police Scotland will work in partnership to protect our communities by reducing and mitigating the risk and impact of terrorism and domestic extremism.

The Police Scotland Major Incident (MI) plan is being finalised, following which Emergency Events and Resilience Planning will be carrying out detailed awareness raising sessions leading to a series of training and exercising opportunities across the country.

Counter Terrorism Planning Unit (CTPU) in conjunction with the Counter Terrorism Security Advisors delivered a table top exercise in Edinburgh testing internal plans and procedures in response to a Marauding Terrorist Firearms Attack. Similar awareness training was also delivered in Glasgow and to Glasgow City Council.

CTPU also participated in a Counter Terrorism exercise at Torness Power Station. This was a live play exercise, involving close working and shared awareness between Police Scotland, Civil Nuclear Constabulary and other key civil nuclear partners.

Border Policing Command coordinated the Scottish delivery of a multi-agency, national cash seizure operation directed by the Counter Terrorism Border Operations Centre. The operation was supported by Border Force, National Crime Agency, Europol, Her Majesty's Revenue and Customs, Home Office Immigration Enforcement, Charities Commission and Department of Work and Pensions. Throughout the operation, a number of cash seizures were made.

The Prevent Delivery Unit continues the development of Prevent Professional Concerns (PPC) training to local authority leads. PPC brings together a wide range of partners who jointly assess the nature and extent of the risk to each vulnerable individual and where necessary, provide an

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appropriate support package, tailored to their needs. Following peer review training session held during the quarter, planning has commenced to hold a number of reviews across Scotland in 2018. This will enhance partnership working to deliver Prevent in the local authority areas where the reviews are held.

Police Scotland's PDU hosted a visit from National Counter Terrorism Police Headquarters colleagues to discuss the on-going development of the Business Assurance Process.

The 2018 Action Counters Terrorism (ACT) public awareness campaign launched during March 2018. This forms part of the UK Counter Terrorism Policing Networks Initiative and is co-ordinated by the National Counter Terrorism Policing Headquarters and is fully supported by Police Scotland.

The campaign encourages the public to help the police tackle terrorism and save lives by reporting suspicious behaviour and activity at www.gov.uk/ACT. It will raise awareness of the different attack planning methods that terrorists use and so enable the public to identify some of the signs to look out for and how to report any concerns.

Protecting People at Risk of Harm

KPI: Police Scotland will work in partnership to protect those at risk of harm and reduce the impact of all forms of neglect, abuse and sexual crime.

Police Scotland and Social Work Scotland have been working in partnership, researching best practice nationally and globally and a draft training tool is being developed. A National Governance Group has been established under the Children and Families Directorate and Justice Directorate.

Police Scotland launched a public information campaign on online child sexual abuse entitled '#notmyfriend'. The aim of the campaign is to reduce online child sexual abuse offending by challenging perpetrator behaviour and increasing engagement with third sector support - specifically 'Stop it Now!'.

Police Scotland engagement with survivors of non-recent childhood abuse has included attendance across a range of local and national survivor groups located throughout Scotland. This has included participation in discussions, presentations on the role of police, and listening to survivors' concerns in relation to reporting of non-recent child abuse.

The Police Scotland Corporate Parenting Plan was published on the external site on 6 March 2018. The 3 year report covering from April 2015 – March 2018 has been collated and is awaiting publication.

On Monday 26 March, Police Scotland held its first Human Trafficking Investigators Course at the Police Scotland College. This four day course is targeted at officers who have previous experience in cases of Human Trafficking and exploitation. It will provide further enhanced training and resilience across all 13 local policing divisions in Scotland and further improve the Force's approach to tackling this crime.

The Offender Management Toolkit is the first within the force to be created as a web based interactive document. This will be made available to staff in tandem with the review and update of the Offender Management Standard Operating Procedure (SOP).

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Suicide Prevention Guidance has now been published on the intranet together with other methods to raise awareness. This piece of work supports the Mental Health and Place of Safety SOP, national roll out of Mental Health Crisis and Suicide Intervention training, and supplementary products.

Following a review in November 2017, a new process is being implemented which places the responsibility for completing place of safety forms with the officer who uses powers under Section 297 of the Mental Health (Care & Treatment) (Scotland) Act 2003. Concern hubs will have a quality assurance role prior to actual submission of these forms to the Mental Welfare Commission.

The Domestic Abuse (Scotland) Bill, as proposed, will criminalise psychological abuse and coercive control, and create a new criminal offence when enacted. Police Scotland has committed to provide a comprehensive training package to 14,000 officers and staff.

Road Safety & Road Crime

KPI: Police Scotland will work in partnership to influence driver and road user behaviour, reduce road casualties and detect and deter all types of criminality on our roads.

Officers worked closely with partner agencies to deliver 'Biker Down' presentations to motorcyclists across the Force. This involved presentations, group discussion and video footage focused on safe motorcycling. The sessions included inputs on appropriate clothing and safety wear, riding positions including the 'science of being seen' accident scene management, first aid / Cardiopulmonary resuscitation (CPR) and safe removal of helmets/clothing in the event of a collision.

The new driver early intervention scheme continues to grow with further officers being trained to deliver the presentation. The events are supported by colleagues from Safety Camera Unit, who provided virtual reality goggles that allow users to experience a simulated road traffic collision and hazard perception/driving experience. All students are provided with the Road Safety Scotland "so your teenager is learning to drive" booklet and the event is also publicised on social media.

In addition, officers were involved with various local authority initiatives involving young drivers and their parents, providing general driving and road safety advice to this priority group.

Road Policing continues to lead on elderly bus passenger casualty reduction where regular multi-agency meetings have been held involving key representatives that include Lothian Buses, First Group, Transport Scotland, Road Safety Scotland, Royal Society for the Prevention of Accidents, Edinburgh Council and Age Scotland. Printing costs were funded by Road Safety Scotland.

Officers have disrupted the criminal use of our road network, seizing cash under Proceeds of Crime Act legislation and seizing controlled drugs. In addition, stolen property, mainly vehicles, was recovered and returned to its owners.

Acquisitive Crime

KPI: Police Scotland will work in partnership to create an environment designed to prevent and reduce the threat of acquisitive crime.

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Significant efforts to reduce domestic housebreaking crime levels and improve detection rates continue to take place across the Force. A total of 7,204 domestic housebreaking crimes were recorded in the year which is down 11.6% on the previous year. This is the lowest level in the last 5 years and is well below the lower expected confidence limit.

In order to tackle doorstep crime, Police Scotland are running various initiatives and strongly encouraging joint working with partners including local Trading Standards, Trading Standards Scotland and the Citizens Advice Bureau to both publicise prevention techniques and encourage reporting.

Police Scotland led media/social media campaign to raise public awareness of the dangers of money transfer cyber frauds. The campaign continues to run and is aimed at adults 18 years and over, living in Scotland that hold bank accounts.

On 5 March 2018 the Banking Protocol was officially launched. This protocol is a multi-agency initiative between law enforcement, banking institutions and Trading Standards. Its aim is to intervene at the earliest opportunity to identify vulnerable victims who are in the process of being defrauded of funds from their bank accounts by unscrupulous criminals and also to prevent these crimes.

In the last quarter, the new ECFIU training course was developed and delivered for the first time. This amalgamated the content of the previous Financial Investigators Foundation Course and Economic Crime Programme into a single two week course, covering the basic principles and legislation of both financial and fraud investigation. A number of inputs were delivered by both ECFIU staff and partner agencies, and a three day practical exercise carried out.

2) SPA Forensic Services

Forensic Services plays a key role in supporting the justice system in Scotland in the investigation, detection and prosecution of crime. The forensic science model employed takes forensic evidence from the crime scene through to the laboratory within a single organisation providing a responsive and efficient approach to investigation of crime.

The operational performance of Forensic Services has remained strong over the last year. There has been continued provision of valuable forensic input predominantly to Police Scotland and the Crown Office and Procurator Fiscal Service (COPFS). There are high levels of workload across many areas of the business which are being managed.

Actions have been ongoing to address organisational capacity and transform areas of the business which will allow Forensic Services to reduce casework workload over the coming year and with this the opportunity to deliver greater value to customers. This work is within the framework of the Forensic 2026 Strategy which was created during the year and approved by the SPA Board on 2 May 2018. The Strategy describes a programme which will grow Forensic Services over the next eight years with the focus firmly on delivering strong operational performance.

Governance was further improved with the establishment in year of the Forensic Services Committee following a recommendation from the June 2017 HMICS thematic inspection work. The Committee was established to provide more oversight and scrutiny of Forensic Services. In addition Forensic Services have established a Programme Board which will report to the Forensic Services Committee and oversee the delivery of the Forensic 2026 Strategy. The appropriate project boards are responsible for the individual work streams. This contribution to the overall

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strategic outcomes supports the Programme Board. Progress will be regularly measured and reported. Benefits to operational delivery will also be tracked through regular performance reporting.

Forensic Services is now in its fourth year at the Scottish Crime Campus at Gartcosh. Tangible benefits of partnership working across all the agencies located within the facility are evident bringing further opportunities to grow the involvement in forensic expertise in the investigation of crime.

There have been a number of high profile cases during the year where forensic science has played a major part in the investigation and the court processes which followed. In January 2018 nine members of a violent and sophisticated organised crime group pled guilty and were sentenced to a total of 87 years in jail for a range of violence, drugs and firearms offences. The forensic science work undertaken by Forensic Services played a critical role in the identification and prosecution of these dangerous individuals.

Forensic Services maintained its United Kingdom Accreditation Services (UKAS) quality accreditation of key scientific process during 2017/18 undergoing more than 400 hours of external assessment. The scope of quality accreditation continues to expand each year with further positive accreditation work continuing in 2018/19.

3) Corporate Performance

Financial Performance

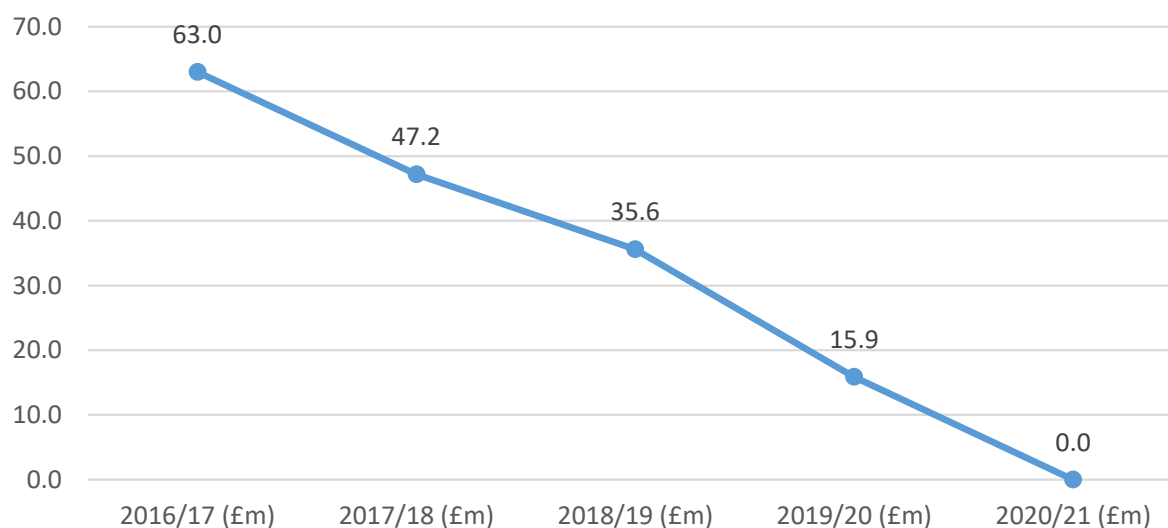
The 2017/18 financial year was the first year of the approved Three Year Financial Plan which clearly articulated the revenue deficit of the SPA and Police Scotland.

In previous years the Revenue, Reform and Capital funding streams were considered as a collective source of funding and in effect Reform and Capital under-spend positions were actively managed to assist with the underlying revenue deficit position. In 2017/18 there was a change to this approach with each funding stream being treated separately, which meant that despite a budgeted revenue deficit of £47.2m, there were plans to fully utilise Reform and Capital funding for their intended purposes, and not use these funds to offset the revenue deficit position.

The underlying revenue deficit in the 2016/17 financial year was £63m. The line graph below sets out the trajectory that is set out in the Three Year Financial Plan to eradicate this by 2020/21.

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Deficit reduction targets per the 3 year Financial Plan
(September 2017)



It is therefore important to consider the financial performance in 2017/18 in the context of the journey towards becoming financially sustainable in 2020/21.

Revenue

When the budget was approved for 2017/18 it included a revenue operating deficit of £47.2m. This meant that the approved budgeted included expenditure for the year which was £47.2m higher than the revenue funding that was available from Scottish Government. This position was understood and Scottish Government provided the SPA Board with a statement prior to the budget being approved which was as follows:

“The Scottish Government is fully aware of this situation and is committed to supporting the SPA to manage this position throughout the year.”

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The table below sets out the final revenue outturn position against budget for 2017/18.

	2017/18 Outturn		
	Budget	Outturn	Variance
	£m	£m	(over)/ under £m
Police Officer Costs	771.2	771.8	(0.6)
Police Staff Costs	169.3	166.1	3.2
Holiday Pay Accrual	(1.0)	(0.1)	(0.9)
Non-pay Costs	163.0	158.6	4.4
Income	(42.7)	(47.7)	5.0
Total Police Scotland	1,059.8	1,048.7	11.1
Forensics	27.8	28.2	(0.4)
SPA Corporate	4.0	3.6	0.4
Total Expenditure	1,091.6	1,080.5	11.1
Less: VAT (Reform Funded)	(22.0)	(20.3)	(1.7)
Net Expenditure	1,069.6	1,060.2	9.4
Funding	(1,022.4)	(1,022.8)	0.4
(Over)/Under spend	47.2	37.4	9.8

The table shows that against a budgeted revenue deficit of £47.2m the actual outturn position for the year was a £37.4m deficit which was £9.8m ahead of budget. This represents good progress towards the Three Year Financial Plan's objective of balancing the revenue budget by 2020/21.

The most significant factors that contributed to the underspend against the budgeted position were as follows:

- Police Staff costs (£3.2m under budget) – the most significant contribution to this underspend was the higher than anticipated number of vacancies throughout the financial year;
- non-pay costs (£4.4m under budget) – this underspend was made up of a number of different items, the most notable of which was an unbudgeted gain on the disposal of a property (£1.6m) and one-off underspends on ICT licenses and subscriptions (£2.8m);
- income was £5m higher than budgeted as a result of additional grant funding, higher than anticipated fees and charges income and a higher level of cost recovery from other public sector bodies.

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Capital

The table below sets out the capital expenditure and the capital funding for 2017/18 which resulted in a break-even position:

Capital	Budget £m	Outturn £m	Variance £m
Airwave Replacement	1.8	5.4	(3.6)
Pegasus	0.2	0.0	0.2
Roadside Breath Screening Devices	0.1	0.1	0.0
Asset Maintenance Program	5.9	5.8	0.1
EDMRS	0.3	0.0	0.3
Total Category One – Statutory	8.3	11.3	(3.0)
Fleet Replacement	5.6	6.8	(1.2)
Infrastructure Modernisation	12.6	7.3	5.3
National Intelligence System	0.5	0.0	0.5
Video Interview Equipment	0.6	0.0	0.6
Weaponry	0.0	0.3	(0.3)
Total Category Two – Stay in Business	19.3	14.4	4.9
Telematics	3.2	0.5	2.7
C3 / THRIVE	3.5	0.7	2.8
Cybercrime	4.0	3.0	1.0
Cyber Defence	2.8	0.0	2.8
Custody	0.5	0.0	0.5
ANPR	0.0	1.2	(1.2)
Unicorn	0.0	0.1	(0.1)
Payroll	0.0	0.4	(0.4)
DSU Vehicles	0.0	0.4	(0.4)
Priority Projects	0.0	1.6	(1.6)
Armed Policing	0.0	0.1	(0.1)
Digital ICCS	0.0	0.2	(0.2)
Tasers	0.0	0.3	(0.3)
Total Category Three – Transformation/ Policing 2026/ BAU Improvements	14.0	8.5	5.5
Total Police Scotland	41.6	34.2	7.4
Total SPA / Forensics	0.9	1.1	(0.2)
VAT Adjustment (16 - 31 March)	0.0	(1.2)	1.2
Total Expenditure	42.5	34.1	8.4
Scottish Government grant	20.0	20.0	0
Capital receipts	10.0	5.7	4.3
Reform	12.4	8.3	4.1
Direct Funding	0.0	0.1	(0.1)
Total Funding	42.4	34.1	8.3
Variance	(0.1)	0.0	(0.1)

Overall capital expenditure was £8.3 million lower than the original budget, largely as a result of underspends on the Infrastructure Modernisation programme (£5.3m) and Transformation & Change projects (£5.5m) both as a result of slippage as well as other smaller under-spends. These were partially offset by increased spending on Airwave radio handsets and Fleet.

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There are a significant number of variances between the capital budget and the actual capital expenditure. This was as a result of re-prioritising the capital budget at mid-year when it became clear that there was significant slippage in the original plans. It was also at this point that it was recognised that not all available capital resources were required to meet the anticipated level of spending which resulted in £4m of Reform funding not being drawn down and the re-phasing of disposals which resulted in capital receipts being £4.3m lower than budgeted.

A number of improvements have been made in business case development and capital planning which will help the 2018/19 capital plan to be more robust than in prior years.

Reform Funding

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.

During 2017/18, a total of £59.5m was made available by Scottish Government. 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 Reform funding. As a result of slippage in business case development a total of £49.6m was drawn down in Reform funding from Scottish Government during 2018/19.

The greatest element of the Reform funding continued to be the cost of VAT which could not be recovered by the SPA (until 16 March 2018) which amounted to £24.3m during the year (2016/17: £23.6m). As a result of changes to the VAT Act the SPA will be able to recover VAT under Section 33 of the Act for the 2018/19 financial year onwards, meaning Reform funding will no longer be required to meet this cost.

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The table below provides a break down as to how the Reform funding was utilised in 2017/18:

	Revenue Spend £m	Capital Spend £m	Description
VAT	20.4	3.9	This element of Reform funding was used for unrecoverable VAT costs, both on revenue and capital expenditure.
Capital transformational projects		4.4	Investment in assets to integrate and drive change. Mainly related to ICT projects including creating a single police network.
Voluntary Redundancy (VR) / Voluntary Early Retirement (VER) Leavers	5.0		This relates to voluntary redundancy and voluntary early retirement costs.
Corporate services transformation	6.6		The salary cost for staff working on projects designed to bring about modernisation.
Commercial excellence	1.2		Investment in multiple initiatives to deliver non-staff savings by enhancing procurement capability.
Professional services	2.4		Cost of professional services to support the development of multiple different projects including: BTP, hard Facilities Management (FM), telematics and ICT projects.
Payroll project	0.4		The costs to develop and implement a single national payroll system.
Other projects	0.1		
Total reform funding spend	36.1	8.3	
Total reform funding drawn down	(49.6)		
(Over)/Under spend	5.2		

The £5.2m underspend against Reform funding represented a genuine under-spend position for the year and had not been managed in order to offset the revenue overspend. The most significant reasons for the underspend were:

- Reform funding had been drawn down for full year VAT costs in anticipation of the effective date of VAT recovery being 1 April 2018. However, the SPA was informed during March that the effective date of VAT recovery was 16 March 2018, meaning that £2.3m of VAT became recoverable in 2017/18 and as such this element of Reform funding was not required;
- Fewer than anticipated Police Staff left the organisation through Voluntary Redundancy / Voluntary Early Retirement (£1.5m).

Arrangements for the management of the Reform budget have been further developed for 2018/19 to ensure any slippage in projects is identified early so that reform funding can be re-prioritised into other projects at the earliest possible opportunity to avoid future underspends.

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Statement of financial position

The Statement of Financial Position is an important financial statement which sets out all the assets and liabilities recognised by the Scottish Police Authority as at 31 March 2018.

The statement of financial position is dominated by the pension liability which totalled £16.7billion (2016/17: £16.6billion). Whilst this would normally present a significant question regarding going concern, the Scottish Government's commitment to meet future liabilities as they fall due means that the SPA can prepare its accounts on a going concern basis.

The pension liability increased by £0.1billion between 2016/17 and 2017/18. The increase arose as a result of changes to the actuarial assumptions detailed in notes 23 to 25 to the Accounts.

The Statement of Financial Position also shows that the Cash and Cash Equivalents balance has reduced from £43.9m as at 31 March 2017 to £24.7m as at 31 March 2018, as a result of a net cash outflow during the year of £19.2m. The most significant reason for this is that the operating costs of the SPA exceeded the Grant in Aid from Scottish Government, as explained earlier in the Financial Performance report. The Cash and Cash Equivalent balance will need to be closely managed during 2018/19 as a result of the budgeted revenue deficit of £35.6m which will further reduce this balance during the year. As explained previously in the Performance Report, the SPA consider it appropriate to adopt a going concern basis for the preparation on the financial statements.

Forward Financial Outlook

The Scottish Police Authority and Police Scotland has significantly increased its financial planning capability in order to support the organisation in achieving financial sustainability by 2020/21 and thereafter maintaining it. The key finance documents setting this out are the 2018/19 budget which was approved on 31 March 2018 and the second iteration of the Three Year Financial Plan which was approved on 2 May 2018.

2018/19 Budget

The 2018/19 budget provides the resources required to support the delivery of the Annual Policing Plan and the Corporate Services Plan, as well as providing the capital and reform investment necessary to drive forward with the Three Year Implementation Plan.

The operating deficit in the 2018/19 budget of £35.6m has reduced from the £47.2m budgeted deficit included within the 2017/18 budget. Once one-off costs are excluded from the 2018/19 budget, the underlying operating deficit is £28.2m. Therefore, the budget continues to honour the commitment made to Scottish Government in relation to eliminating the budget deficit by 2020/21. Furthermore, the investment included within the budget will enable the transformation required to secure the necessary savings to deliver on the commitment to further reduce the operating deficit to £15.9m in 2019/20.

The key highlights in the budget include:

- budgetary provision to take forward the Staff Pay and Rewards Modernisation Project, which seeks to harmonise staff terms and conditions in time for the 2019/20 financial year;

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- the ability to reduce Police Officer numbers by 100, as a result of freeing up 100 officers from the back office during 2017/18, meaning Scotland will continue to receive the same level of front line policing as it has for the past 10 years, but at a lower cost to the taxpayer;
- additional funding to Forensics Services to clear an historic backlog of cases that will secure better criminal justice outcomes;
- £15.2m of investment in our ICT infrastructure that will create a single national network and ability to log on from any location in the country which will significantly improve the ICT experience for our people;
- £5m for Digitally Enabled Policing to develop the integrated national systems required to allow our Officers to access data efficiently and effectively; and
- £1.4m as an initial investment for mobility, which will eventually see every Officer in Scotland provided with a mobile device so that they can remotely access systems and data.

Financial sustainability – Three Year Financial Plan

The Three Year Financial Plan highlights that if no further change activity were to take place over the next three years, then the deficit would begin to increase reaching £45.9m by 2020/21. This is because the expected increase in funding from Scottish Government is not forecast to be sufficient to meet anticipated cost increases, most notably in pay costs. The following table sets out the expected annual deficits over the next 3 years in a scenario where no further change activity occurs:

	2018/19 £m	2019/20 £m	2020/21 £m
Expenditure			
Police officer costs	786.6	802.6	820.6
Police staff costs	177.9	185.3	194.9
Non pay costs	141.8	144.5	147.1
Income	(40.6)	(39.9)	(39.1)
Total Expenditure – Police Scotland	1,065.7	1,092.5	1,123.5
Forensics	30.6	29.5	30.3
SPA Corporate	4.1	4.2	4.3
Total Expenditure – Police Scotland/SPA	1,100.4	1,126.2	1,158.1
Funding			
Core revenue grant	1,064.8	1,087.7	1,112.2
Other	-	-	-
Total Funding	1,064.8	1,087.7	1,112.2
Budget (Surplus)/Deficit	35.6	38.5	45.9

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Therefore a number of modernisation projects have been, and continue to be developed that will deliver sufficient savings to balance the budget by 2020/21 and to remain in financial balance over the period set out in the 10 Year Financial Strategy approved in May 2018.

The Change and Transformation programme has been established to modernise the service and deliver the objectives of 'Policing 2026: Serving a Changing Scotland'. This will fundamentally transform our capacity and expertise to ensure the service is fit, agile and efficient - to meet future demands. This will include investing in up-to-date technology, improving custody and productions management arrangements, developing an adaptable flexible workforce and streamlining our corporate services. The full Transformation portfolio, now consisting of 31 projects under 9 themes will deliver very significant efficiency savings to help eliminate the resource deficit by March 2021.

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Police Scotland Modernisation Projects

Custody Remodeling

More efficient Custody staffing models to reduce current levels of backfill. Currently reviewing both the size and location of the Custody estates, the staffing mix and shift pattern. Potential for significant Officer FTE being returned to operational roles from current 'backfill' activities.

Innovation

Ensuring all areas of Police Scotland can access support to re-design services and identify opportunities by providing tools and approaches to achieve savings including process re-engineering, long leap innovation and automation.

Local Approaches to Police Design

Effective approaches to local policing, identified through trials, will be rolled out across the country. This enhanced understanding of demands will allow for a review of resource allocation and aid in defining requirements for technology enablement.



Productions Remodelling

New productions staff will ensure that there is no longer a necessity for police officers to serve as temporary productions keepers and allow them to return to Local Policing.

Mobility

Use of mobile technology will allow officers to capture, assess and input information to core systems, improving productivity, effectiveness and reducing the time officers spend on administrative tasks.

Records Management

Release of Officer time from records branches to operational policing through consolidation of systems, functions and dedicated records management centres.

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More Efficient Corporate Services

Transformation of corporate support services will support a reduction in police staff in this area thereby releasing police officers back to operational policing activities.

National Payroll

Identification & implementation of a payroll solution that will consolidate payrolls onto a single application. This will address audit criticisms and deliver economies of scale at a level more typical for the organisation's size.

Increased Automation & Innovation

Increasing automation will allow for potential further reductions in corporate support roles which could be replaced with operational support roles.



Increased Civilianisation of Roles

Greater civilianisation of operational roles will result in opportunities for police officers to be returned to the front line, and supported by a greater number of specialist operational staff.

Staff pay & reward modernisation

A single pay and grading structure, coupled with a common people development policy will allow for streamlining of admin services in addition to allowing management to make informed decisions on resource requirements.

Records Management

Consolidation of systems, functions and dedicated records management centres. The reduction of common tasks through more efficient processes will allow for a more effective approach to records management.

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More Efficient Corporate Services

We will deliver a shared service support function that consolidates and improves the support provided to our staff and officers and enables greater efficiency and standardisation. This will reduce duplication and ensure improvements in efficiency and effectiveness of support services.

Productions Storage

Reduce cost of storage through better management of the large number of productions received and stored. Reduce the current volume of productions, and identify better ways of capturing, managing and storing.

Commercial Excellence

Through development of a culture of commercial excellence the project will redefine the procurement process and management of all 3rd party goods and services, reducing the annual costs and improving standards of delivery.



ICT Support Costs

Reduction in ICT support costs through a more resilient and simplified ICT infrastructure. The new Wide Area Network will complement the existing high speed resilient core, with reduced single points of failure. It requires a simplified network management and support model.

Telematics

Implementation of a modern fleet management solution providing raw, real-time data to be analytically processed. This will identify fuel inefficient vehicles for replacement, reduce maintenance costs due to automated mileage control and allow for reduced fleet capacity whilst providing an uninterrupted service.

Estates

Aligning our estate to operational requirements which can support delivery of savings of rent, utilities, rates and also deliver capital receipts through sale of freehold properties.

Conclusion

The SPA and Police Scotland require to deliver a significant level of savings in order to secure ongoing financial sustainability. It is the intention of the SPA and Police Scotland to continue to review and revise the Financial Strategy and Financial Plan as more information becomes available, to address financial sustainability, whilst simultaneously supporting the delivery of the 'Policing 2026: Serving a Changing Scotland' Strategy.

In addition to the three year Financial Plan, a ten year Long Term Financial Strategy (LTFS) has been developed and sets out a number of possible scenarios, making clear the financial parameters that it is anticipated that the organisation will be operating under. Sensitivity analysis has been applied to demonstrate the financial impact of a change in the underlying assumptions.

Both the three year and ten year Financial Plans will be reviewed six monthly and updated on an annual basis to ensure that they reflect the most up to date information, and they will be used as a framework for annual budget development to ensure that the organisation becomes financial sustainable, and remains so into the longer term.

Environmental Sustainability

Climate change is one of the most significant challenges facing society. The Climate Change (Scotland) Act 2009 introduced ambitious targets and legislation to reduce CO₂ emissions by 42% by 2020 and 80% by 2050 when compared to 1990 emissions levels.

Police Scotland's first Carbon Management Plan (CMP) to support both SPA and Police Scotland was approved in October 2014. The CMP sets out the organisations ambitions and a roadmap for progress. The aim is to reduce carbon emissions to 25%* by 2020; and to 50%* and by 2030. By 2050 we will strive to be a carbon neutral police service (* based on 2013/14 levels).

The SPA and Police Scotland will embed carbon management within their strategic planning processes and operational activities to ensure that it becomes and remains integral to all levels of operations. In order to ensure effective and ongoing ownership of the carbon management programme, a Carbon Management Steering Group has been formed which will meet regularly. This group features senior representatives from:

- Estates
- Fleet
- ICT
- Finance
- Operational Policing Representative
- Procurement
- Communications
- Business Co-ordinators

Reducing carbon emissions is not just about a commitment to the environment. The same processes used to identify carbon emissions reductions will also identify and realise financial savings through improved efficiency in the procurement and operation of buildings and transport.

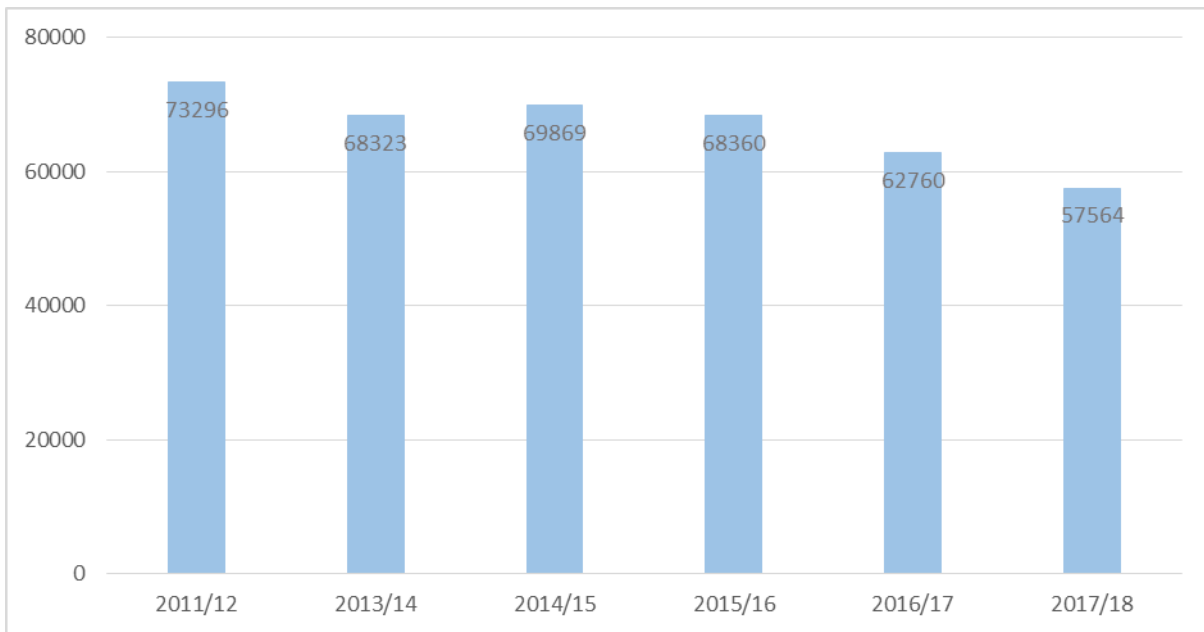
Prior to the implementation of the CMP, numerous energy efficiency projects were carried out throughout the estate and the evidence of the success of these can be seen when the baseline

PERFORMANCE REPORT

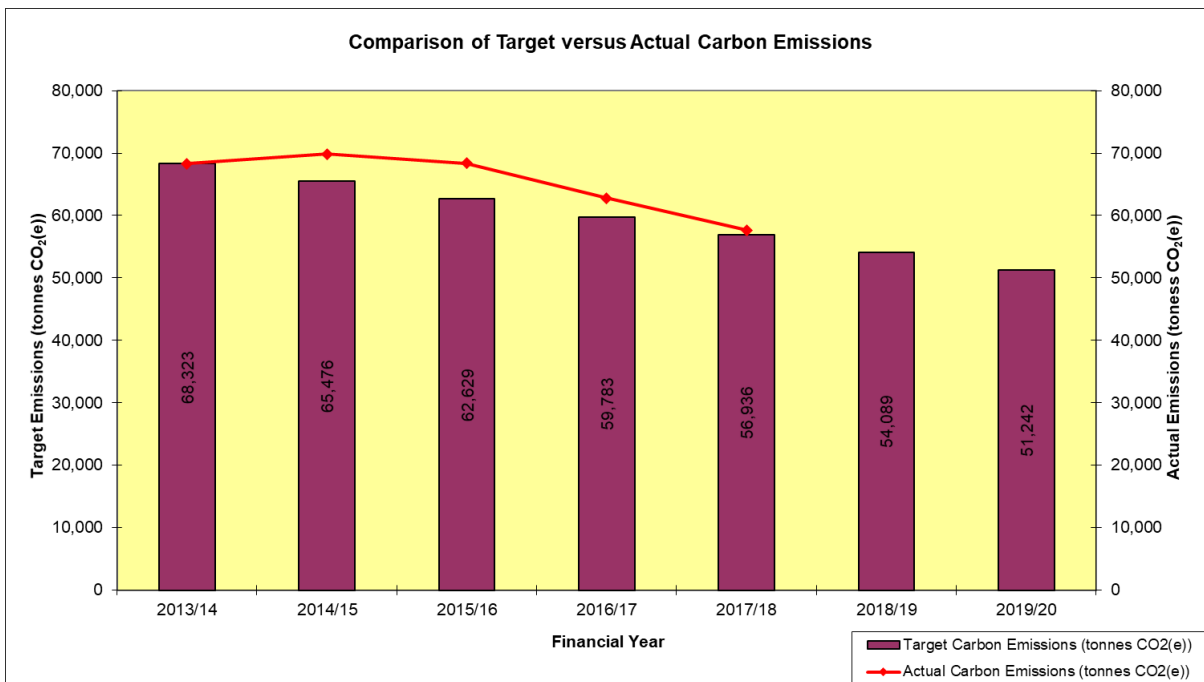
year of the CMP (68,323 tonnes CO₂e) is compared with the previously reported footprint from 2011/12 (73,296 tonnes CO₂e).

Total emissions from all sources (energy for building, waste, business miles, fleet operations and water) amounted to a reduction of 21.5% between 2011/12 to 2017/18.

Carbon Emissions (in tonnes CO₂e)



A comparison of target versus Actual Carbon Emissions in the CMP is as follows:-

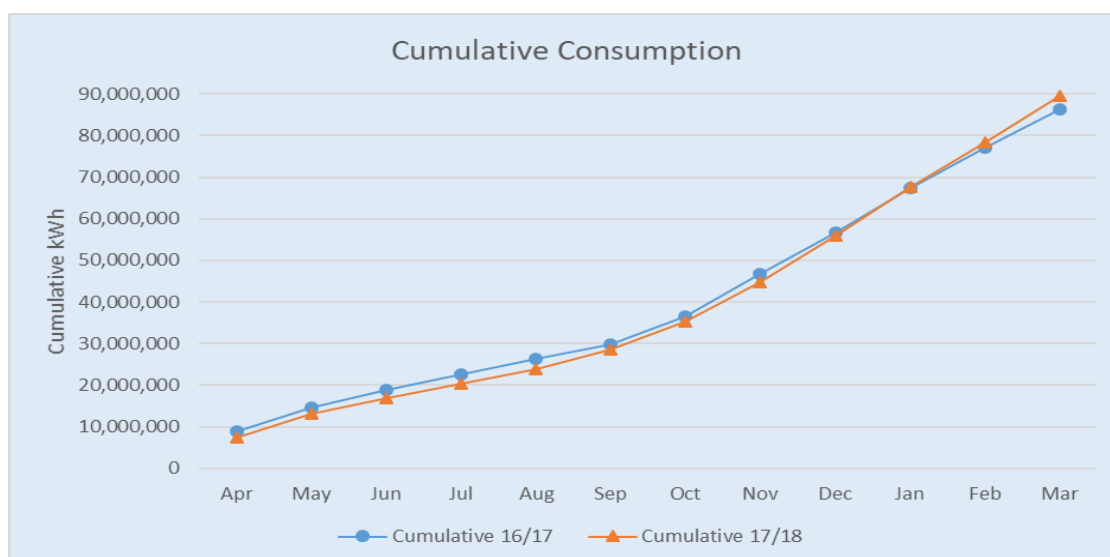


PERFORMANCE REPORT

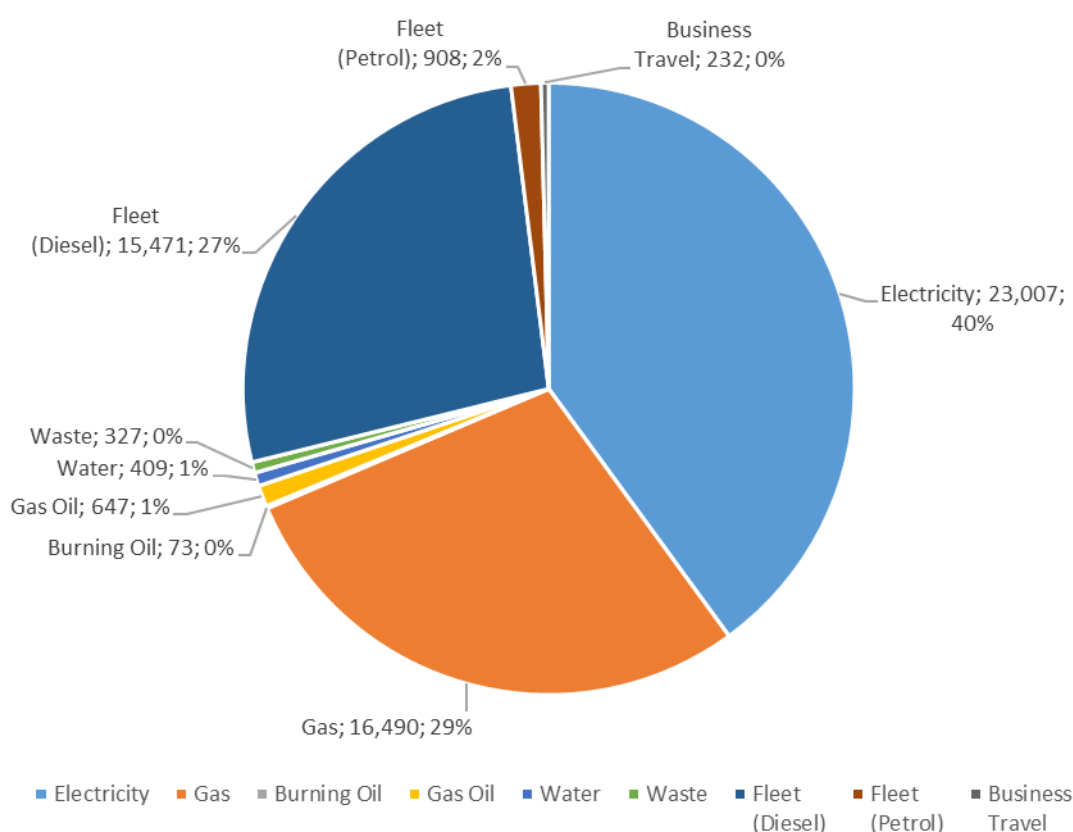
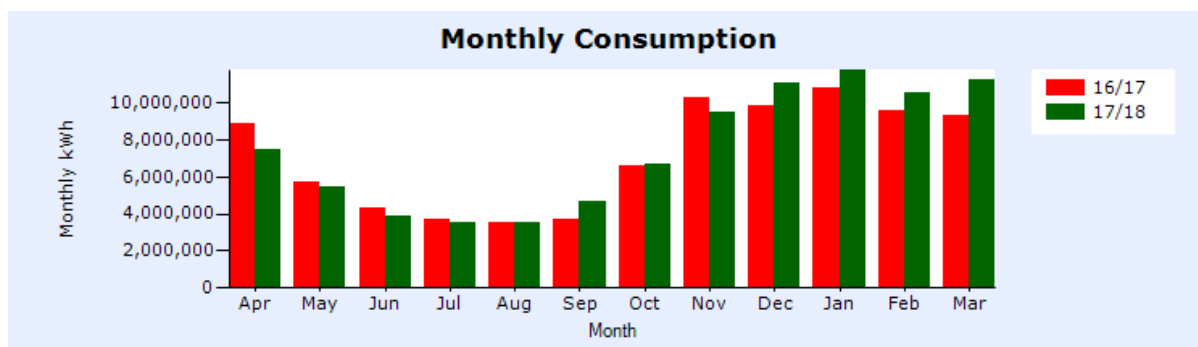
The CO₂ emissions for the SPA and Police Scotland for 2017/18 have been calculated below:

	Tonnes CO₂e 2017/18	Cost (£ Gross) 2017/18	Tonnes CO₂e 2016/17	Cost (£ Gross) 2016/17
Electricity	23,007	7,886,759	27,851	8,121,983
Gas	16,490	2,384,177	15,936	2,154,902
Burning Oil	73	11,842	72	10,160
Gas Oil	647	122,783	691	119,384
Water	409	1,589,355	407	1,568,055
Fleet Ops – Diesel	15,471	8,116,211	15,794	8,297,064
Fleet Ops – Petrol	908		1,044	
Business Travel	232	456,707	329	626,065
Waste	327	971,648	636	977,741
Totals	57,564	21,539,482	62,760	21,875,354

It can be seen that the CO₂ emissions have reduced over the last year from 62,760 tonnes to 57,564 tonnes. Importantly, as it potentially has the most impact on carbon emissions, the emissions from electricity consumption over the last twelve months have reduced by 17.4%. Where there is no control, is the UK Government GHG Conversion Factors for Company Reporting figures that must be applied to convert consumption to CO₂ tonnage use. For 2017/18 the conversion factor for Commercial Waste Disposal has decreased significantly from 2016/17 factors – from 199 kgCO₂e/tonne to 100.1 kgCO₂e/tonne. This has a positive impact resulting in our waste carbon emissions reducing by some 48.6%. Further influence in consumption, specifically gas consumption, arose from a severe cold weather period (as compared with recent winters). This resulted in gas consumption forecasts being under-estimated both in terms of gas consumed and costs, as can be seen from the following charts (data source, STC Energy).



PERFORMANCE REPORT



Carbon Emissions (tonnes CO₂e; Percentage) 2017/18

Whilst waste to landfill is included within the above calculations, recyclable waste is not. The current waste contracts are fulfilled by different local authorities and private contractors who report to different standards. From 2018-19 the waste contract will be delivered by the Soft FM provider and this will improve the quality of the data for future years.

Carbon Management projects which were undertaken through 2017/18 included the following initiatives:

1. Replacement of inefficient boilers and heating controls in five locations;
2. Upgrading of heating controls and adding to the national Building Management System for fifteen separate locations;

3. Installation of Air Conditioning Sensors in one location; and
4. Replacement of inefficient lighting with LED lighting in three locations.

The initial Police Scotland Estate Strategy was put in place in 2015. In June 2017, 'Policing 2026: Serving a Changing Scotland' was launched. Whilst the principles of the Estates Strategy remain valid, a top down revision of the Strategy will be undertaken in 2018 as part of the Estates Modernisation Programme to ensure alignment with 'Policing 2026: Serving a Changing Scotland' and encompassing the updated requirements of the wider national functions as well as a revalidation of the Local Policing requirements gathered to date. Objectives will include the maximisation of future co-locations/collaborations with other public sector partners, the progression of an agreed disposal programme of surplus property, the roll-out of smarter working practices across the estate and a number of larger Estate Modernisation future projects. It is envisaged that these initiatives will make a significant contribution towards reducing the carbon footprint of the estate and energy consumption levels.

The fleet replacement programme replaces older inefficient vehicles with more fuel efficient ones and ICT projects include a number of initiatives to reduce energy consumption from IT equipment such as Project Alliance (desktop replacement programme), Project ADEL (new features being added to the network and new software including Skype which in the future will reduce the need for travelling to meetings) and individual server / data centre consolidation.

As part of the Carbon Management Plan the Estates team continue to work in partnership with other Police Forces, Fire Services and other public sector organisations. Examples are;

- As part of the National Police Estates Group (NPEG) Environment Group Police Scotland is taking part in a project with four other Police Forces on behaviour change and how to engage with staff on environment and climate change matters; and
- Police Scotland continue to be regular attendees at the Scottish Energy Officers Network meetings where local authority, NHS, further education and other public sector organisations regularly meet to share best practice.

Other

SPA and Police Scotland maintain a detailed Anti Corruption Standard Operating Procedure, recognising the critical importance of this issue in our ongoing operation.

Police Scotland, along with the Scottish Police Authority (SPA), is one of the first UK police forces to proactively introduce human rights considerations into its existing Equality Impact Assessments (EIAs) – an approach strongly advocated by the Equality & Human Rights Commission (EHRC) and the Scottish Human Rights Commission (SHRC). This is enacted through our Equality and Human Rights Impact Assessment Standard Operating Procedure.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Police and Fire Reform (Scotland) Act 2012 (the 2012 Act) sets out the framework within which SPA, Police Scotland, the Police Investigations & Review Commissioner (PIRC) and Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) operate to provide policing for the people of Scotland. SPA is the governance body for Police Scotland, and was established as an Other Significant Public Body under the 2012 Act.

The SPA Interim Chief Officer is accountable to the SPA Board and as the designated Accountable Officer is accountable to the Scottish Parliament for the whole of the policing budget. The Public Audit and Post-Legislative Scrutiny Committee (PAPLS) of the Scottish Parliament was presented on 21 December 2017 with the Auditor General for Scotland Section 22 report on the Annual Report and Accounts for 2016/17. The PAPLS committee received a written submission from SPA on 18th January following up on the issues raised on 21 December 2017. The committee invited the former SPA Chair, the former SPA Executive Officer and two SPA members to give evidence on 25 January 2018 in relation to the Audit Scotland report and other governance matters referred to within that report. A comprehensive programme of improving SPA's corporate governance is now under way, responding to Audit Scotland's recommendations and those of other external evaluations. Future improvement activity will also be informed by the post-legislative scrutiny of the 2012 Act undertaken by the Scottish Parliament Justice Committee.

SPA's Corporate Governance Report describes how our governance works. The report also includes an overview of the governance activities operating within Police Scotland.

Each of the SPA committees has submitted an annual assurance statement to the SPA Board detailing its activities during the year and how they have satisfied their governance responsibilities. The Audit Committee conducts regular self-assessments based on Chartered Institute of Public Finance and Accountancy guidance in order to provide additional assurance on its governance activities. The self-assessment was conducted at the end of 2017 and presented to the SPA Audit Committee on 22 January 2018.

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DIRECTORS' REPORT

Introduction

The Members of the SPA present its Annual Report & Accounts for the year to 31 March 2018 incorporating the results of both the SPA and Police Scotland.

SPA Board

Further details regarding the Board composition, its committees and its operation are on the SPA website at <http://www.spa.police.uk>. Board appointments have been made in accordance with guidelines issued by the Commissioner for Ethical Standards in Public Life in Scotland. These require appointments to be made on merit after a fair and open competition.

Board Members are appointed by Scottish Ministers for a period set out in their terms and conditions which must not exceed four years. Appointments are renewable for further fixed terms if both parties agree. In the event of early termination there is no contractual provision for compensation.

The appointments for the Board Members who were in office during the period are as follows:

Name	Date of Current Appointment	
	From	To
Susan Deacon (Chair)	4 December 2017	3 December 2021
Andrew Flanagan (Chair)	7 September 2015	3 December 2017*
George Graham	4 May 2015	31 December 2017*
Tom Halpin	28 March 2018	27 March 2022
Robert Hayes	1 April 2017	31 March 2021
Graham Houston	17 October 2012	16 October 2018**
David Hume	17 October 2012	31 October 2018**
Grant Macrae	1 April 2017	31 March 2021
Nicola Marchant (Vice-Chair)	4 May 2015	21 March 2018*
Robin McGill	11 July 2016	31 October 2017*
Caroline Stuart	1 April 2017	31 March 2021
Matt Smith	1 April 2017	31 March 2021
Iain Whyte	17 October 2012	16 October 2018**
Elaine Wilkinson	4 May 2015	3 May 2019

* These Board Members resigned earlier than their expected appointment end date.

** Extended terms previously agreed

David Crichton, Gordon Dewar, Martin Evans, Michelle Miller, Mary Pitcaithly and Jane Ryder have also become SPA Board Members since 31 March 2018.

Register of Interests

A Register of Interests for the Board along with Board Members' biographies are held on the SPA website at <http://www.spa.police.uk/about-us/the-board>.

ACCOUNTABILITY REPORT

A Register of Interests for Senior Management of the SPA can be accessed via Executive Support, SPA, 1 Pacific Quay, Glasgow G51 1DZ.

SPA Senior Management

Name	Status
Kenneth Hogg	Interim Chief Officer (from 13 November 2017) & Accountable Officer (from 29 November 2017)
John Foley	Chief Executive (to 30 November 2017) & Accountable Officer (to 28 November 2017)
Stephen Jones	Director of Planning and Corporate Support (from 19 June 2017)
Robin Johnston	Acting Director of Governance and Assurance (from 1 April 2017)
Judith MacKinnon	Acting Director of Governance and Assurance (from 1 April 2017 to 30 July 2017, on job share basis with R Johnston)
John McCroskie	Director of Communications and Relationships
Amy McDonald	Director of Financial Accountability (to 1 August 2017)
Tom McMahon	Director of Strategy and Performance (to 31 May 2017)
Lindsey McNeill	Director of Governance and Assurance
Tom Nelson	Director of Forensic Services
Hilary Pearce	Interim Director of Improvement & Assurance (from 15 January 2018)
Catherine Topley	Interim Director (from 8 January 2018)

Police Scotland Force Executive

A Register of Interests for the Force Executive of Police Scotland can be accessed via Executive Support, Police Scotland, Tulliallan Castle, Kincardine, FK10 4BE.

A Register of Gifts and Hospitality for the Police Scotland Force Executive is held on the Police Scotland website at <http://www.scotland.police.uk/about-us/finance/gifts-gratuities-hospitality-and-sponsorship-register>.

The members of the Force Executive who were in office during the period are as follows:

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Name	Status
Phil Gormley, QPM*	Chief Constable (to 7 February 2018)
Iain Livingstone, QPM*	Deputy Chief Constable Designate
Rose Fitzpatrick, QPM	Deputy Chief Constable, Local Policing
Johnny Gwynne	Deputy Chief Constable, Crime & Operational Support
David Page	Deputy Chief Officer
Tom McMahon	Interim Director of Business Integration (from 1 June 2017)
Judith Helliker	Director of People & Development (from 12 June 2017)
Louise Haggerty	Interim Director of People & Development (from 28 Nov 2016 to 11 Jun 2017)
James Gray**	Chief Financial Officer (from 1 Jul 2017)
	Interim Chief Financial Officer (from 6 Jun 2016 to 30 Jun 2017)
Neil Dickson	Director of Change (from 31 July 2017)
Martin Leven	Director of ICT
Martin Low	Acting Director of ICT (from 5 September 2017 to 3 December 2017; and from 30 January 2018)

* The Chief Constable was on a period of leave from 9 September 2017 until his resignation on 7 February 2018. Between 9 September 2017 and 31 March 2018 the DCC Designate had overall command of Police Scotland.

** A new post was created to lead the finance function within Police Scotland which was temporarily filled by James Gray, who was contracted from PwC. After a full recruitment process, James Gray became the permanent Chief Financial Officer on 1 July 2017.

Personal Data-related Incidents

The number of information security incidents recorded during the year totalled 105 (2016/17: 68).

There were 33 incidents relating to unauthorised disclosures, 29 (2016/17: 30) incidents across Police Scotland and the SPA relating to a loss of a technology asset or information; 3 (2016/17: 12) incidents of loss of paper documents and a further 40 (2016/17: 26) over a number of categories such as email misuse, and a failure to follow procedure.

All cyber incidents during the year were fully mitigated either by encryption, remotely disabling, or the items were found before there was any exposure.

No incidents (2016/17: one) were deemed sensitive enough to provide a report to the Information Commissioner's Office (ICO).

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Police and Fire Reform (Scotland) Act 2012, Scottish Ministers have directed the SPA to prepare, for each financial year, a statement of accounts in the form and on the basis set out in their Accounts Direction on the final page of this report. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SPA and Police Scotland and of its net expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the 2017/18 Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the 2017/18 FReM have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The responsibilities of the Accountable Officer are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Government and published as part of the Scottish Public Finance Manual (SPFM). These include:

- responsibility for the propriety and regularity for the public finances for which the Accountable Officer is answerable;
- for keeping proper records and for safeguarding the SPA's assets;
- confirming that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information;
- confirming that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

As Accountable Officer, I can confirm that these responsibilities have been discharged.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

GOVERNANCE STATEMENT

1. Scope of Responsibility

As Interim Chief Officer for the SPA, I have overall responsibility for maintaining sound systems of internal control which support the achievement of the organisation's policies, aims and objectives. This responsibility was assigned to me by Scottish Ministers. These systems of internal control provide reasonable assurance regarding the reliability of financial information used by the business, whilst safeguarding the public funds and assets, for which I am personally responsible in accordance with the responsibilities assigned to me. As Interim Chief Officer, I have been granted delegated powers to approve routine operational property transactions.

2.1 Governance Framework of the Organisation

The Scottish Public Finance Manual (SPFM) is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy efficiency and effectiveness, and promotes good practice and high standards of propriety.

The SPA and Police Scotland's organisational structures have clear lines of delegated responsibility for both financial and operational management.

There is a budgeting and reporting system in place, with monthly management accounts being reported to the Board's Finance Committee. Significant variances from budget are investigated, and financial forecasts are revised throughout the year in order to meet the requirements of the SPFM and to report cash-flow requirements to Scottish Ministers.

2.2 Governance of the SPA

As stated above in the Directors' Report, members of the SPA were appointed by Scottish Ministers under the 2012 Act. The SPA Board's main functions are to maintain the police service, promote the policing principles, promote and support continuous improvement in the policing of Scotland, keep the policing of Scotland under review, and to hold the Chief Constable to account for the policing of Scotland. The SPA Board must also hold the SPA Interim Chief Officer to account.

The SPA Board has responsibility for the governance of the SPA. Section 34 of the 2012 Act states that the SPA must prepare a Strategic Police Plan which sets out the main objectives for the SPA and for policing Scotland. SPA published its Strategic Police Plan and laid it before Parliament in March 2013. This was updated during the financial year with the development and publication of the 'Policing 2026: Serving a Changing Scotland' Strategy in June 2017.

2.3 Governance Arrangements

In June 2017, Her Majesty's Inspector of Constabulary in Scotland (HMICS) carried out a review of SPA governance arrangements in relation to openness and transparency which highlighted areas of weakness. Since that time, HMICS has continued to undertake a range of inspection activities including observation of meetings of the Board and Committees, and evaluation of agendas, reports and updates. This work has identified a number of key improvement areas which have

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been shared with the SPA. Given the appointment of a new Chair, an Interim Chief Officer and seven new members to the Board, HMICS has stated that they will monitor progress on improvement under the new management arrangements before undertaking a further review.

Significant progress has been made since December 2017 to strengthen the SPA's governance arrangements, much of which is described in the SPA Improvement Plan 2018/19. This includes the ending of the practice of holding 'closed meetings' of the Board, the re-establishment of a Complaints & Conduct Committee with delegated decision making powers, the establishment of a new Succession Planning & Appointments Committee, ensuring that appropriate professional executive advice is available to support decision making by the Board and committees and to record decisions properly, and the revision of the SPA Governance Framework.

A review of how the executive of the SPA can most effectively support the Board to deliver its statutory functions was commissioned by the Cabinet Secretary for Justice in June 2017. The full report is available at <http://www.gov.scot/Publications/2018/03/8435>. Work is currently underway to strengthen the capacity and capability of the executive team, under the leadership of the Interim Chief Officer, to better enable the SPA to carry out its statutory functions.

2.4 SPA Board

The SPA Board met nineteen times during 2017/18. Eleven meetings were held in public and eight meetings were held in closed session. The practice of holding "public" and "closed" meetings ceased in December 2017 with the arrival of the new Chair, Susan Deacon. The previous practice was replaced by simply holding meetings of the SPA Board, with consideration of items of private business as necessary in line with established practice in other public bodies. The SPA Board meeting agendas, minutes and papers are published on the SPA website at <http://www.spa.police.uk/meetings-events/board-meetings>.

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Susan Deacon (Chair)	4	4
Andrew Flanagan (Chair)	15	13
George Graham	14	10
Tom Halpin	1	1
Robert Hayes	16	13
Graham Houston	19	14
David Hume	19	19
Grant MacRae	17	13
Nicola Marchant	18	18
Robin McGill	10	8
Caroline Stuart	19	17
Matt Smith	17	14
Iain Whyte	19	17
Elaine Wilkinson	19	19

The Scottish Government determines Strategic Police Priorities for the SPA Board, which in turn determines how best to support the objectives for policing in Scotland. These objectives inform

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the Annual Police Plan and the SPA Annual Plan. Although there were not detailed corporate targets agreed for 2017/18, objectives were in place against which performance was measured.

From January 2018 onwards the priority for SPA was to put in place an Improvement Plan for 2018/19 which was approved by the Board on 2 May 2018. For 2018/19, this focuses on the following key areas:

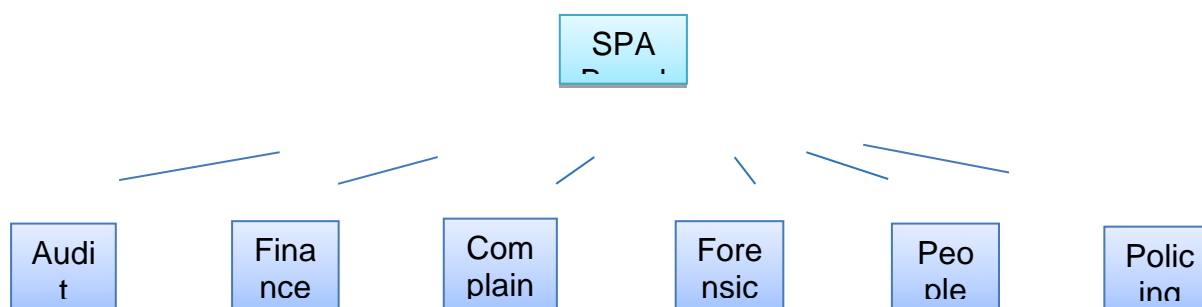
- strengthening the working of our Board and committees;
- reviewing our internal governance policies and procedures;
- strengthening external engagement and relationships; and
- building SPA executive team capacity and capability.

Objectives for teams and individuals have been developed to reflect the objectives of the improvement plan.

The 19 Board meetings held during 2017/18 reviewed and scrutinised the financial position of the SPA, approved the 2016/17 Annual Report and Accounts, and approved the 2018/19 budget for the SPA and Police Scotland. The Board also oversaw the work of the supporting Committees of the SPA.

2.5 Committees of the Board

The SPA Board is supported by established committees. As at 31 March 2018, these committees were as follows:



2.6 Audit Committee

An Annual Assurance Report was submitted from the Audit Committee to the Board. The Audit Committee based its opinion for the year on:

- the work carried out by the Audit Committee during the year, including the reports being brought to committee and the level of review carried out across this information; and
- other Reports being brought to Committee for approval.

The Audit Committee's opinion is that progress is being made in implementing audit actions against a backdrop of significant organisational change. The Committee also recognises that although SPA and Police Scotland governance in relation to risk and audit governance is improving in overall terms, significant challenges and weaknesses remain to be addressed and this is an ongoing process.

ACCOUNTABILITY REPORT

The Audit Committee exists to: provide oversight, scrutiny and assurance to the Board and the designated Accountable Officer on all significant audit and risk matters, concerning the Authority and Police Scotland; and to provide advice and assurance to the Board and the Accountable Officer that the appropriate levels of internal controls are in place both across Police Scotland and the SPA. The Committee seeks to provide advice and assurance to the Board on these matters and any other specific items which the SPA Board requests of it in relation to audit, governance, risk and assurance.

During the year the Committee has undertaken its work in line with the Committee Terms of Reference and this included:

- monitoring progress on, then reviewing and recommending to the Board the 2016/17 Annual Report and Accounts;
- overviewing the Audit Scotland interim audit report on internal controls and annual audit reports for 2016-17;
- monitoring the 2017-18 internal and external audit plans and recommendations;
- monitoring organisational risk, data loss, ICT incidents, fraud and theft reporting;
- overviewing Whistleblowing and Integrity Matters procedures.

During the year, the Audit Committee met formally seven times, and also held a briefing day. Two of the seven meetings held in 2017 were held in closed session. Meetings attended by members during 2017/18 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
David Hume (Chair)	7	7
Elaine Wilkinson (to 25 Apr 2017)	1	1
Robin McGill (to 9 Oct 2017)	4	2
Grant Macrae (from 25 July 2017)	6	6

2.7 Complaints & Conduct Committee (ceased November 2016; re-established 15 January 2018)

An Annual Assurance Report was submitted from the Complaints & Conduct Committee to provide assurance to the Board. The Police and Fire Reform (Scotland) Act 2012 outlines the statutory obligations relating to relevant complaints. The SPA Complaints & Conduct Committee enabled the Authority to fulfil its statutory obligations in terms of complaint handling.

The Complaints & Conduct Committee was re-established in January 2018, chaired by Board Member Matt Smith, and held its first meeting on 15 January 2018. In addition to the Chair, two other Board Members were required to ensure a quorum for meetings.

All members joined the committee from 15 January 2018. Meetings attended by members during 2017/18 are detailed in the table below:

ACCOUNTABILITY REPORT

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Matt Smith (Chair)	6	6
Iain Whyte	6	6
Caroline Stuart	6	6
Grant Macrae	6	4

The specific role of the Complaints & Conduct Committee is to:

- provide assurance to the Board that the Authority has suitable arrangements for the handling of complaints about the SPA, its staff and senior officers of Police Scotland; and
- perform certain functions and make decisions on behalf of the Authority under the Police Service of Scotland (Senior Officers) (Conduct) Regulations 2013 (the 2013 Regulations) or, where applicable, the Police (Conduct) (Senior Officers) (Scotland) Regulations 1999 (the 1999 Regulations).

During 2017/18 the key work undertaken by the committee, in line with the Committee Terms of Reference, was as follows:

- made decisions on behalf of the Authority under the Police Service of Scotland (Senior Officers) (Conduct) Regulations 2013 (the 2013 Regulations) including:
 - conducted preliminary assessments of misconduct allegations and deciding whether these should be referred to the Police Investigations and Review Commissioner for investigation;
 - determined whether senior officers who are the subject of misconduct or criminal allegations are to be suspended from the office of constable and to review suspensions;
- agreed Committee Workplan for the forthcoming year; and
- agreed the remit for reviewing the Complaints Handling process.

2.8 Finance Committee

An Annual Assurance Report was submitted from the Finance Committee to the Board. It is the Finance Committee's opinion that during the financial year 2017/18 the SPA's governance in relation to financial matters was good. The financial information provided to the committee by Police Scotland (including SPA corporate and the Forensic Service) and the budget planning process for future years have improved significantly.

The Finance Committee base their opinion for the year on:

- their review and scrutiny of financial performance reports presented;
- the information, explanations and assurances provided by Senior Officers;
- reports brought forward for Committee approval; and
- the medium and long term financial plans.

ACCOUNTABILITY REPORT

The Finance Committee exists to:

- provide oversight, scrutiny and assurance to the Board on all significant financial matters, including financial planning and performance, stewardship, and service improvement;
- provide advice and assurance to the Board on these matters and any other specific items which the SPA Board requests of it in relation to financial sustainability; and
- seek to ensure that continuous improvement is embedded within financial processes and procedures in line with Best Value principles.

In order to ensure visibility of Committee business the Finance Committee provides a regular report to the SPA Board meeting.

During the year the Committee has undertaken its work in line with the Committee Terms of Reference and this included:

- scrutinising and challenging financial expenditure, performance and outturn for 2016/17, including any impact in 2017/18;
- assessing the organisations financial risks including monitoring the savings actions and progress towards eliminating the deficit by 2020/21;
- considering the 3-year and 10-year financial plans of the organisation;
- considering the 2018-19 proposed budget, the assumptions on which it is based and the options for achieving financial balance in future years;
- reviewing and approving significant contracts, procurement decisions, and asset acquisitions and disposals.

Nine meetings of the Finance Committee took place during the year, of which two were held jointly with the People Committee. Two workshops were also held: on 10 May 2017, to conduct a detailed consideration of the Commercial Excellence Programme and the suite of template forms proposed for use in the development of business cases and investment decisions; and on 7 February 2018 to look at the development of the draft budget for 2018-19 and underpinning assumptions and strategies.

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Elaine Wilkinson (Chair)	9	9
Iain Whyte	9	9
David Hume (to 28 Jun 2017)	2	2
Caroline Stewart (from 28 Jun 2017)	8	8
Grant Macrae (from 8 Nov 2017)	5	5

Other key attendees who reported to the Committee during the year included:

- David Page – Deputy Chief Officer, Police Scotland;
- James Gray – Chief Financial Officer, Police Scotland;
- Amy McDonald – SPA Director of Financial Accountability; and
- Colette Sherry – Head of Commercial Services, Police Scotland.

ACCOUNTABILITY REPORT

2.9 People Committee

An Annual Assurance Report is submitted from the People Committee to the Audit Committee. The People Committee based its opinion for the year on:

- the work carried out by the People Committee during the year, including the reports brought forward to committee and the level of review carried out across this information; and
- reports brought to the People Committee for recommendation to the Board.

It is the People Committee's opinion that significant progress is being made towards ensuring the delivery of the key workforce elements of 'Policing 2026: Serving a Changing Scotland' and SPA's governance in relation to workforce governance is adequate and operating effectively.

From 16 June 2017 onwards the People Committee reverted to having public and closed sessions following the recommendations of the HMICS Phase 1 Review of Openness and Transparency. Following the appointment of the new SPA Chair in December 2017, the February People Committee followed the format of the SPA Board where one agenda was produced with items taken in private where appropriate and necessary. All people decisions continue to be taken at the SPA Board or by the appropriate senior executive as per the SPA Scheme of Delegation.

To support transparency, statutory staff associations and trade unions were invited to attend and participate in each People Committee during an agenda item entitled Employee Relations Climate Check. Representatives from each were invited to provide an update to the Committee on the current issues being faced by officers and staff across SPA and Police Scotland. Additionally their participation was welcomed during specific agenda items including a Health and Wellbeing deep dive and an update on progress against both SPA and Police Scotland's Equality Outcomes.

During 2017/18, the People Committee met eight times, of which two meetings were held jointly with the Finance Committee and two meetings were for planning purposes. Meetings attended by members are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Nicola Marchant (Chair) (to 21 Mar 2018)	8	8
Graham Houston	8	8
Caroline Stuart (from 22 Aug 2017)	6	6

The People Committee exists to:

- provide oversight, scrutiny and assurance to the Board on all significant people related matters;
- provide oversight and assurance on any other specific items which the SPA Board requests of it in relation to employee related aspects of Police Scotland and the SPA;
- seek evidence of Police Scotland and the SPA operating as responsible employers; and
- provide assurance that continuous progress is being made towards mainstreaming of equality, diversity and human rights, as well as the development of Police Scotland and SPA as sustainable organisations.

ACCOUNTABILITY REPORT

Members of SPA staff and Police Scotland representatives may be invited to attend committee meetings. The Chair of the SPA and the Chief Officer have standing invitations to attend meetings. Any other Board Member may attend after consultation with the Committee chair. The Committee chair may also invite representatives from external stakeholders or partner organisations for consideration of specific agenda items and subject areas.

During the year the Committee has undertaken its work in line with the Committee Terms of Reference and this included:

- recommending the parameters for negotiation of staff and officer pay claims and VR/VER proposal for 2018/19 to the SPA Board;
- seeking assurance on key workforce elements in relation to 'Policing 2026: Serving a Changing Scotland' including equality, wellbeing, engagement and the transformation of corporate services;
- providing oversight, scrutiny and assurance to the board on all significant people-related matters;
- providing oversight and assurance in relation to specific matters related to SPA as an employer;
- providing assurance that continuous progress is being made towards mainstreaming equality, diversity and human rights.

2.10 Policing Committee

Meetings attended by members during 2017/18 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
George Graham (Chair) (to 24 Oct 2017)	5	5
Graham Houston	6	5
Robert Hayes (from 4 Jul 2017)	4	2
Matt Smith (from 4 Jul 2017)	4	3

The Policing Committee exists to:

- provide oversight and scrutiny of policing performance; monitor and review policing strategy; and review policy and performance in relation to policing matters; and
 - provide advice and assurance to the Board on these matters and any other specific items which the SPA Board requests of it in relation to policing performance, policy and strategy.
- The Policing Committee was chaired by George Graham until December 2017 with the support of Graham Houston and Robert Hayes. From January 2018 the Policing Committee was chaired by Robert Hayes with the support of Graham Houston and Matt Smith.

During the year the Chair invited attendees to provide their views and give feedback on how the Committee was performing and how it has evolved. He asked attendees to consider if the Policing Committee was focusing on the right areas, if there was evidence that was supporting the Board and the Service and if it was adding value. Feedback was considered and informed continuous improvement of how the Policing Committee conducts business.

ACCOUNTABILITY REPORT

During the year the Committee has undertaken its work in line with the Committee Terms of Reference and this included:

- oversight of the 'Policing 2026: Serving a Changing Scotland' Strategy and accompanying Implementation Plan and strategic planning and performance frameworks;
- reviewing Police Scotland's performance data, Local Policing Plans and Stop and Search assurance, including compliance with the Code of Practice;
- oversight of the planned approach to assurance on the delivery of localism in policing;
- reviewing policy changes for their potential impact on communities;
- reviewing Police Scotland's readiness for the implementation of new legislation – for example the Criminal Justice (Scotland) Act 2016.

2.11 Forensic Services Committee

In June 2017 the Board approved the establishment of a Forensics Services Committee which replaced the former Forensics Services Management Advisory Group. The addition of this Committee is a further step taken by the Board to strengthen the governance around Forensic Services which was one of the recommendations within the HMICS Review of Forensic Services.

An Annual Assurance Report was submitted from the Forensic Services Committee to the Board.

The Forensic Services Committee based its opinion on:

- review and scrutiny of forensic performance reports presented;
- the information, explanation and assurances provided by Senior Officers; and
- reports brought forward for Committee approval.

It is the Forensic Services Committee's opinion that during the year the SPA's governance in relation to forensic service matters is adequate and operating effectively.

Membership of the Forensic Services Committee for 2017/18 was made up of three SPA Board members, and meetings attended by those members during 2017/18 are detailed below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Iain Whyte (Chair) (from 7 Nov 2017)	2	2
Nicola Marchant (from 7 Nov 2017)	2	2
Robert Hayes (from 7 Nov 2017)	2	1

Other invitations were extended to individuals from relevant organisations as follows:

- Forensic Services staff;
- Scottish Police Authority staff;
- Police Scotland representatives;
- Crown Office and Procurator Fiscal's Service (COPFS) representatives;
- Partner organisations; and

ACCOUNTABILITY REPORT

- Chair and Chief Officer of the SPA have standing invitations.

3. Risk and Control Framework

The Board, Senior Management Group of the SPA and Force Executive of Police Scotland are committed to ensuring effective risk management and reporting for both the SPA and Police Scotland from an operational level up to the Executive and Board.

These risks are contained within risk registers for the SPA and Police Scotland and are monitored internally by risk management teams. Measurement of risk is based on an established standard matrix and consistent scoring criteria, considering likelihood and impact. Significant risks of the SPA and Police Scotland are reported to the Audit Committee and the SPA Board.

The significant corporate risks which were highlighted and managed throughout the year are set out in the performance report.

The internal audit report on the risk management framework assessed that it followed good practice and was in line with ISO 31000 Risk Management Standards and guidance, including that provided in the Scottish Public Finance Manual.

Internal Audit and Internal Control Environment

The 2017/18 Internal Audit Plan was approved in advance of the start of the financial year. The opinion on the controls for the financial year was as follows:

“In our opinion, the internal control environment operated by the SPA and PS continued to improve during the 2017-18 financial year however areas of significant weaknesses in the framework of internal controls continued to be identified. As a result, the internal control environment operated by the SPA and PS during 2017/18 cannot yet be fully relied upon to provide an appropriate level of assurance regarding the effective and efficient achievement of objectives and the management of key risks. Arrangements to promote value for money and deliver best value are adequate, with scope for improvement.”

Internal Audit reported positive progress on outstanding actions, with the total number of open actions reducing significantly throughout the course of 2017/18. There was also a decrease in the number of open actions past their agreed due date. Full details of the outstanding actions were reported quarterly to the SPA Audit Committee.

The number of outstanding actions still reflect a high risk exposure for the organisation. From the twelve audit reports completed during 2017/18, Internal Audit identified nine Grade 4¹ findings which cover areas of the financial ledger, performance management, workforce planning and GDPR readiness. Actions have been taken or is underway to deal with each of these findings and progress is reported to the SPA Audit Committee and Board on a quarterly basis.

¹Grade 4 Very high risk exposure – major concerns requiring immediate senior attention that create fundamental risks within the organisation.

4. Good Practice

Procurement & Best Value

Accountable Officers appointed by the Scottish Government have a specific responsibility to ensure that arrangements have been made to secure Best Value. In accordance with these principles, the Board and supporting Committees of the SPA adopt a culture of continuous improvement. This also follows as part of the management approach of Police Scotland, who are encouraged to review the use of resources and deliver efficiencies in their areas of responsibility. This work is carried out against the background of the Scottish Government priorities for policing.

The Scottish Ministers expect all Accountable Officers to comply with the duty of Best Value placed upon them. In addition organisations have corporate responsibility for promoting the efficient and effective use of staff and other resources by the organisations in accordance with the principles of Best Value. Arrangements have been made to ensure Best Value can be demonstrated through:

- the scrutiny applied to investment and expenditure decisions by SPA officials, the Finance Committee and the Board;
- procurement contracts being awarded through competitive tender processes;
- staff structures reviewed and appraised by the People Committee;
- a policy of Voluntary Redundancy (VR) and Voluntary Early Retirement (VER) in place for police staff.

There is a continual budgetary challenge to deliver Best Value. SPA carries out all of its duties in a way that is proportionate, accountable, transparent and consistent with the principles of good governance.

5. Audit Arrangements

A significant part of the overall governance arrangements are the external and internal audit findings and recommendations.

External Audit

The Auditor General for Scotland (Auditor General) has appointed Audit Scotland as the SPA's external auditors. The Auditor General has prepared a report to the Public Audit & Post Legislative Scrutiny committee under Section 22 of the Public Finance & Accountability (Scotland) Act 2000 after the audit of the 2016/17 Annual Report and Accounts.

The Auditor General reflected on an encouraging improvement in the quality of accounting records and access to information. The approval of the 2017/18 budget setting process was more transparent and more comprehensive with more detailed information on the planned revenue, capital and reform expenditure than in the previous year. The Auditor General stated that the budget setting process also provided frank commentary on the scale of the financial challenge facing policing in Scotland.

The report clearly outlined a number of areas where improvement in governance and accountability were required, which is reflected in sections 2.3 above.

ACCOUNTABILITY REPORT

A number of recommendations were made around financial governance, capacity and control arrangements which are set out in the Annual Audit Report in 2016/17 (www.audit-scotland.gov.uk/uploads/docs/report/2017/aar_1617_spa.pdf) A range of actions were taken during 2017/18 and beyond to address these, as follows:

- on the appointment of senior staff, the new, permanent Chief Financial Officer was appointed in July 2017, with a new Finance senior management team structure agreed in November 2017 and fully embedded by May 2018. Further restructuring of the Finance department will continue during 2018 following group consultation. All policies and procedures are currently being reviewed to ensure adherence to the new General Data Protection Regulations.
- on the payment relocation expenses to a Deputy Chief Constable a phased approach has been taken to improve the process and decision-making:
 - the first phase included additional monthly procedures to ensure early identification of future relocation expenses and an additional review of the remuneration report by the Executive team as part of the year end procedures;
 - the second phase involved the development of an improved and robust governance process for senior officer relocation expenses, which was implemented in advance of the recent senior officer appointments. The SPA is also seeking to identify further improvements.
- in relation to Board members' remuneration, members submit expenditure claims promptly and are dealt with within a tight turnaround time. Remuneration for any days in excess of five days per month must be approved in advance by the SPA Chair. All new Board members have been issued the expenses policy and procedures, which is adhered to.
- on the process to deal with voluntary redundancy and early retirement packages, SPA and Police Scotland have committed to ensuring all future cases will either arise as a result of operating efficiency opportunities or as a result of organisational change relating to Policing 2026 to ensure value for money;
- capital and capital reform funding was not fully utilised within 2016/17 resulting in an underspend of £14.8million;
 - Police Scotland implemented a new Investment Governance Framework during 2017/18 and the 2017-18 capital funding was fully utilised by 31 March 2018. All capital and reform expenditure is now assessed by a quarterly Capital Investment Group in order to continually monitor expenditure and reprioritise expenditure in the event of any slippage of the capital plan for 2018/19 onwards;
- the draft Forensic Services 2026 Strategy was developed in the Autumn of 2017. Key stakeholder engagement ran from December 2017 to January 2018 and the final Forensic Services 2026 Strategy was approved by the SPA Board on 2 May 2018 alongside the Forensic Services Phase 1 Business Plan and Two Year financial plan to 2019/20. The actions in place to implement the recommendations of the HMICS review are also now reported to a Forensics Committee, and quarterly to the SPA Board;

ACCOUNTABILITY REPORT

- in terms of developing a long term financial strategy, in September 2017, the SPA Board approved a Three Year Financial Plan to provide future financial sustainability which will underpin 'Policing 2026: Serving a Changing Scotland'.
 - the financial plan forecasted a deficit of £47.2million in 2017/18, £35.6million deficit in 2018/19, and £15.9million deficit in 2019/20, achieving financial balance in 2020/21 based on recurring savings being secured;
 - a Three Year Implementation Plan was presented to the SPA Board on 29 March 2018, and along with a Three Year Financial Plan and Ten Year Financial Strategy was approved by the SPA Board on 2 May 2018;
- the Police Scotland Digital, Data and ICT Strategy was approved by the SPA Board on 31 May 2018. A Digital, Data and ICT Outline Business Case was subsequently approved by the SPA Board on 27 September 2018;
- to strengthen succession planning, in March 2018 the SPA approved the establishment of a Committee with responsibility for considering succession planning and senior appointments on an ongoing basis. Terms of reference for the committee have been agreed, and the committee first met on 20 April 2018.

6. Review of Effectiveness and Significant Issues

Under the SPFM as Accountable Officer I am required to prepare a Governance Statement as part of the Annual Report and Accounts. In order to prepare this statement, I require assurances on the maintenance and review of internal control systems within each part of the organisation.

The systems are designed to manage rather than eliminate the risk of failure to achieve the SPA and Police Scotland's policies, aims and objectives. They can therefore provide reasonable rather than absolute assurance of effectiveness. Internal control systems comprise the whole network of systems established within the SPA and Police Scotland to provide assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economical and efficient use of resources;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

It is the responsibility of each Deputy Chief Constable, Director, and equivalent to provide assurances to me as Interim Chief Officer via the Chief Financial Officer in relation to the financial year that systems of Internal Control have been working well within their area of responsibility.

I wrote to all budget holders (the Force Executive and Directors) and also to SPA/Forensic Service Directors on 12 March 2018 explaining the process and significance of completing fully the 2017/18 end-year Certificates of Assurance and Internal Control Checklists. I also discussed this with Police Scotland's Senior Leadership Board meeting on 14 March.

I received a full set of Certificates of Assurance from budget holders, along with completed associated Internal control checklists at the end of May 2018.

ACCOUNTABILITY REPORT

A number of matters were correctly highlighted to me within these certificates in the areas of information security, strategic workforce planning, payroll and finance journal segregation of duties and controls and the organisation's lack of procure to pay arrangements. I also noted the impact of high workloads in Forensic Services and weaknesses within business planning and corporate performance within SPA corporate.

These are being reviewed and appropriate actions taken to resolve, strengthen and enhance the controls environment. These are regularly followed up by internal audit as required.

My review is also informed by:

- the managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- comments made by the external auditors, Audit Scotland, in their management letters and other reports;
- internal audit reviews and reports conducted throughout the year by HMICS and Scott Moncrieff.

In conclusion, progress to discharge all appropriate actions has been underway both within 2017/18, and particularly since 31 March 2018. These actions are addressing the remaining identified internal control weaknesses to ensure that robust governance and control arrangements are in place in all areas.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

REMUNERATION AND STAFF REPORT

OVERVIEW

In line with sound governance principles, and in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the SPFM, the SPA People Committee provides assurance to the SPA Board in relation to remuneration and associated policies in operation throughout SPA and Police Scotland.

REMUNERATION REPORT

Remuneration policy

SPA and Police Scotland are committed to being a responsible, attractive and inclusive employer fulfilling all statutory and moral obligations. Against a challenging financial background, the aim is to ensure resources are efficiently deployed in line with public sector spending guidelines through being:

- **Fair & Equitable** – an organisation that has a fair, equitable and affordable pay policy with appropriate terms and conditions which support policing priorities, and where pay scales comply with the Scottish Living wage requirement;
- **Sustainable** – a financially sustainable organisation which attracts, retains and develops skills, experience and talent; and
- **Modern** – an organisation that has an agile and flexibly deployed workforce where staff feel motivated, empowered and valued.

The key principles of the remuneration policy are to:

- ensure the pay and reward package reflects the commitment to being a responsible employer and sustainable organisation;
- promote development of fair and transparent reward and recognition mechanisms;
- enable SPA and Police Scotland to compete for, invest in and retain individuals who possess the skills and specialisms required to support future delivery; and
- develop, inform and integrate innovative practices and procedures into the total reward packages.

Through agreed consultative and negotiating forums, SPA and Police Scotland will:

- modernise and standardise staff terms and conditions of employment;
- promote the benefits of a diverse workforce through the provision of attractive, inclusive and responsible working practices;
- integrate the various elements of the overall reward package for staff to help them to respond effectively and efficiently to changing or emerging priorities; and
- secure Best Value through evidence based reviews.

ACCOUNTABILITY REPORT

The Competence Related Threshold Payment (CRTP) scheme is available to Police Officers in the federated ranks who have served for a year at the maximum point of their pay scale. CRTP is designed to recognise and reward experienced officers who are able to demonstrate high professional competence under each of the four national standards:

- professional competence and results;
- commitment to the job;
- relations with the public and colleagues; and
- willingness to learn and adjust to new circumstances.

The Chief Constable may award a bonus payment of between £50 and £500 to a constable of the Police Service of Scotland where the Chief Constable is satisfied that the constable concerned has performed a piece of work of an outstandingly demanding, unpleasant or important nature.

There are no provisions within the current pay scales for bonus or performance related payments for any police staff.

Board Members

Fees for Board Members were determined in accordance with guidelines prescribed by the Scottish Government Public Sector Pay Policy information applicable to Senior Public Appointments, including Chief Executives, Chairs and Members.

As stated in the SPA Board Standing Orders, the members shall meet in public not less than six times in each year.

Board Members' Interests

During the year, apart from their appointments detailed within the Accountability Report, no Board Member has undertaken any material transactions with the SPA.

ACCOUNTABILITY REPORT

SALARY AND PENSION ENTITLEMENTS

Remuneration of Board Members (audited)

The Board Members received the following remuneration for their services during the year ended 31 March 2018:

		2017/18 £'000	2016/17 £'000
Chair - Susan Deacon* #	(from 4 Dec 2017)	44	-
Chair - Andrew Flanagan*	(to 3 Dec 2017)	35	53
Vice-Chair - Nicola Marchant*	(to 21 Mar 2018)	29	18
Moi Ali**	(to 15 Feb 2017)	-	10
George Graham*	(to 31 Dec 2017)	9	10
Tom Halpin	(from 28 Mar 2018)	-	-
Robert Hayes*	(from 1 Apr 2017)	14	-
Graham Houston		14	12
David Hume		19	13
Grant Macrae*	(from 1 Apr 2017)	13	-
Robin McGill */**	(from 11 Jul 2016 to 31 Oct 2017)	4	5
Morag McLaughlin**	(to 11 Jul 2016)	-	-
Ian Ross OBE**	(to 16 Oct 2016)	-	11
Matt Smith*	(from 1 Apr 2017)	15	-
Caroline Stuart*	(from 1 Apr 2017)	18	-
Lisa Tennant**	(to 17 Jan 2017)	-	2
Iain Whyte		13	14
Elaine Wilkinson		17	20
Douglas Yates**	(to 16 Oct 2016)	-	6
Total		244	174

* denotes those Board Members who only served for part of 2017/18.

** denotes those Board Members who only served for part of 2016/17.

In recognition of the expected increase in workload, the current Chair's day rate and number of days' work required were raised in comparison to those of the former Chair.

Details of all Board Members' appointments are held within the Accountability Report.

Remuneration of SPA Senior Management Group and Police Scotland Force Executive

The total remuneration of the SPA Senior Management Group and Police Scotland Force Executive are shown in the tables below, with full details of their appointment included in the Directors' Report within the Corporate Governance Report. Apart from the Chief Constable and Deputy Chief Constables, the officials covered by this report hold appointments which are open-ended unless otherwise stated. Full time equivalent salary figures are shown where appropriate.

The salary of Directors is set by the SPA, with the work and recommendations of the Senior Salaries Review Body taken into consideration. The pay and terms and conditions for staff members is negotiated through the Joint Negotiating and Consultative Committee (JNCC). The pay, and terms and conditions for police officers are negotiated through the Police Negotiating Board (PNB). PNB Circulars 2016-2 and 2017-4 set out the salaries for senior officers within the

ACCOUNTABILITY REPORT

Police Scotland Executive Team. Benefits in kind estimates relate to the provision of vehicles, with values to the nearest £100, unless stated otherwise.

The value of the pension benefits in the below tables is calculated as the real increase in pensions multiplied by HMRC methodology multiplier of 20, plus the real increase in any lump sum. The real increase in pensions excludes increases due to inflation and are net of contributions made by the individual. The valuation does not represent actual payments made to the individuals during the course of the year.

The SPA and Police Scotland employees and officers are entitled to membership of one of two types of pension scheme:

- the Police Pension Schemes for Police Officers (1987, 2006 and 2015)
- a Local Government Pension Scheme for Police Staff Employees

Information on these schemes is included at Note 1.19 to the accounts, with full disclosure of the pension accounting liabilities for the SPA and Police Scotland summarised within notes 23-25 of the Financial Statements. Salaries, accrued pensions and lump sums are disclosed in bands of £5,000, and real increases in pensions and lump sums are disclosed in bands of £2,500.

ACCOUNTABILITY REPORT

The SPA Senior Management Group

Total Remuneration	2017/18					
	Salary	Other Pay Items	Compensation for loss of office	Benefits in Kind	Pension Benefits	Total
	£'000	£'000	£'000	£	£'000	£'000
John Foley ¹ Chief Executive Officer (to 30 Nov 2017)	75-80	55-60	40-45	-	21	195-200
Full-year equivalent	110-115					
John McCroskie Director of Communications & Relationships	85-90	-	-	-	23	110-115
Amy McDonald ³ Director of Financial Accountability (to 1 Aug 2017)	30-35	-	-	-	10	40-45
Full-year equivalent	100-105					
Tom McMahon Director of Strategy & Performance (to 31 May 2017)	15-20	-	-	-	5	15-20
Full-year equivalent	90-95					
Lindsey McNeill ⁴ Director of Governance & Assurance	85-90	-	-	-	-	85-90
Robin Johnston ⁴ Acting Director of Governance & Assurance (from 1 Apr 2017)	45-50	-	-	-	15	60-65
Judith Mackinnon ⁴ Acting Director of Governance & Assurance (from 1 Apr 2017 to 30 Jul 2017)	10-15	-	-	-	4	15-20
Full-year equivalent	40-45					
Tom Nelson Director of Forensic Services	95-100	-	-	-	13	105-110
Seconded Staff						
Kenneth Hogg ² Interim Chief Officer (from 13 Nov 2017)	65-70	-	-	-	-	65-70
Full-year equivalent Including employer's costs	175-180					
Stephen Jones ⁵ Interim Director of Planning & Corporate Support (from 19 Jun 2017)	70-75	-	-	-	-	70-75
Full-year equivalent Including employer's costs	90-95					
Catherine Topley ⁶ Temporary Director (from 8 Jan 2018)	Nil	-	-	-	-	Nil
Full-year equivalent	-					
Hilary Pearce ⁵ Interim Director of Improvement & Assurance (from 15 Jan 2018)	20-25	-	-	-	-	20-25
Full-year equivalent Including employer's costs	105-110					

ACCOUNTABILITY REPORT

¹John Foley received £56,667 in 2017/18 for 6 months payment in lieu of notice and a redundancy payment of £43,470.

²Kenneth Hogg is seconded from the Scottish Government on a temporary basis. The Scottish Government invoice the SPA for his salary and on costs (including VAT). This amount does not represent his actual salary from the Scottish Government.

³Amy McDonald's post was made redundant on 1 August 2017. She remains employed by the SPA on the same remuneration and terms and conditions, and is in the supernumerary pool.

⁴Robin Johnston and Judith Mackinnon were acting Directors of Governance & Assurance while Lindsey McNeill was absent from 1 April 2017 to 30 July 2017 on a 50%/50% job-share basis. Robin Johnston continued to act as Director during Lindsay McNeill's continued absence from 1 August 2017 to 31 March 2018.

⁵Stephen Jones and Hilary Pearce are seconded from the Scottish Government on a temporary basis. The Scottish Government invoice the SPA for their salary and on costs (including VAT). These amounts do not represent their actual salaries from the Scottish Government.

⁶Catherine Topley was seconded from the Scottish Prison Service on an interim basis. The Scottish Government paid her salary and on costs from 8 January 2018 to 31 March 2018.

ACCOUNTABILITY REPORT

Total Remuneration	2016/17			
	Salary £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000
John Foley Chief Executive Officer	115-120	-	29	145-150
John McCroskie Director of Communications & Relationships	85-90	-	25	110-115
Amy McDonald Director of Financial Accountability	95-100	-	29	125-130
Tom McMahan Director of Strategy & Performance	85-90	-	27	115-120
Lindsey McNeill Director of Governance & Assurance	85-90	-	-	85-90
Tom Nelson Director of Forensic Services	95-100	-	*-	95-100
Karen Kelly ⁴ Interim Chief Finance Officer (to 22 Dec 2016)	35-40	-	-	35-40
Full-year equivalent	90-95			

Pension Information	Accrued Pension at 31 March 2018 £'000	Accrued Lump sum at 31 March 2018 £'000	Real Increase in Pension* £'000	Real Increase in Lump sum* £'000	CETV as at 31 March 2017 £'000	CETV as at 31 March 2018 £'000	Real Increase in CETV 2017/18* £'000
John Foley	5-10	-	0-2.5	-	100	120	10
John McCroskie	15-20	0-5	0-2.5	-*	166	192	13
Amy McDonald	5-10	-	0-2.5	-	52	60	5
Tom McMahan ²	5-10	-	0-2.5	-	46	49	1
Lindsey McNeill ¹	-	-	-	-	-	-	-
Robin Johnston ³	0-5	-	0-2.5	-	14	25	6
Judith Mackinnon ³	0-5	-	0-2.5	-	36	41	3
Tom Nelson	50-55	100-105	0-2.5	-*	912	966	23

* Where the real movement in pension benefits is negative, a nil amount has been inserted in accordance with the SPFM/ FReM guidance.

¹ Lindsey McNeill opted out of the pension scheme during 2015/16.

² Tom McMahan changed senior roles during the year, from SPA to Police Scotland. The CETV and pensionable salary shown as at 31 March 2018 is at the date of leaving his first role (31 May 2017).

³ The figures as at 31 March 2018 for Robin Johnston and Judith Mackinnon allow for the accrual of pension during 2017/18 but only that accrued while in a senior role during 2017/18.

⁴ Karen Kelly was employed as temporary Interim Chief Finance Officer on a part-time basis within the Senior Management Team of SPA from 9 February 2016 to 22 December 2016, being paid a total of £39,127 for the year ended 31 March 2017.

ACCOUNTABILITY REPORT

Police Scotland Force Executive

Total Remuneration	2017/18					
	Salary £'000	Other Pay Items £'000	Compensation for loss of office £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000
Phil Gormley ¹ Chief Constable (to 7 Feb 2018)	180-185	80-85	-	6,400	-	270-275
Full-year equivalent	215-220					
Iain Livingstone ² Deputy Chief Constable Designate	200-205	-	-	3,900	168	370-375
Rose Fitzpatrick Deputy Chief Constable – Local Policing	175-180	-	-	3,500	34	210-215
Johnny Gwynne Deputy Chief Constable – Crime & Operational Support	175-180	-	-	5,000	-	180-185
David Page Deputy Chief Officer	175-180	-	-	-	52	225-230
Martin Leven Director of ICT	105-110	-	-	5,800	35	145-150
Martin Low ³ Acting Director of ICT (from 5 Sep to 3 Dec 2017 and from 30 Jan 2018)	40-45	-	-	-	82	125-130
Full-year equivalent	95-100					
James Gray ⁴ Chief Financial Officer (from 1 Jul 2017)	80-85	-	-	-	26	110-115
Full-year equivalent	110-115					
James Gray ⁴ Interim Chief Financial Officer (to 30 Jun 2017)	55-60	-	-	-	-	55-60
Full-year equivalent	235-240					
Louise Haggerty ⁵ Interim Director of People & Development (to 11 Jun 2017)	65-70	-	-	-	-	65-70
Full-year equivalent	345-350					
Jude Helliker ⁶ Director of People & Development (from 12 Jun 2017)	85-90	-	-	3,700	27	115-120
Full-year equivalent	105-110					
Tom McMahon ⁷ Interim Director of Business Integration (from 1 Jun 2017)	80-85	-	-	-	27	110-115
Full-year equivalent	100-105					
Neil Dickson Director of Change (from 31 Jul 2017)	75-80	-	-	-	24	100-105
Full-year equivalent	115-120					

ACCOUNTABILITY REPORT

¹ Phil Gormley resigned on 7 February 2018, receiving £28,227 for 34 days untaken annual leave and £54,137 for 3 months' salary in respect of his notice period. Removal costs of £2,497 were also paid (before £2,043 tax and £627 NI costs), with those costs included in the Benefit in Kind total in the table above.

² DCC Livingstone was paid at the level of Chief Constable with effect from 9 September 2017, in line with a decision taken by the SPA Board in February 2018.

³ Martin Low was acting Director of ICT while Martin Leven was absent from 5 September 2017 to 3 December 2017 and from 30 January 2018.

⁴ James Gray was seconded from PwC as Interim Chief Financial Officer on a temporary basis until he was appointed permanent Chief Financial Officer on 1 July 2017. He was seconded from 1 April 2017 to 30 June 2017 with PwC being paid £59,280 for the period. This amount does not represent his salary but the invoiced day-rate from PwC.

⁵ Louise Haggerty joined the organisation on a temporary basis as Interim Director of People & Development until the full recruitment process for a new Director of People & Development was undertaken. During 2017/18, she was in post from 1 April 2017 to 11 June 2017 with an agency being paid £68,754 (including VAT) for the period. This amount does not represent her salary but the invoiced agency day-rate.

⁶ Jude Helliker received relocation expenses of £3,746 in 2017/18, the total costs are included within the table above within the benefits in kind total. The payments represent a re-imbursment of expenses in relation to her relocation from Northern Ireland to Scotland.

⁷ Tom McMahon's interim appointment was for 18 months, this is due to be extended to 24 months.

ACCOUNTABILITY REPORT

Total Remuneration	2016/17				
	Salary £'000	Compensation for loss of office £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000
Phil Gormley Chief Constable	210-215	-	2,600	-	215-220
Iain Livingstone Deputy Chief Constable Designate	175-180	-	4,600	67	245-250
Neil Richardson Deputy Chief Constable Designate (to 25 Jul 2016)	65-70	-	1,200	-	65-70
Full-year equivalent	200-205				
Rose Fitzpatrick ¹ Deputy Chief Constable – Local Policing	170-175	-	105,200	38	310-315
Johnny Gwynne Deputy Chief Constable – Crime & Operational Support (from 10 Oct 2016)	80-85	-	4,800	-	85-90
Full-year equivalent	165-170				
Ruaraidh Nicolson Interim Deputy Chief Constable – Crime & Operational Support (to 31 Oct 2016)	95-100	-	2,100	-	95-100
Full-year equivalent	165-170				
John Gillies Director of People & Development (to 11 Dec 2016)	75-80	-	5,300	16	100-105
Full-year equivalent	105-110				
Martin Leven Director of ICT	100-105	-	5,200	29	135-140
Janet Murray Director of Finance (to 31 May 2016)	40-45	140-145	1,200	-*	180-190
Full-year equivalent	105-110				
Louise Haggerty ² Interim Director of People & Development	105-110	-	-	-	105-110
Full-year equivalent	320-325				
James Gray ³ Interim Chief Financial Officer	195-200	-	-	-	195-200
Full-year equivalent	240-245				
David Page Deputy Chief Officer (from 19 Sep 2016)	90-95	-	-	28	120-125
Full-year equivalent	175-180				

*Where the real movement in pension benefits is negative, a nil amount has been inserted.

Pension benefits are calculated on an actuarial basis, using the assumptions set out in notes 23-25. These benefits can go up or down depending on the financial assumptions used.

¹Rose Fitzpatrick received relocation expenses of £49k (before National Insurance £13k and Tax £40k) in 2016/17. The total costs are included within the table above within the benefits in kind total. The payments represent a re-imbursement of expenses in relation to her relocation from England to Scotland.

ACCOUNTABILITY REPORT

²Louise Haggerty joined the organisation on a temporary basis as Interim Director of People & Development through Badenoch & Clark until the full recruitment process for a new Director of People & Development was undertaken. She was in post from 6 December 2016 to 31 March 2017 with the agency being paid £106,192 (including VAT) for the period. This amount does not represent her salary but the invoiced agency day-rate. She continued in the post until Judith Helliker was appointed on 12 June 2017, and left shortly thereafter.

³During June 2016, James Gray was seconded from PwC as Interim Chief Finance Officer on a temporary basis. He was seconded from 6 June 2016 to 31 March 2017 with PwC being paid £199,500 for the period. This amount does not represent his salary but the invoiced day-rate from PwC. His secondment continued after the year-end. After a full recruitment process, James Gray became the permanent Chief Financial Officer on 1 July 2017.

In addition to those listed above, nine (2016/17: eight) Assistant Chief Constables are also part of the Force Executive and report directly into the DCCs above, who are the main decision-makers.

Pension Information	Accrued Pension at 31 March 2018 £'000	Accrued Lump sum at 31 March 2018 £'000	Real Increase in Pension £'000	Real Increase in Lump sum* £'000	CETV as at 31 March 2017 £'000	CETV as at 31 March 2018 £'000	Real Increase in CETV 2017/18 £'000
Rose Fitzpatrick	15-20	20-25	2.5-5	- *	227	271	14
Iain Livingstone	95-100	-	5-10	-	1,312	2,184	810
Johnny Gwynne	90-95	-	-	-	2,153	2,130	-
Janet Murray	-	-	-	-	558	-	-
David Page	5-10	-	2.5-5	-	24	71	28
Martin Leven	10-15	-	0-2.5	-	102	131	15
Martin Low ¹	45-50	85-90	2.5-5	5-7.5	567	645	64
James Gray	0-5	-	0-2.5	-	-	13	4
Jude Helliker	0-5	-	0-2.5	-	-	21	12
Tom McMahon	5-10	-	0-2.5	-	46	68	10
Neil Dickson	0-5	-	0-2.5	-	-	14	6
John Gillies	-	-	-	-	239	-	-

* Where the real movement is negative, a nil amount has been inserted in accordance with the SPFM.

¹Martin Low had two periods of service in a senior role in the year to 31 March 2018. The figures allow for the accrual of pension during 2017/18 but only that accrued while in a senior role during 2017/18. The CETV shown at 31 March 2017 is as at the date of commencing his first period in a senior role (5 September 2017).

Phil Gormley was not an active members of the pension schemes in either the year ended 31 March 2018 or 31 March 2017. Johnny Gwynne was an active member of the pension scheme until 1 May 2016.

During 2016/17, Mr Gormley resided within accommodation in the Police Scotland estate, paying rent, council tax and service charge of £789.30 per month, from July 2016. He resided in the accommodation from January 2016 and so the previous 6 months charge has been disclosed as a benefit in kind, partially in 2015/16 and 2016/17 (3 months).

James Gray, Louise Haggerty and Karen Kelly were not employees during 2016/17 and therefore not in the pension scheme.

ACCOUNTABILITY REPORT

Median and Fair Pay (audited)

The highest paid current employee of the organisation was the Deputy Chief Constable Designate. His annualised remuneration before pension benefits was £198,150 (2016/17: Chief Constable £214,404). This was 5.3 times (2016/17: 6.1 times) the median remuneration paid to the SPA and Police Scotland's police officers and staff, which was £37,614 (2016/17: £35,127). Remuneration ranged from £17,213 to £198,150 (2016/17: £16,550 to £214,404) during the year.

ACCOUNTABILITY REPORT

STAFF REPORT

Staff Analysis by Gender (audited)

The table below summarises the actual number of Board Members, external secondees, employees and officers by gender:

Category of Staff	As at 31 March 2018				As at 31 March 2017			
	Male	Female	%*	Total	Male	Female	%*	Total
Board Members	7	3	30	10	6	2	25	8
SPA Senior Management Group	5	3	38	8	4	2	33	6
Police Scotland Force Executive	8	2	20	10	6	2	25	8
SPA and Police Scotland Staff	2,015	3,545	64	5,560	2,061	3,575	63	5,636
Police Officers	12,102	5,292	30	17,394	12,214	5,273	30	17,487
Special Constables	423	201	32	624	489	235	32	724
Total	14,560	9,046	38	23,606	14,780	9,089	38	23,869

* indicates the percentage of females for each category of staff

Total Staff Costs analysis (audited)

2017/18	Board Members £'000	Staff £'000	Officers £'000	Agency Staff £'000	Total £'000
Wages and salaries	244	152,915	680,143	4,043	837,345
Social security costs	23	14,611	73,011	-	87,645
Pension costs	-	31,326	17,686	-	49,012
	267	198,852	770,840	4,043	974,002
Staff provision	-	-	-	-	-
IAS19 pension adj. (note 23)	-	21,987	200	-	22,187
	267	220,839	771,040	4,043	996,189

2016/17	Board Members £'000	Staff £'000	Officers £'000	Agency Staff £'000	Total £'000
Wages and salaries	174	152,697	662,508	1,540	816,919
Social security costs	12	14,524	71,784	-	86,320
Pension costs	-	31,826	17,845	-	49,671
	186	199,047	752,137	1,540	952,910
Staff provision	-	(6,600)	-	-	(6,600)
IAS19 pension adj. (note 23)	-	8,038	(103,900)	-	(95,862)
	186	200,485	648,237	1,540	850,448

Officers' wages and salaries include such items as basic pay, allowances, parental pay, redundancy costs, sick pay, TOIL and any long-service awards. It also incorporates annual allowances paid to Special Constables of £354,627 (2016/17: £476,600) during the year. Officers'

ACCOUNTABILITY REPORT

pension costs includes both ill health and injury pensions. Staff and officer pay levels are compliant with the UK Living Wage.

Additional Staff Details

There were 7 officers (2016/17: 5), 8 staff members (2016/17: 5), and nil special constables (2016/17: 1) who died during the year. There were also 80 officers (2016/17: 104), and 18 members of staff (2016/17: 20) who retired through ill health.

Exit Packages (audited)

In recognition of the ongoing programme of organisational change, the Scottish Government agreed to extend the terms of the current SPA VR/VER scheme until 31 March 2018. As in the previous year, there continues to be a Scottish Government Public Sector Pay Policy of no compulsory redundancies. Reform funds were made available to maximise sustainable organisational benefits. VR/VER releases represent a significant cost, and must be balanced with other change investments.

Value of package including pension strain costs	2017/18 Total Employees	2016/17 Total Employees
£0 - £25,000	22	79
£25,000 - £50,000	26	39
£50,000 - £75,000	15	17
£75,000 - £100,000	4	6
£100,000 - £125,000	3	3
£125,000 - £150,000	1	6
£150,000 - £175,000	1	2
£175,000 - £200,000	-	2
£200,000 - £250,000	-	2
£250,000 - £300,000	1	-
Total number of exit packages	73	156

	£'000	£'000
Total Costs of Agreed Departures during the year	3,436	6,384

The VR/VER scheme is open to all SPA and Police Scotland employees who are permanent employees, however some temporary members of staff with a minimum of 2 years continuous service can apply. Employees working in functions which have a critical role to play in any new structure are unlikely to be released unless they can be backfilled by staff whose posts are at risk of redundancy.

The National Voluntary Release Panel reviewed the applications submitted in line with the process agreed by the SPA Board and approved 73 releases during 2017/18 (2016/17:156).

The values of the individual packages approved under the Voluntary Severance scheme for staff members accrued during the year including pension payments are shown above.

During the financial year two financial settlements were entered into with two employees in the £0-£25,000 range above (2016/17: one). The payments were made for employment tribunal claims outside the VR/VER policy.

ACCOUNTABILITY REPORT

Attendance Management

The absence management figures for both the SPA and Police Scotland combined, shown as a percentage of days available, are as follows:

	Short term	Long Term	2017/18 Total	Short term	Long Term	2016/17 Total
Staff	2.6%	3.0%	5.6%	2.3%	2.8%	5.1%
Officers	1.9%	2.6%	4.5%	1.7%	2.5%	4.2%

Agency and Consultancy Fees (audited)

In addition, staff paid through an agency disclosed in total staff costs above was £0.61million (2016/17: £1.54m), there was an additional £2.7million (2016/17: £3m) of contractors' fees which were capitalised within additions in ICT Assets Under Construction. Other consultancy fees can be found in note 4 to these accounts.

Trade Union (TU) Facility Time Reporting

During 2017/18, 47 employees (45.5 full time equivalent) were identified as union officials.

Of this total number, 12 employees spent 100% of their working hours on Trade Union (TU) Facility time. In addition, 28 employees spent between 1%-50% of working hours, and 7 employees spent no working hours, on TU facility time. The average time spent for those identified as union officials was 10%.

The total cost of TU facility time was 0.05% of the total pay bill of the organisation.

Employee Relations

Corporate information for police officers and staff of both organisations is publically available and is presented through a suite of corporate internal communications channels including; The Beat magazine, divisional bulletins, shift briefings, memos, briefing sites, internal marketing campaigns, and the SPA and Police Scotland linked intranet for all staff, video messages, posters, booklets and briefings.

Detailed communication strategies are developed for specific, large scale and complex projects to ensure information is distributed accurately and effectively to target audiences. This includes identifying stakeholder groups, clearly documenting relevant key messages and effective and practical time scales.

People related standard operating procedures are also under review in order to support the organisation in empowering its people.

SPA and Police Scotland conducted the first organisation wide survey in 2015 which was followed by an interim survey in 2016. Focus groups were held and local action plans were developed. An engagement and wellbeing survey is planned for 2019 which will provide the opportunity to

ACCOUNTABILITY REPORT

benchmark against other police forces and will identify focus areas that will make the most impact for our people.

In line with the response to the first staff survey People and Development have launched the new Performance Development Conversation (PDC) within Police Scotland ensuring that all police officers and staff have an opportunity to discuss their performance with their line managers. The People & Development Team are monitoring progress towards completion of the PDC process – with significant completion rates having been achieved to date. The new process will be fully reviewed at the end of the first full PDC cycle with a view to making any necessary amends before building an embedded process, making it easier for colleagues and line managers to complete. In the meantime, additional guidance and support is being provided for line managers to maximise the value from these conversations.

Staff association and trade union representatives have continued to engage with the organisation's strategy, 'Policing 2026: Serving a Changing Scotland'.

The Staff Pay and Reward Modernisation project that has been ongoing since the inception of Police Scotland has now reached the final stages of negotiation.

Equality & Diversity

'Policing 2026: Serving a Changing Scotland' sets out the future challenges and opportunities for policing in Scotland and how these will impact on our communities and our people.

Scotland's communities are growing and continuing to diversify. Demands on policing are growing and increasingly focused towards addressing vulnerability and the consequences of inequalities. For policing to remain relevant the identified new threats and demands mean that policing will need to create a more diverse, inclusive, multi-skilled and experienced workforce that can operate effectively across public, private and virtual spaces.

Focussing on community engagement and effective use of partnerships to deal with issues and concerns should impact positively on people generally and vulnerable communities particularly.

Police Scotland wants communities and the workforce to have their voices heard in shaping policing over the next decade and to do so it is committed to engage, listen, learn and adapt. This strategy will also allow Police Scotland to further develop the different ways that the organisation currently engages with communities and the workforce and capture their thoughts. Awareness will continue to be given to ensuring that engagement with all communities can be met using different mediums and languages.

Equality, diversity and inclusion is at the heart of how the organisation recruits, retains, deploys and develops police officers, police staff and special constables, ensuring that they are treated fairly and feel valued and respected.

Police Scotland has established a Police Scotland Positive Action Recruitment Team who have the remit of providing support to people across Scotland from under-represented groups who are considering a career in policing.

In 2017 Police Scotland maintained its place within the Stonewall Workplace Equality Index Top 100 UK Employers for the fourth consecutive year and continues to work with Stonewall to better develop internal policies and practices to improve the working environment for LGBT people.

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The appointment of a Disability Co-ordinator has provided a dedicated resource to help address challenges and risks relating to the management of disability in the workplace, and furthermore helping to better support disabled members of staff at work.

Police Scotland published their Equality and Diversity Mainstreaming Progress Report and revised Equality Outcomes in April 2017 demonstrating our progress towards integrating equality and diversity into all functions.

Health & Safety

There has been a significant improvement in the performance of the Health & Safety (H&S) team over the past year with the appointment of new team members and a new Health & Safety Manager.

The year started with a complete review of statistics and accident causation which has, among other things, allowed the team to launch a proactive campaign to reduce some of our more serious accidents and assaults. This was run as a trial in Glasgow and showed promising results from October to March. This was achieved by inputs to shift briefings informing officers of how they were most likely to be injured at work, how this could be avoided and a reminder about Dynamic Risk Assessment techniques. This will now be rolled out nationally by the H&S Team although a project of this scale will take time to generate positive results.

Work continues in respect of Fire Safety with SPA / Police Scotland moving to a rolling programme of Fire Risk Assessments carried out on our behalf by Mitie. Every SPA / Police Scotland building has now had a Fire Risk Assessment carried out and these are held electronically with action plans updated by Estates and Divisions. Progress against these is monitored and reported by the Health & Safety Manager. For the first time, Custody Suites now have a separate annex within the Fire Risk Assessment demonstrating good practice from Home Office guidance.

The team has developed new style Safety Alerts which have been used to great effect throughout the year to bring issues to the attention of staff across the organisation. These have dealt with a variety of issues ranging from complex drug scenes to attendance at motorway incidents.

The team have provided significant input at operational incidents over the last 12 months and this includes the Victoria's nightclub fire in Glasgow, the fire at Cameron House and the raising of the fishing vessel Nancy Glen in Loch Fyne. These were complex incidents where the team were able to provide advice and guidance on, among other things, standards of personal protective equipment.

Our H&S performance has been regularly reported to the SPA throughout 2017/18. Accident data for the year is summarised below:

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Accident Type	2017/18	2016/17	RAG* Status	% Increase / (Decrease)
Injuries due to Assault	1,711	908		88%
Injuries During Arrest	604	579		4%
Manual Handling	62	52		19%
Slips, Trips and Falls	301	241		25%
Training Accidents	91	91		0%
RTC Injuries	129	99		30%
Other Incidents	538	451		19%
Near-miss Reports	1,171	1,724		(32%)
RIDDOR reports required (Reporting of Injured, Diseases and Dangerous Occurrences Regulations 1995)	172	181		(5%)

* A green RAG status denotes a decrease since the prior year, an amber status indicates a rise of up to 10%, and a red status shows an increase of more than 10%.

Assault reports have increased by almost 88% when compared to the previous year. However, this increase is largely accounted for by the change in the way assaults are categorised within the H&S data. From 1st April 2017, near miss assaults - where contact was made but no injury reported - were re-categorised by the H&S team as 'Assaults'. 721 near miss assaults were re-categorised. Previously assaults where no injury was reported would have been categorised as 'Near Misses'.

Health & Wellbeing

Moving the wellbeing agenda forward within the organisation has become a significant priority. As such the structure of Health, Safety and Wellbeing has been revised, creating separate Health & Safety and Health & Wellbeing teams. The Health and Wellbeing manager was appointed in September 2017.

The Your Wellbeing Matters initiative was launched in September 2017 following a successful pilot. Supporting intranet pages and an externally accessible mobile site have been developed. In addition 23,000 leaflets have been circulated containing details of available support services. A number of branded products have also been made available to help promote the initiative including mugs, water bottles and bags.

The Strategic Wellbeing Statement was published in January 2018 outlining the aim and objectives of the Your Wellbeing Matters Programme. A work plan was then presented to the national Health & Wellbeing governance group, chaired by DCC Livingstone, detailing the work that would be undertaken to ensure that the wellbeing agenda is progressed and embedded. This group continues to meet every two months to provide governance and oversight of all health and wellbeing projects as the work progresses.

More than 200 wellbeing champions have now been trained covering every division and department, all of whom have completed 2.5 days of formal training which incorporates NHS accredited Mental Health First Aid as well as an in depth induction to the range of support services available. The first Wellbeing Champions Conference was held in February 2018 and was attended by DCC Livingstone and by the then Justice Secretary Michael Mathieson, both of whom

ACCOUNTABILITY REPORT

recognised the significant progress being made in relation to the promotion of employee health and wellbeing.

The Health and Wellbeing team deliver training on the 1st Line Manager course on a monthly basis as well as working with People Management to deliver the Managing Attendance course. The team also continues to work with divisions and departments, providing training sessions and supporting wellbeing events, to help raise awareness of the services provided by our valued partners as well as promoting: the Employee Assistance Programme (EAP); Trauma Risk Management (TRiM); and Occupational Health services, to ensure appropriate utilisation. Work is also underway to develop wellbeing CPD courses.

The 'Your Time Matters' initiative was launched in February 2018 to increase recording of working time and provide the organisation with an accurate record of the actual hours being worked by Officers and Staff. Since then, time recording has increased by more than 200% and work continues to ensure that momentum is sustained. Accurate recording of working time will allow the Force Executive to take the necessary steps to continue to prioritise officer and staff wellbeing.

Work is well underway on a number of key projects to be delivered in the 2018/19 period, including a new approach to supporting psychological resilience, improved support for officers and staff with neuro-diverse conditions and the creation of a mobile wellbeing unit.

Engagement with the developers of the Oscar Kilo blue-light wellbeing framework and membership of the NPCC Health, Safety and Welfare group has allowed the Health and Wellbeing team to evaluate progress to date against work undertaken in other UK forces. This highlights that Police Scotland is at the forefront of prioritising staff wellbeing in policing.

Utilisation of our Occupational Health and EAP is shown below and has been reported to the SPA throughout 2017/18:

Accident Type	2017/18	2016/17	RAG* Status	% Increase / (Decrease)
Occupational Health Referrals	3,697	3,937		6%
Employee Assistant Programme	1,180	955		24%

The EAP utilisation has seen a significant increase in 2017/18 when compared with 2016/17. This increase in utilisation has been actively encouraged and is a positive indicator. This can be attributed to the ongoing promotion of the health and wellbeing services available to officers and staff.

Referrals to Occupational Health have declined and are in line with predicted volumes. In the 2015/16 period 5,226 management referrals were submitted compared to 3,937 in 2016/17. This has reduced again to 3,697 in 2017/18, a reduction of 6%. Referrals are now more accurate and relevant in nature with the number of rejected referrals having reduced dramatically since the Optima contract began. This can be attributed to the education programme being undertaken across the organisation. It is fully expected that as awareness of the services continues to improve, utilisation of the EAP will increase and OH referrals will stabilise.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

OVERVIEW

SPA and Police Scotland are held to account by Parliament through statutory arrangements put in place through the Public Finance and Accountability (Scotland) Act 2000.

Our spending and use of resources are examined by our external auditor, Audit Scotland.

SPA and Police Scotland have developed their financial monitoring reports throughout the financial year. This has improved the transparency of reporting our performance in accordance with the funding streams available from the Scottish Government, in order to provide assurance that public money is spent in accordance with Parliamentary accountability.

The below Statement of Resource Outturn and associated Reconciliation of Statement of Resource Outturn to Statement of Comprehensive Net Income & Expenditure, and Statements of Non-Cash and AME funding overleaf are presented in order to provide transparency to the people of Scotland that public money is spent properly, and in accordance with the principles of best value.

STATEMENT OF RESOURCE OUTTURN

	Funding £'000	2017/18 Outturn £'000	Funding vs Outturn £'000	Funding £'000	2016/17 Outturn £'000	Funding vs Outturn £'000
Revenue Grant in Aid	1,022,732	1,060,683	(37,951)	1,004,010	1,033,504	(29,494)
Transfer of capital funding to resource funding	-	-	-	20,500	-	20,500
Reform-funded Revenue Funding	40,148	36,049	4,099	34,834	36,958	(2,124)
Total Revenue Outturn*	1,062,880	1,096,732	(33,852)	1,059,344	1,070,462	(11,118)
Capital Grant in Aid	20,000	21,543	(1,543)	18,200	18,267	(67)
Transfer of capital funding to resource funding	-	-	-	(20,500)	-	(20,500)
Reform-funded Capital Funding	9,480	8,423	1,057	17,800	3,048	14,752
Total Capital Outturn	29,480	29,966	(486)	15,500	21,315	(5,815)
Capital Receipts	5,741	3,680	2,061	Note **	Note **	-
Resource under/ (over) spend	1,098,101	1,130,378	(32,277)	1,074,844	1,091,777	(16,933)
ODEL Funding – pre 2004/05 loan interest***	5,404	4,190	1,214	5,404	5,036	368
Resource under/ (over) spend including ODEL	1,103,505	1,134,568	(31,063)	1,080,248	1,096,813	(16,565)

* The table below shows the reconciliation of this to the Statement of Comprehensive Net Income & Expenditure

** Funding outturn of £2.2m identified separately in SPA Board paper: Financial Report – Indicative Year End Outturn, 22 June 2017

*** The amount relating to capital repayments for loans awarded before the 2004/05 financial year are financed separately as ODEL expenditure, and are shown separately as part of the Statement of Resource Outturn above.

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Reconciliation of Statement of Resource Outturn to Statement of Comprehensive Net Income & Expenditure

	2017/18 £'000	2016/17 £'000
Net Comprehensive Expenditure	1,628,498	1,473,010
Non-Cash Costs		
Depreciation & amortisation	(31,885)	(34,367)
Loss on Impairment of assets	(10,328)	(6,209)
Pension fund interest	(463,608)	(460,458)
IAS19 Pension Adjustment	(22,186)	95,862
Provisions (non-cash)	(3,759)	2,624
Total Non-Cash Costs	(531,766)	(402,548)
Net Comprehensive Expenditure attributed to Revenue budgets	1,096,732	1,070,462

Cash Grant in Aid funding from the Scottish Government is allocated each year to SPA under 'Resource (cash) funding' from the original Departmental Expenditure Limit (DEL) which consists of two separate budgets controlled through DEL, represented by:

- net resource spending (resource DEL);
- net capital expenditure (capital DEL); and
- Outside DEL expenditure (ODEL) which represents a sum allocated, by HM Treasury, against loan repayments for borrowings agreed and held by councils prior to 2005.

The cash element of the funding of DEL and ODEL, including Reform funding for the year to 31 March 2018 was £1.098billion (2016/17: £1.080bn), representing a rise in cash resources of £17.5million (1.6%) compared to the drop of £8.5million (0.8%) received in the 2016/17 financial year (figures exclude capital receipts).

Fees and charges (audited), see note 3, relates to income raised by Police Scotland to offset against expenditure.

Scottish Government agreed an annual recurring cost of £941,250 (2016/17: £941,250) for the cost of SPPA's role as Scheme Manager of the Police Officer's Pension Scheme. This amount was deducted from the SPA baseline budget to SPPA. Therefore the £941,250 is not included within the cash grant in aid figure within the SPA Annual Report & Accounts.

Non-Cash Funding

Non-cash funding is allocated as follows:

- ring-fenced DEL which comprises non-cash expenditure such as depreciation; and
- Annual Managed Expenditure (AME) which is a separate budget covering expenditure such as pension adjustments, and some provisions and impairments, which cannot be fully controlled.

ACCOUNTABILITY REPORT

Statement of Resource Outturn – Annual Managed Expenditure (AME) Funding

	Note	2017/18 £'000	2016/17 £'000
(Decrease)/ Increase in AME Provisions		3,759	(2,624)
IAS 19 Pension Adjustment in Pension Interest for staff	23	7,708	4,458
IAS 19 Pension Adjustment in Staff Costs	23	21,986	8,038
Impairment Loss	9	10,328	4,855
Total AME Expenditure		43,781	14,727
Total AME Funding received	26	33,000	44,000
Total AME under/ (over) spend		(10,781)	29,273

Statement of Resource Outturn – Non-Cash Funding

	Note	2017/18 £'000	2016/17 £'000
Depreciation	9-11	31,885	34,367
Impairment Loss	9	-	1,354
Total non-cash Expenditure		31,885	35,721
Total non-cash GIA received	26	50,000	50,000
Total non-cash underspend		18,115	14,279

Fraud

Every two years, the UK Cabinet Office initiates a National Fraud Initiative, collating electronic data across the public sector in order to identify possible fraudulent transactions. In Scotland, this work is led by Audit Scotland, and overseen by the Cabinet Office. SPA provided purchase ledger and payroll data for this exercise in October 2016. No incidents of suspected fraud were identified within the exercise. The next data download for the 2018 exercise is expected to be completed in October 2018.

As reported to the SPA Audit Committee, there were no instances of fraud or theft of items in excess of £100 in value or incidents representing systemic failure during 2017/18.

Losses, Special Payments and Write-offs

During 2017/18, the value of invoices written off was £nil (2016/17: £772,000; 1332 invoices, including 2 accounts with balances over £25,000, requiring Scottish Government approval).

Following a detailed review, a revised Income and Bad Debt Policy has now been adopted, and an updated comprehensive write off exercise will now take place before the end of 2018.

The review has also resulted in a prudent increase in the provision for bad debts within trade receivables to £1,197,000 (2016/17: £823,000).

ACCOUNTABILITY REPORT

Legal fees have arisen during the normal course of operations and are taken into account within note 4 of the accounts, with a provision for litigation provided for within note 22 of the accounts. The increase in legal fees from 2016/17 to 2017/18 is due to the net increase in legal provisions of £2,619,000.

Payments to individuals who have taken voluntary redundancy are disclosed within the Remuneration Report. During the financial year two financial settlements were entered into with two employees in the £0-£25,000 range (2016/17: one employee). The payments were made for employment tribunal claims outside VR/VER policy.

There have been no other material losses, special payments or write-offs during the year.

Donations

Small donations were made during the year to volunteering organisations and community safety fund partnerships. Overall these payments amounted to less than £110,000, and included donations to the Crimestoppers of £2,600 (2016/17: £150), the Fife Police Pipe Band of £3,000 (2016/17: £50), National Ugly Mugs £4,000 (2016/17: £nil), Scottish Police Memorial Trust £5,000 (2016/17: £10,000), the Glasgow Police Pipe Band of £12,000 (2016/17: £nil) and the Mountain Rescue Service of £96,000 (2016/17: £96,000).

Separately, the Choices for Life Programme also received funding from the Scottish Government, which was fully paid out on their behalf to third parties during the course of the year.

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, the SPA's auditors are appointed by the Auditor General. Stephen Boyle, Assistant Director at Audit Scotland has a five year appointment from 2016/17. The auditors were remunerated the sum of £206,100 (2016/17: £187,114) in respect of statutory audit services for the financial year.

No additional payments were made to Audit Scotland for non-audit services.

Remote Contingent Liabilities (audited)

The SPA and Police Scotland are not aware of any remote contingent liabilities that it would be required to disclose under the requirements of the Financial Reporting Manual.

Supplier Payment Policy

The SPA aims to comply with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, the SPA aims to pay within 10 working days from either the receipt of goods or the presentation of a valid invoice, whichever is the later.

84% of supplier invoices were paid within the normal trading terms of 30 days (2016/17: 74%). The number of invoices taking longer than 10 working days has improved from 66% in 2016/17 to 33% in 2017/18. The trade creditor level as at 31 March 2018 was 29 days compared to 11 days in the previous year.

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of the Scottish Police Authority, the Auditor General for Scotland, and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Police Authority for the year ended 31 March 2018 under the Police and Fire Reform (Scotland) Act 2012. The financial statements comprise the Statement of Comprehensive Net (Income) / Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained

in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Stephen Boyle CPFA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

October 2018

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

Statement of Comprehensive Net (Income) / Expenditure (SCNIE) Year ended 31 March 2018

	Note	2017/18 £'000	2016/17 '000
Expenditure			
Staff costs	2	996,189	850,448
Other expenditure	4	170,267	177,093
		1,166,456	1,027,541
Depreciation & amortisation	9 -11	31,885	34,367
Operating Expenditure	2	1,198,341	1,061,908
Income from Activities	3	(50,376)	(62,789)
		(50,376)	(62,789)
Net Expenditure before Interest		1,147,965	999,119
Loss on impairment of assets	9	10,328	6,209
Interest Payable			
Pension fund interest	23	463,608	460,458
PFI interest		2,213	2,305
Finance lease interest		340	387
Loan and other Interest		4,044	4,532
		470,205	467,682
Net Expenditure		1,628,498	1,473,010

Other Comprehensive Expenditure	Note	2017/18 £'000	2016/17 £'000
These items will not be reclassified to net expenditure			
Net (gain) / loss on revaluation reserve		(28,963)	(6,558)
Net (gain) / loss on revaluation of Investment Properties	10	204	(425)
IAS19 actuarial (gain) / loss	23	(353,821)	3,354,609
Total Other Comprehensive (Gain) / Loss		(382,580)	3,347,626

Total Comprehensive Net Expenditure / (Income)		1,245,918	4,820,636
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The notes on pages 91 to 141 form part of these accounts.

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

Statement of Financial Position As At 31 March 2018

		31 March 2018	31 March 2017
	Note	£'000	£'000
Non-current Assets			
Property, plant and equipment	9	524,553	500,933
Investment properties	10	8,316	8,483
Intangible assets	11	8,391	6,914
Total Non-current Assets		541,260	516,330
Current Assets			
Cash and cash equivalents	13	24,702	43,907
Inventories	14	3,027	3,233
Trade and other receivables	15	30,058	32,366
Assets held for sale	16	6,377	9,584
Total Current Assets		64,164	89,090
Total Assets		605,424	605,420
Current Liabilities			
Trade and other payables	17	(127,981)	(111,764)
Total Current Liabilities		(127,981)	(111,764)
Total Assets less Net Current Liabilities		477,443	493,656
Non-current Liabilities			
Finance lease liabilities	19	(4,361)	(5,211)
PFI liabilities	20	(16,086)	(16,992)
Long-term loan liabilities	21	(80,122)	(87,368)
Provisions	22	(14,211)	(10,452)
Total Non-current Liabilities		(114,780)	(120,023)
Total Net Assets before Pension Liabilities		362,663	373,633
Pension liabilities	23	(16,695,064)	(16,563,091)
Assets Less Liabilities		(16,332,401)	(16,189,458)
Taxpayers' Equity			
General fund		235,556	275,489
Revaluation reserve		127,107	98,144
Taxpayers' Equity before Pension Liabilities		362,663	373,633
Pension Reserve	23	(16,695,064)	(16,563,091)
Total Taxpayers' Equity		(16,332,401)	(16,189,458)

Kenneth Hogg
Interim Chief Officer & Accountable Officer
24 October 2018 and Authorised for issue on 24 October 2018

The notes on pages 91 to 141 form part of these accounts.

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

Statement of Cash Flows - Year ended 31 March 2018

		31 March 2018	31 March 2017
	Note	£'000	£'000
Cash flows from operating activities			
Net deficit from operating activities		(1,628,498)	(1,473,010)
Adjustments for non-cash transactions	8	527,817	407,293
Decrease / (increase) in inventories	14	206	521
Decrease / (increase) in trade and other receivables	15	2,308	1,936
Increase / (decrease) in trade and other payables	17	12,403	(8,069)
Increase / (decrease) in provisions	22	3,759	(1,948)
Net cash outflow from operating activities		(1,082,005)	(1,073,277)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(29,985)	(15,671)
Purchase of intangible assets	11	(2,411)	(2,338)
Proceeds of disposal of property, plant, equipment	9	5,740	2,197
Net cash outflow from investing activities		(26,656)	(15,812)
Cash flows from financing activities			
Grant in Aid from the Scottish Government	26	1,097,764	1,080,248
Payments to repay finance leases – interest	19	(340)	(387)
Payments to repay PFI agreements - interest	20	(2,213)	(2,305)
Payments to repay long-term loans - interest	21	(887)	(1,085)
Payments to repay finance leases - capital	19	(804)	(770)
Payment to repay PFI agreements – capital	20	(802)	(709)
Payments to repay long-term loans – capital	21	(3,262)	(4,340)
Net financing		1,089,456	1,070,652
Net decrease in cash and cash equivalents		(19,205)	(18,437)
Cash / cash equivalents at the beginning of the year		43,907	62,344
Cash / cash equivalents at the end of the year	13	24,702	43,907

The notes on pages 91 to 141 form part of these accounts.

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

Statement of Changes in Taxpayers' Equity - Year ended 31 March 2018

	Note	General Fund £'000	Pension £'000	Revaluation Reserve £'000	Total £'000
Balance as at 31 March 2016		299,762	(12,843,886)	87,496	(12,456,628)
Cash Grant in Aid	26	1,080,248	-	-	1,080,248
Net expenditure for the year		(1,108,414)	(364,596)	-	(1,473,010)
Revaluation gains and losses	9, 10 & 23	3,893	(3,354,609)	10,648	(3,340,068)
Other reserves movements including transfers		-	-	-	-
Balance as at 31 March 2017		275,489	(16,563,091)	98,144	(16,189,458)
Cash Grant in Aid	26	1,097,764	-	-	1,097,764
Net expenditure for the year		(1,142,704)	(485,794)	-	(1,628,498)
Revaluation gains and losses	9, 10 & 23	5,007	353,821	28,963	387,791
Other reserves movements including transfers		-	-	-	-
Balance as at 31 March 2018		235,556	(16,695,064)	127,107	(16,332,401)

The notes on pages 91 to 141 form part of these accounts.

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1. Statement of Accounting Policies

The accounts are prepared in accordance with the Accounts Direction issued by the Scottish Government under provisions of the 2012 Act, and in a form directed by Scottish Ministers, in accordance with the SPFM, the 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 32.

The SPA is expected to satisfy the conditions and requirements set out in the financial memorandum drawn up by the Scottish Government's Justice Portfolio, together with all the relevant requirements in the SPFM and such other conditions as Scottish Ministers may from time to time impose.

The accounts are prepared on a historical cost basis, as modified by the revaluation of Property, Plant and Equipment, Investment Properties, Financial Assets and Financial Liabilities at their fair value, see 1.2.

1.1 Going Concern

The accounts continue to be prepared on a going concern basis for the organisation which is an Other Significant Public Body charged with the responsibility to provide policing services to the people of Scotland.

The accounts have been prepared incorporating the requirements of international accounting standards and include an actuarial valuation of the various pension schemes' liabilities as explained in notes 23-25 to the accounts. These valuations reflect liabilities falling due in future years in respect of pension liabilities arising from the application of IAS19. The appointed actuaries have calculated the liability as at 31 March 2018.

Police Pension Scheme

The Government Actuary's Department conducts a review every four years of the funding basis of the Police Pension Scheme, and in the intervening years rolls forward the scheme's liabilities in a desk top review. The roll-forward allows for:

- changes in financial assumptions;
- additional benefit accrual;
- actual cash flows over the year and estimated where necessary; and
- updated membership information.

The last formal valuation of the Police Pension Scheme was conducted on 31 March 2016. The other main assumptions are set out in the notes to the accounts.

The pension deficit will not be met from the SPA's sources of income, but will be met as it falls due by future Grant in Aid from the SPA's sponsoring department, the Scottish Government's Justice Portfolio. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

1.2 Fair Value valuation

IFRS 13 applies when fair value measurements are permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date. The standard seeks to increase consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy.

The hierarchy categorises the inputs used in valuation techniques into three levels:

- **Level 1 inputs** which are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2 inputs** are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in markets that are not active
 - inputs other than quoted prices that are observable for the asset or liability, for example interest rates and yield curves observable at commonly quoted intervals.
- **Level 3 inputs** are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Where an asset or liability is valued at fair value, the hierarchy level will be disclosed in the appropriate note.

1.3 Segmental Reporting

The divisions used to report the monthly budget reporting are as follows:

SPA Corporate Services;
Deputy Chief Officer (DCO);
DCC Designate;

Forensic Services;
DCC Local Policing; and
DCC Crime and Operation Support.

Assets are shared across the operating segments and segmental information on assets and liabilities is not reported internally. As a result, segmental disclosure of these is not necessary, and costs such as depreciation and amortisation have been allocated to DCO level.

DCO encompasses the Police Scotland Corporate Services including Analysis & Performance, Corporate Communications, Corporate Governance, Organisational Development, Physical Resources, Procurement, Finance and Resources, ICT and People & Development.

Some of the expenditure during the year has been transferred between the DCC and DCO's portfolio. A full analysis of Net Expenditure by Segment is provided in note 2 to the accounts.

1.4 Revenue Recognition

Revenue is recognised net of recoverable VAT to the extent that it is probable that the economic benefits will flow to the SPA and the revenue can be reliably measured.

Grant in Aid

The SPA is funded by the Scottish Government. Grant in Aid is received throughout the year and is intended to meet the SPA's estimated expenditure. The Scottish Government does not allow funding to be available in advance of need, nor does it allow unused funding to be carried forward into future financial years. Grant in Aid is accounted for as financing on a cash basis, not as income and is therefore credited to the SPA's reserves and not incorporated within the organisation's Statement of Comprehensive Net Income / Expenditure.

Revenue Grants

All revenue grants are matched with the expenditure to which they relate. Specific grants are accounted for on an accruals basis where conditions for receipt have been met. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Statement of Financial Position as creditors.

Capital Grants

Capital grants are accounted for in accordance with IAS20 'Accounting for Government Grants & Disclosure of Government Assistance' and recognised in the Statement of Comprehensive Net Income / Expenditure once conditions have been met. Where carry forward of capital grant is permitted and any conditions attached have not been met, the grant is treated as a capital grant receipt in advance.

Provision of Services

Revenue from the provision of services is recognised when the SPA can reliably measure the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the organisation.

Rental Income

Rental income from operating leases is recognised on a straight-line basis over the terms of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

1.5 Property, plant and equipment (PPE)

Recognition

Property, plant and equipment are tangible items held for use by the SPA in the provision of services and are expected to be in use for more than one financial year.

All PPE assets will be accounted for as non-current assets provided that the future economic benefits or service potential associated with the item has been transferred to the SPA, unless they are deemed to be held-for-sale.

Capitalisation

Expenditure is capitalised provided that the PPE yields a benefit to the SPA for a period of more than one year and is subject to the application of a de-minimis level of £5,000 (inclusive of VAT).

IT Development Costs

IT projects such as significant capital upgrades and items in development will be included. Costs of such items will include not only purchase price of equipment and direct construction costs, but also other costs directly attributable in bringing an asset to a condition ready to use. Such costs will include professional fees and salary costs where directly attributable to an asset.

Valuation – Land & Buildings (excepting those under policies 1.7 and 1.8)

Operational assets are carried in the Statement of Financial Position at current value in existing use, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The land and building category is separated, within the asset register, between land, buildings and dwellings for disclosure purposes only.

Revaluation Reserve

Assets included in the Statement of Financial Position at fair value are revalued regularly at a minimum of every 5 years by appropriately qualified RICS surveyors to ensure the carrying value is not materially different from the fair value. Any subsequent increase in valuation is taken to a Revaluation Reserve except where, and to the extent that they reverse an impairment previously recognised in the Statement of Comprehensive Net Income / Expenditure, in which case they are recognised as income.

Any decrease in the value of an asset will be set against any credit balance held in each asset's specific revaluation reserve until this credit is exhausted and thereafter to net operating cost as an impairment charge in the Statement of Comprehensive Net Income & Expenditure.

Valuation – Plant & Equipment

Non-property assets are carried at valuation in existing use. Depreciated historical cost is used as a proxy for current value for the following classes of assets as they have short useful economic lives and/or low values: ICT systems, plant and machinery, fixtures and fittings and motor vehicles.

Valuation – Surplus Assets

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at current net book value if it does not meet the requirements of IAS 40 or IFRS 5 as either an Investment Property or an Asset Held for Sale per 1.7 and 1.8 below.

Donated Assets

Assets classified as donated are measured at fair value on receipt. The funding element is recognised as income and taken to the Statement of Comprehensive Net Income / Expenditure. Any subsequent revaluations are taken to a Revaluation Reserve.

Loaned Assets

Assets classified as loaned are measured at cost or valuation on receipt. These are recorded in the loaned asset register.

Componentisation of Assets

In accordance with IFRS 15 a componentisation policy has been adopted where appropriate. SPA has separated the valuation of land and buildings and implemented a policy of component accounting for material assets. These are considered to be assets with a carrying value of £1 million or higher, with components accounted for separately if their cost or value is in excess of 20% of the carrying value.

This is subject to phased introduction with material assets componentised upon acquisition, scheduled revaluation or significant enhancement expenditure.

Impairments

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the carrying amount of an asset exceeds its recoverable amount due to a loss in the economic benefit or service potential of the asset, a charge to the net operating cost as an impairment is made to the Statement of Comprehensive Net Income / Expenditure.

Where the carrying amount of an asset exceeds its recoverable amount due to a fall in market price, they are accounted for as follows:

- Any decreases in the value of an asset will be set against any credit balance held in each asset's specific revaluation reserve until this credit is exhausted and thereafter to net operating cost as an impairment charge in the Statement of Comprehensive Net Income / Expenditure; and
- Where an impairment loss is reversed subsequently, the reversal is credited to the Statement of Comprehensive Net Income / Expenditure, up to the amount of the original loss.

Disposals

When an asset is disposed of or decommissioned, the carrying amount is removed from the Statement of Financial Position with the difference between the carrying amount and the proceeds received charged to the Statement of Comprehensive Net Income / Expenditure.

Capital receipts from the sale of long-term assets are recorded for each type of asset and distribution is determined by the Scottish Government.

1.6 Depreciation

Depreciation is provided on property, plant and equipment at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Depreciation charges commence in the first full month following the addition to the relevant non-current asset category. Asset lives are as follows:

Asset	Years
Buildings & Dwellings	15 - 50
Plant, Machinery & Equipment	3 - 20
Vehicles	3 - 10
Fixtures & Fittings	3 - 10
IT Systems	3 - 10
Radio Masts	15
Leased Assets	Life of the lease

1.7 Investment Properties

Investment properties are properties that are used solely for the purpose of generating income either by rentals or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services.

The investment properties are mainly radio stations and masts, which are no longer required for operational radio communications, and are leased by telecommunication providers. Rental income is received for these properties.

Measurement and Depreciation

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length.

The fair value of SPA's investment properties is measured annually at each reporting date. All valuations **are** carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Any gain or loss arising from a change in the fair value of investment property shall be recognised in Statement of Comprehensive Net Income / Expenditure for the period in which it arises. Investment properties held at fair value are not depreciated.

De-recognition

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. The gain or loss arising from the disposal is recognised in Financing and Investment Income and Expenditure in the Statement of Comprehensive Net Income/ Expenditure.

1.8 Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is immediately valued before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any impairment is recognised per 1.5 above. There is no depreciation on assets held for sale. Any subsequent increases or decreases in fair value are then recognised up to the amount of any previously recognised losses within the Statement of Comprehensive Net Income & Expenditure. Assets which are to be abandoned or scrapped are not classified as Assets Held for Sale.

1.9 Assets Under Construction

Assets classified as under construction are recognised in the Statement of Financial Position at cost on an accruals basis. The asset is not depreciated until fully commissioned and brought into full operational use, and is re-categorised within the classifications in 1.6 above.

1.10 Finance Leases

Lessor

Where a finance lease is granted over a property or an item of plant or equipment, the relevant asset is written out of Non-Current Assets as a disposal and transferred to create a Lease Debtor within the Statement of Financial Position.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest of the property – applied to write down the lease debtor; and
- Finance income – credited to the Statement of Comprehensive Net Income / Expenditure.

Lessee

Where substantially all the risks and rewards of ownership of a leased property are borne by the SPA, it is recorded as a non-current asset and a corresponding creditor recorded in respect of the debt due to the lessor, with the interest element of the finance lease payment charged to the Statement of Comprehensive Net Income / Expenditure.

Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the SPA and the cost of the item can be measured reliably. The carrying amount of any replaced parts is de-recognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Income / Expenditure during the financial year in which they are incurred.

1.11 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the SPA is deemed to control the services that are provided under its PFI schemes in accordance with IFRIC 12 Service Concession Arrangements, the assets used are carried under the contracts on its Statement of Financial Position as part of property, plant and equipment.

PFI assets are recognised on the Statement of Financial Position and revalued and depreciated in the same way as property, plant and equipment owned by the SPA. The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year – debited to the relevant service in the Statement of Comprehensive Net Income / Expenditure;
- finance cost – an interest charge on the outstanding Statement of Financial Position liability, debited to the Financing and Investment Income and Expenditure line in the Statement of Comprehensive Net Income / Expenditure; and

- payment towards liability – applied to write down the Statement of Financial Position liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a Finance Lease).

1.12 Intangible Assets

Intangible assets are separately identifiable and owned by the SPA, mainly in relation to software, licences and elements of IT systems. They are recognised where a future economic benefit or service potential can be identified as receivable by the SPA.

Intangible assets are valued on a historic cost basis. Amortisation is applied at rates calculated to write off the cost by equal instalments over the shorter of the term of the licence where appropriate and their estimated useful life.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS38 where assets do not generate income. IAS38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

The estimated useful life for intangible assets is 3 to 5 years.

1.13 Heritage Assets

SPA are the custodians of a large number of small Heritage Assets, the majority of which reside at the Police College, Tulliallan. The items are recorded in the museums archive register. The archive register records owned, loaned and donated assets. These assets are held at valuation, based on the curators' professional knowledge of the items within the current market place and any assets valued over £5,000 are identified within the register.

1.14 Financial Instruments

Financial Assets

Classification

The Board classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The Board does not trade in derivatives and does not apply hedge accounting.

(b) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the balance sheet.

(c) Available-for-sale financial assets;

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Income / Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Income / Expenditure.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Income / Expenditure.

When a loan or receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Income / Expenditure.

(c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity in other reserves.

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When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Net Income / Expenditure.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Net Income / Expenditure.

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the SPA provides services directly to a customer with no intention of trading the receivable.

Cash and cash equivalents are amounts held with the Government Banking Service and UK commercial bank current accounts, or cash in hand.

The SPA relies primarily on Grant in Aid from the Scottish Government's Justice Portfolio for its cash requirements and is therefore not exposed to liquidity risks. There is no difference between book value and fair value for the cash and cash equivalents shown in the Statement of Financial Position, and there are no balances held in foreign currencies within the cash and bank balance apart from within confiscation accounts held on behalf of third parties per 1.16.

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss; and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The Board does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The Board's other financial liabilities comprise trade and other payables in the balance sheet.

Recognition and measurement

Financial liabilities are recognised when the Board becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

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Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Income / Expenditure.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The SPA's financial liabilities are classified as trade payables. Trade payables are typically non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the SPA receives goods or services directly from a supplier with no intention of trading the liability.

The long-term loans recognised represent those from the Public Works Loans Board and the debt is managed by the local Councils' Consolidated Loans Funds. Full disclosure is provided within the notes to the accounts.

1.15 Inventories

Inventories are assets in the form of material or supplies which are consumed or distributed in the ordinary course of the SPA's operations. Operational consumables, vehicle parts, fuel and equipment are stated at cost using either the latest invoice price or an average cost price.

1.16 Cash and Cash Equivalents

The SPA operates as part of the Scottish Government banking contract with Government Banking Service (GBS). GBS is a shared banking service for government departments. SPA's transactional services are provided by NatWest, with corporate banking arrangements held with The Royal Bank of Scotland.

Cash and cash equivalents include:

- cash in hand;
- deposits held at call with banks repayable without penalty on notice of not more than 24 hours; and
- investments maturing in three months or less of the date of the Statement of Financial Position and that are readily convertible to known amounts of cash with insignificant risk of change in value. SPA holds no such investments.

Warrant accounts represent cash received for fines which are repaid to the relevant organisations.

Confiscation bank accounts represent monies seized under the Proceeds of Crime Act (POCA). Monies are held on behalf of Crown Office and Procurator Fiscal Service (COPFS) until the outcome of the relevant court cases are known. Monies are then returned either to COPFS and / or to the individual from whom the monies were originally seized.

Balances on confiscation and warrant accounts are shown as a balance within cash and bank on the Statement of Financial Position, with a corresponding creditor shown within trade payables.

Where the SPA has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

1.17 Provisions

Provisions are recognised when the SPA has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.18 Contingent Liabilities

A contingent liability arises if there is a possible obligation arising from a past event at the date of signature of the Statement of Financial Position, and the amount of the obligation cannot be reliably measured.

1.19 Pensions

The SPA and Police Scotland officers and employees are members of two distinct types of pension scheme.

- **The Police Pension Schemes for Police Officers (1987, 2006 and 2015).**
These are unfunded defined benefit final salary schemes. There are no investment assets built up to meet the pension liabilities, and funding has to be received to meet actual pension payments as they eventually fall due.
- **The Local Government Pension Schemes for Police Staff Employees.**
These are salary-related defined benefit pension schemes providing benefits based pensionable pay. Assets and liabilities of the schemes are held separately from those of the SPA and Police Scotland, and are held within the individual pension schemes. The schemes' assets are measured using market values and the schemes' liabilities are measured using a projected unit method and discounted at the current rate of return.

Contributions to the schemes are calculated so as to spread the cost of pensions over employees' working lives in the SPA and Police Scotland. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the Statement of Comprehensive Net Income / Expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS19 Employee Benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

The liabilities of the pension fund attributable to the SPA and Police Scotland are included in the Statement of Financial Position on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current officers and employees.

The change in the net pension liability is analysed into the following components:

- **Current service cost**
This is the increase in liabilities as a result of service earned this year and is allocated to cost of services in the Statement of Comprehensive Net Income / Expenditure.

- **Past service cost**

This is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Statement of Comprehensive Net Income / Expenditure.

- **Interest cost**

This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid.

Expected return on assets

This is the annual investment return on the fund assets attributable to the SPA, based on an average of the expected long-term return.

Gains or losses on settlements and curtailments.

This is the result of actions to relieve the SPA of liabilities or events that reduce the expected future service or accrual of benefits of employees and is debited or credited to the Surplus or Deficit on the Provision of Services in the Statement of Comprehensive Net Income / Expenditure.

Actuarial gains and losses

This represents changes in the net pension liability arising due to events after the last actuarial valuation.

Contributions paid to the pension fund

Amounts paid as employer's contributions to the pension fund.

Actuarial Assumptions

The assumptions applied by the actuary have a significant impact on the liabilities and assets of the funds, these are summarised in the detailed notes.

1.20 Operating Leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Income & Expenditure over the term of the lease. Incentive payments receivable in respect of operating leases are allocated to match the effect of increased rentals payable in future periods.

Rental income from operating sub-leases is recognised in the Statement of Comprehensive Net Income / Expenditure on a straight line basis over the term of the lease.

1.21 Taxation

VAT

Irrecoverable VAT is charged to the Statement of Comprehensive Net Income / Expenditure or the cost of assets in the period in which it is incurred.

Corporation Tax

The income from Grant in Aid and charging schemes is not chargeable to tax. However, HMRC have declared that profit generated from commercial contract work undertaken by the SPA and Police Scotland will be chargeable to Corporation Tax.

Income tax comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in the Statement of Comprehensive Net Income / Expenditure. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date. As there have been no profits, there has been no corporation tax payable since 1 April 2013.

Deferred Tax

Deferred income tax is provided, using the liability method, on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. It is measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

1.22 Insurance

Expenditure included in the Statement of Comprehensive Net Income / Expenditure relates to premiums paid, policy excesses and settlement of claims. In addition, a provision is made for the self-funded elements of property, liability and motor claims which remain unsettled at the year-end, in addition to other provisions.

1.23 Events after the Reporting Period

Events after the Reporting Period represent those events which occur between the end of the reporting year and the date when the Annual Report and Accounts is authorised for issue.

Adjusting events are those providing evidence of conditions existing at the end of the reporting year, whereas non-adjusting events are indicative of conditions arising after the reporting year (the latter being disclosed in the Financial Overview where material). Events which occur after the date of authorisation for issue are not reflected in these Accounts.

1.24 Accounting Standards that have been issued but have not yet been adopted

A number of new accounting standards have been issued, and amendments have been made to existing standards. These have not yet been applied in the Annual Report & Accounts for the SPA. The standards considered relevant and the anticipated impact are detailed below:

A number of standards will be coming into effect for accounting periods commencing on or after 1 January 2018 (therefore 2018/19 Annual Report & Accounts).

- **IFRS 9 – Financial Instruments** - relates to the methods of disposal of assets within the Annual Report and Accounts. This will continue to affect the Annual Report and Accounts during the transformation process, and will be subject to scrutiny by Audit Scotland. The impact is expected to be low.
- **IFRS 15 – Revenue from Contracts with Customers** - recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The impact is expected to be low.

- **IFRIC 22 – Foreign Currency Transactions** – clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. SPA and Police Scotland have not entered into such transactions. The impact is expected to be low.
- **IAS 40 – Transfers of Investment Property** – clarifies transfers between classifications of property to / from Investment Property (such as from Assets Under Construction/Inventory to Investment Property). This is unlikely to have an effect on the accounting for such items in the SPA Annual Report & Accounts, however, the Capital Accounting Policy will be updated to reflect this before it takes effect. The impact is expected to be low.

The cumulative impact of the standards identified above is expected to be well below £1million.

- **IFRS 16 – Leases** - removes the distinction between operating and finance leases and introduces a single lessee accounting model. Relevant bodies should be considering the operating leases commitments currently held and whether these are material to the financial statements, the nature of the assets being leased and whether they may be classed as short term or low value leases. The impact is expected to be revenue neutral, although the impact on non-current asset reported totals is expected to be in the range of £5-£10million.

1.25 Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are included within note 32.

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

2. Analysis of Net Expenditure by Segment

2017/18	SPA £'000	Forensic Services £'000	Deputy Chief Officer £'000	DCC Local Policing £'000	DCC Crime & Operation Support £'000	DCC Designate £'000	Total £'000
Staff Costs	2,756	23,048	104,127	567,487	253,452	23,132	974,002
VR provision release	-	-	-	-	-	-	-
*IAS 19 pension cost	-	-	22,187	-	-	-	22,187
**Total Staff Cost (2a)	2,756	23,048	126,314	567,487	253,452	23,132	996,189
Other Expenditure	1,756	5,312	113,168	16,461	26,670	4,281	167,648
*Legal provisions	260	-	-	-	-	2,359	2,619
Total Other Expenditure	2,016	5,312	113,168	16,461	26,670	6,640	170,267
*Depreciation/Amortisation	-	-	31,885	-	-	-	31,885
Operating Expenditure	4,772	28,360	271,367	583,948	280,122	29,772	1,198,341
Income from Activities	(1,099)	(145)	(11,086)	(11,016)	(23,374)	(3,656)	(50,376)
Net Exp. before Interest	3,673	28,215	260,281	572,932	256,748	26,116	1,147,965
*Impairment of assets	-	-	10,328	-	-	-	10,328
Interest payable	184	-	6,413	-	-	-	6,597
*IAS 19 pension interest	-	-	463,608	-	-	-	463,608
Total Interest Payable	184	-	470,021	-	-	-	470,205
Total Expenditure	3,857	28,215	740,630	572,932	256,748	26,116	1,628,498

2016/17 Restated***	SPA £'000	Forensic Services £'000	Deputy Chief Officer £'000	DCC Local Policing £'000	DCC Crime & Operation Support £'000	DCC Designate £'000	Total £'000
Staff Costs	2,872	22,284	92,037	563,781	245,247	26,689	952,910
VR provision release	-	-	(6,600)	-	-	-	(6,600)
*IAS 19 pension cost	-	-	(95,862)	-	-	-	(95,862)
**Total Staff Costs (2a)	2,872	22,284	(10,425)	563,781	245,247	26,689	850,448
Other Expenditure	1,746	5,481	125,992	15,014	20,893	3,121	172,247
*Legal provisions	(150)	-	-	-	-	4,996	4,846
Total Other Expenditure	1,596	5,481	125,992	15,014	20,893	8,117	177,093
*Depreciation/Amortisation	-	-	34,367	-	-	-	34,367
Operating Expenditure	4,468	27,765	149,934	578,795	266,140	34,806	1,061,908
Income from Activities	(1,107)	(88)	(20,474)	(13,390)	(23,874)	(3,856)	(62,789)
Net Exp. before Interest	3,361	27,677	129,460	565,405	242,266	30,950	999,119
*Impairment of assets	-	-	6,209	-	-	-	6,209
Interest payable	-	-	7,224	-	-	-	7,224
*IAS 19 pension interest	-	-	460,458	-	-	-	460,458
Total Interest Payable	-	-	467,682	-	-	-	467,682
Total Expenditure	3,361	27,677	603,351	565,405	242,266	30,950	1,473,010

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

* This denotes items of non-cash expenditure.

** Full details of this can be found within Total Staff Costs in the Remuneration Report.

*** The continuing development of governance, information management, national systems support, risk and assurance has resulted in a change of designation of cost centres for income and expenditure. Previously income and expenditure was disclosed under the Deputy Chief Officer (DCO), but has now been reallocated to the DCC Designate portfolio. As a result, the segmental analysis for 2016/17 has been restated taking into account transfers between the portfolios.

The Police Scotland officer deployment unit and ticket office have also transferred from People & Development under the DCO directorate to DCC Crime & Operational Support and DCC Local Policing respectively, and Contact, Command and Control has been transferred from DCC Local Policing to DCC Crime & Operational Support.

2a. Summary Staff Costs

Total staff costs can also be summarised in the following way:

	Board Members £'000	Staff £'000	Officers £'000	Agency Staff £'000	Total £'000
2017/18	267	220,839	771,040	4,043	996,189
2016/17	186	200,485	648,237	1,540	850,448

3. Other Operating Income

	2017/18 £'000	2016/17 £'000
Fees and Charges (detailed below)	28,395	43,311
Grant income received - external to GiA	16,646	16,211
Seconded police officers and staff	2,959	2,441
Insurance	72	49
Donations and Sponsorship	76	58
(Loss) / Profit on Disposal of Assets	1,560	(310)
Interest Received	2	21
Other Income	666	1,008
	50,376	62,789

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Fees and Charges – categories over £1m	2017/18 £'000	2016/17 £'000
Accident report fees	1,234	1,233
Aerials / masts income	4,090	3,596
Disclosure fees	1,212	1,204
Licences & certificates	1,542	1,658
i6 compensation	*1,852	13,557
Rental income	2,026	2,408
Police Officer Services – Events & concerts	932	1,294
Police Officer Services – Football matches	1,665	1,399
Police Officer Services – Airports	4,605	4,675
Police Officer Services – Abnormal load escorts	1,035	3,570
Police Officer Services – Operation Ailey	3,481	3,047
Police Officer Services – Other	566	977
Police Officer Services – Non-football events	249	865
Training / CPD income	1,245	1,273
Other	2,661	2,555
	28,395	43,311

*i6 VAT element

As required by the fees and charges section of the SPFM, SPA charges market rates wherever applicable.

EU funding was not directly received during the year.

4. Other Operating Expenditure

	2017/18 £'000	2016/17 £'000
Animal costs	519	527
Bad debts	373	96
Catering costs	1,463	1,432
Clothing & uniform	2,883	3,396
Conference / meeting expenses	157	150
Consultancy	4,272	1,984
Equipment costs	24,314	29,107
Legal fees	5,812	5,795
National Crime Agency	5,212	5,212
Other fees & charges	3,856	4,016
Other non-pay costs	3,515	2,827
Premises costs	59,744	63,785
Printing, stationery & postage	3,015	3,509
Prison charges	788	922
Professional fees	357	434
Promotional costs	301	197
Public protection unit	284	304
Recruitment costs	67	30
Securing premises	406	450
Subscriptions	231	145
Supplies and services	4,021	4,168
Telecom and Airwave costs	17,421	17,349
Third party payments	7,415	6,922
Transport costs	23,841	24,336
	170,267	177,093

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5. Commitments under Operating Leases

Total future minimum lease payments under operating leases are given in the table below:

2017/18	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	492	776	25	1,293
Between one and five years	252	1,216	18	1,486
Later than five years	1,398	2,422	-	3,820
	2,142	4,414	43	6,599

2016/17	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	491	1,072	25	1,588
Between one and five years	247	1,360	23	1,630
Later than five years	1,367	2,633	-	4,000
	2,105	5,065	48	7,218

Operating lease payments made during the year were as follows:

	2017/18 £'000	2016/17 £'000
Minimum lease payments	1,780	1,834
Contingent rents	33	33
Sub-lease payments	-	(6)
	1,813	1,861

Contingent rents relate to payments over and above the minimum lease payment in respect of income generated through use by the lessee or in respect of rent reviews.

6. Income from Operating Leases - Buildings

Total future minimum lease payments under operating leases are given in the table below:

2017/18	2017/18 £'000	2016/17 £'000
Within 12 months	628	688
2-5 years	172	226
Later than 5 years	52	71
	852	985

Payments received during the year were as follows:

	2017/18 £'000	2016/17 £'000
Minimum lease payments	680	609
Contingent rents	-	-
	680	609

7. Corporation Tax

The SPA is subject to corporation tax on any profits arising from trading activities, investment income, chargeable gains and property income.

Operational policing activities are not subject to corporation tax, as these activities do not constitute a trade for corporation tax purposes, and do not fall within the other categories of income.

Profits arising from the provision of goods and services under s86 and s87 Police and Fire Reform (Scotland) Act 2012 will be taxed as trading profits. It is likely that in most years these services taken together will result in a trading loss. This trading loss can be offset against total profits arising in the same period and carried forward for offset against future trading profits only.

8. Adjustments to Cash Flows for non-cash items

	Note	2017/18 £'000	2016/17 £'000
Depreciation of property, plant & equipment	9	29,585	31,987
Amortisation of intangible assets	11	2,300	2,380
Interest payable – PFI interest	20	2,213	2,305
Interest payable – finance lease	19	340	387
Interest payable – loan and other interest	21	(1,183)	(881)
IAS19 pension adjustment to staff costs	23	22,186	(95,862)
IAS19 interest on pension scheme obligations	23	463,608	460,458
Asset impairment	9	10,224	6,209
Loss / (profit) on sale of property, plant & equipment	3	(1,560)	310
Adjustments to non-cash costs		527,713	407,293

9. Property, Plant & Equipment (PPE)

During the year, revaluations were carried out on a number of properties across the Police estate, by valuers qualified by the Royal Institute of Chartered Surveyors, both in-house and external. In-house valuers consisted of Police Scotland's Asset Manager and Senior Asset Manager. External valuers used were the District Valuer, City of Edinburgh Council, Graham & Sibbald, Allied Surveyors and SJ Omand. Valuations were conducted on operational buildings, on the basis of Existing Use Value, except in the circumstances of specialised properties, where Depreciated Replacement Cost Valuation was used. The non-operational properties were valued on the basis of Market Value with vacant possession.

All valuations were carried out as at 31 March 2018, except where related to Assets Held for Sale. These took place on the date the property was declared surplus and made available for sale. Valuations during the year resulted in a net increase in the value of Property, Plant & Equipment of £23.9million (2016/17: an increase of £7.9million), a net decrease in Assets Held for Sale of £35,000 (2016/17: a decrease of £7,000) per note 16, and a net increase in intangibles £nil (2016/17: an increase of £33,000) per note 11.

Below shows a summary of the impact of revaluations on the revaluation reserve and statement of comprehensive net (income) / expenditure:

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		2017/18			2016/17		
		up £'000	down £'000	net £'000	up £'000	down £'000	net £'000
PPE	Note 9	36,598	(12,716)	23,882	16,500	(8,619)	7,881
AHFS	Note 16	-	(35)	(35)	-	(7)	(7)
Intangibles	Note 11	-	-	-	33	-	33
		36,598	(12,751)	23,847	16,533	(8,626)	7,907

Revaluation reserve increase	36,598	-	36,598	16,533	-	16,533
Revaluation reserve utilised	-	(2,415)	(2,415)	-	(1,974)	(1,974)
Reversal of previous impairments	-	(8)	(8)	-	(443)	(443)
Total revaluations gain	36,598	(2,423)	34,175	16,533	(2,417)	14,116
NDEL funded impairments	-	-	-	-	(1,354)	(1,354)
AME funded downward revaluations	-	(10,328)	(10,328)	-	(4,855)	(4,855)
Total revaluations loss	-	(10,328)	(10,328)	-	(6,209)	(6,209)
	36,598	(12,751)	23,847	16,533	(8,626)	7,097

A number of the properties with downward revaluations had revaluations reserves and so £2.415 million (2016/17: £1.974 million) was charged against the revaluation reserve. There were 6 (2016/17: 9) properties where there was a reversal of the previous impairment charge which amounted to £8,000 (2016/17: £443,000).

The overall remainder of the impact of the revaluation process resulted in a charge of £10.328million (2016/17: £4.855million) to the Annually Managed Expenditure budget (AME).

No properties (2016/17: 14) triggered impairment reviews, due to their presenting condition. No properties were identified as below the acceptable state of repairs. This resulted in no impairment (2016/17: £1.354m) being charged to the Non-cash Delegated Expenditure Limit (NDEL).

The net book value of disposals was £4.2million (2016/17: £2.5m) which together with the profit on disposal of assets of £1,560,000 (2016/17: £310,000 loss) per note 3 results in a total cash proceeds on disposal of property, plant and equipment of £5.7million (2016/17: £2.2million).

Details of the Finance Lease and PFI Contract, related to assets, as at 31 March 2018 are held within notes 19 and 20 respectively.

An additional 3 properties (2016/17:6) within Land and Buildings have been made vacant as at 31st of March 2018 and they have been recognised as surplus within the organisation. These properties have been valued at market value however as at 31st of March they were not being actively marketed for sale. They are included at Net Book Value in the overleaf table at £563,755 (2016/17: £297,574). It is anticipated that these properties will be transferred to Assets Held for Sale during 2018/19, once they have been marketed for sale.

There are a number of listed buildings within the Land & Buildings category, which could be regarded as Heritage Assets, if they were no longer in operational use. There are:

- Category A – 3;
- Category B - 9; and
- Category C - 8.

Fair Value Hierarchy Level 2 inputs as stated in 1.2 have been used as the valuation technique applied in respect of the fair value of Land & Buildings where the current valuation is in existing use using market-based evidence of fair value. Any Land & Buildings of a specialist nature are valued under depreciated replacement cost. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Fair Value Hierarchy Level 3 has been applied to non-property assets carried at valuation in existing use, using depreciated historical cost as a proxy for current value for assets with short useful economic lives and / or low values.

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9. Property, Plant & Equipment – analysis

2017/18	*Land & Buildings £'000	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:								
As at 1 April 2017	483,678	7,219	104,334	47,091	5,706	59,726	6,716	714,470
Additions	4,240	-	11,091	2,764	179	6,316	7,145	31,735
Disposals	(31)	-	(1,016)	(836)	-	(4,570)	(84)	(6,537)
Revaluation	(1,632)	264	-	-	-	-	-	(1,368)
Impairment	-	-	-	-	-	-	-	-
Reclassification	2,245	(422)	427	(153)	2	752	(5,037)	(2,186)
As at 31 March 2018	488,500	7,061	114,836	48,866	5,887	62,224	8,740	736,114
Depreciation:								
As at 1 April 2017	46,511	580	77,737	41,096	2,922	44,691	-	213,537
Charged in year	12,329	228	7,836	2,169	762	6,261	-	29,585
Depreciation on disposals	(24)	-	(974)	(834)	-	(4,460)	-	(6,292)
Depreciation on revaluation	(24,707)	(542)	-	-	-	-	-	(25,249)
Depreciation on impairment	-	-	-	-	-	-	-	-
Depreciation on reclassification	29	(29)	(20)	-	-	-	-	(20)
As at 31 March 2018	34,138	237	84,579	42,431	3,684	46,492	-	211,561
NBV as at 31 March 2018	454,362	6,824	30,257	6,435	2,203	15,732	8,740	524,553

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Summary of Revaluations and Impairments

2017/18	*Land & Buildings £'000	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
Revaluations:								
Revaluation on cost	(1,632)	264	-	-	-	-	-	(1,368)
Revaluation on depreciation	24,707	542	-	-	-	-	-	25,249
Total revaluation	23,075	806	-	-	-	-	-	23,881
Depreciation:								
Impairment on cost	-	-	-	-	-	-	-	-
Impairment on depreciation	-	-	-	-	-	-	-	-
Total impairment	-	-	-	-	-	-	-	-
Net impact on NBV as at 31 March 2018	23,075	806	-	-	-	-	-	23,881

*Land and Buildings include 1 building financed by PFI with a current NBV £13.3m (2016/17 £13.8m) and 7 buildings utilised via finance leases with a current NBV £3.4m (2016/17 £3.9m).

**Safety Camera Partnership vans, funded by Transport Scotland, currently have a NBV of £261k (2016/17 £8.3k).
Loaned assets do not form part of the note above, and have a value of £279k (2016/17 £261k).

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2016/17	**Land & Buildings £'000	*Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	***Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:								
As at 1 April 2016	496,428	-	128,744	59,612	6,329	60,103	2,725	753,941
Additions	4,119	-	7,308	270	7	4,845	4,935	21,484
Disposals	(39)	-	(29,788)	(12,976)	(630)	(5,190)	(13)	(48,636)
Revaluation	(3,350)	(1,758)	-	(2)	-	-	-	(5,110)
Impairment	(2,148)	-	(326)	-	-	-	-	(2,474)
Reclassification	(11,332)	8,977	(1,604)	187	-	(32)	(931)	(4,735)
As at 31 March 2017	483,678	7,219	104,334	47,091	5,706	59,726	6,716	714,470
Depreciation:								
As at 1 April 2016	50,146	-	98,384	51,316	2,783	43,742	-	246,371
Charged in year	11,925	270	10,534	2,537	767	5,954	-	31,987
Depreciation on disposals	(19)	-	(29,621)	(12,776)	(628)	(4,976)	-	(48,020)
Depreciation on revaluation	(13,698)	(630)	(7)	(10)	-	-	-	(14,345)
Depreciation on impairment	(903)	-	(217)	-	-	-	-	(1,120)
Depreciation on reclassification	(940)	940	(1,336)	29	-	(29)	-	(1,336)
As at 31 March 2017	46,511	580	77,737	41,096	2,922	44,691	-	213,537
NBV as at 31 March 2017	437,167	6,639	26,597	5,995	2,784	15,035	6,716	500,933

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Summary of Revaluations and Impairments

2016/17	*Land & Buildings £'000	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
Revaluations:								
Revaluation on cost	(3,350)	(1,758)	-	(2)	-	-	-	(5,110)
Revaluation on depreciation	13,698	630	7	10	-	-	-	14,345
Total revaluation	10,348	(1,128)	7	8			-	9,235
Impairments:								
Impairment on cost	(2,148)	-	(326)	-	-	-	-	(2,474)
Impairment on depreciation	903	-	217	-	-	-	-	1,120
Total impairment	(1,245)	-	(109)	-	-	-	-	(1,354)
Net impact on NBV at 31 March 2017	9,103	(1,128)	(102)	8	-	-	-	7,881

10. Investment Properties

Investment properties are spread across Scotland and so the valuation exercise requires a number of surveyors to carry out the valuation exercise, all of which were qualified with the Royal Institute of Chartered Surveyors. The surveyors are instructed to carry out the valuations on a market value basis, as at 31 March 2018. As stated in the Statement of Accounting Policies, valuations of the fair values of investment properties were based on the market value approach, using prices and other information generated by market transactions involving identical or comparable assets.

Fair Value Hierarchy Level 2 inputs as stated in 1.2 have been disclosed where the current valuation is market value using market-based evidence of fair value. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. There were no transfers between hierarchy levels for investment properties which remained within the category during the year.

	31 March 2018 £'000	31 March 2017 £'000
Valuation:		
As at 1 April	8,483	8,394
Disposal	-	(1)
Gain / (loss) from fair value adjustment	(204)	425
Reclassification	37	(335)
Net Book Value as at 31 March	8,316	8,483

	31 March 2018 £'000	31 March 2017 £'000
Valuation Details:		
Upward Revaluation	493	670
Downward Revaluation	(697)	(245)
Net gain / (loss) on revaluation of Investment Properties	(204)	425

11. Intangible Assets

Intangible non-current assets represent purchased software, licences and other assets developed in-house with a life of more than one year. As stated in the Statement of Accounting Policies, the valuation technique applied in respect of the fair value of Intangible assets was on an historic cost basis. Amortisation is applied at rates calculated to write off the cost by equal instalments over the shorter of the term of the licence where appropriate and their estimated useful life.

Fair Value Hierarchy Level 3 inputs as stated in 1.2 were used. In this case the purchase price has been used as its the only data available to value the asset. There were no transfers between Hierarchy Levels for Intangible Assets during the year.

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	Software £'000	Licences £'000	Other £'000	2017/18 Total £'000	2016/17 Total £'000
As at 1 April	14,252	1,698	430	16,380	22,427
Disposals	-	-	-	-	(9,188)
Additions	1,360	1,017	34	2,411	2,338
Reclassification	1,386	-	-	1,386	803
Cost as at 31 March	16,998	2,715	464	20,177	16,380
As at 1 April	8,147	1,154	165	9,466	14,792
Charged in year	2,079	167	54	2,300	2,380
Disposals	-	-	-	-	(9,009)
Revaluations	-	-	-	-	(33)
Reclassification	20	-	-	20	1,336
Amortisation as at 31 March	10,246	1,321	219	11,786	9,466
Net Book Value As at 31 March	6,752	1,394	245	8,391	6,914

	31 March 2018 £'000	31 March 2017 £'000
Valuation Details:		
Upward Revaluation	-	33
Downward Revaluation	-	-
Net gain/(loss) on revaluation of Intangible Assets	-	33

12. Heritage Assets

The SPA are the custodians of a large number of small heritage assets, valued below £5,000 each, and are recorded in a separate heritage asset register as none reach the required level for capitalisation within the accounts. Of these, a small number have been identified that are valued above £5,000, however these are items on long term loan to the SPA and do not belong to the organisation. These mostly relate to ceremonial gold chains and silverware.

Fair Value Hierarchy Level 3 has been applied using in-house data and the experienced judgement of the Police Museum curator.

13. Cash and Cash Equivalents

	2017/18 £'000	2016/17 £'000
Balance as at 1 April	43,907	62,344
Net change in cash and cash equivalent balance	(19,205)	(18,437)
Balance as at 31 March	24,702	43,907

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The balances held as at 31 March were held as follows:	2017/18 £'000	2016/17 £'000
Balance within the Government Banking Service	21,976	40,620
Cash at commercial banks and cash in hand	1,250	1,392
Total cash	23,226	42,012
Cash held within warrant and confiscation accounts*	1,476	1,895
	24,702	43,907

* This balance is held on behalf of third parties, with a creditor balance held within Other Payables (note 17).

14. Inventories

Inventories include equipment, uniforms, other operational consumables, fuel and vehicle parts, and are included in the Statement of Financial Positions at the lower of cost or net realisable value. Stock levels reduced during the year as part of an on-going efficiency programme to reduce the number of locations of stock holdings.

	2017/18 £'000	2016/17 £'000
Balance as at 1 April	3,233	3,754
(Decrease) / increase in inventories and stock during year	(206)	(521)
Balance as at 31 March	3,027	3,233

15. Trade and Other Receivables

(a) Analysis by type of receivable is as follows:	2017/18 £'000	2016/17 £'000
Amounts falling due within one year:		
Trade receivables*	6,676	9,382
Other receivables	385	901
Prepayments and accrued income	22,997	22,083
Total amounts falling due within one year	30,058	32,366

(b) Analysis by category of customer is as follows:	2017/18 £'000	2016/17 £'000
Amounts falling due within one year:		
Balances with other central government bodies	2,211	5,297
Balances with local authorities	1,790	2,303
Balances with NHS bodies	491	217
Intra-governmental balances	4,492	7,817
Balances with bodies external to government	25,566	24,549
Total amounts falling due within one year	30,058	32,366

*Trade receivables of £6.6m (2016/17: £9.3m) includes a provision for bad debts of £1,197,000 (2016/17: £823,000).

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16. Assets Held for Sale

	2017/18 £'000	2016/17 £'000
Balance brought forward as at 1 April	9,584	7,035
Reclassifications from property, plant and equipment	763	4,267
Revalued during the year	(35)	-
Reversal of impairments during the year	-	(7)
Assets sold	(3,935)	(1,711)
Balance as at 31 March	6,377	9,584

	31 March 2018 £'000	31 March 2017 £'000
Valuation Details:		
Upward Revaluation	-	-
Downward Revaluation	(35)	(7)
Net gain / (loss) on revaluation of Intangible Assets	(35)	(7)

Fair Value Hierarchy Level 2 inputs as stated in 1.2 have been disclosed where the current valuation is market value using market-based evidence of fair value. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

17. Trade and Other Payables

(a) Analysis by type of payable is as follows:	2017/18 £'000	2016/17 £'000
Amounts falling due within one year:		
VAT	(847)	3,218
Other taxation and social security	21,755	21,852
Trade payables	16,801	13,740
Other payables*	5,944	2,655
Pension (debtor) / creditor (note 18)	(1,113)	461
Accruals and deferred Income	76,426	62,886
Sub-total amounts falling due within one year	118,966	104,812
Current part of finance leases	851	806
Current part of PFI agreements	905	801
Current part of long-term loans	7,259	5,345
Total amounts falling due within one year	127,981	111,764

	2017/18 £'000	2016/17 £'000
Amounts falling due after more than one year:		
Finance leases	4,361	5,211
PFI agreements	16,086	16,992
Long-term loans	80,122	87,368
Total amounts falling due after more than one year	100,569	109,571

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* £1,476,000 (2016/17: £1,895,000) of the balance within other payables represents confiscation and warrant accounts, is held on behalf of third parties, and has a corresponding entry within note 13.

(b) Analysis by category of supplier is as follows:	2017/18 £'000	2016/17 £'000
Amounts falling due within one year:		
Balances with other central government bodies	45,702	43,339
Balances with local authorities	15,740	16,062
Balances with NHS bodies	46	46
Intra-governmental balances	61,488	59,447
Balances with bodies external to government	66,493	52,317
Total amounts falling due within one year	127,981	111,764

	2017/18 £'000	2016/17 £'000
Amounts falling due after more than one year:		
Balances with other central government bodies	2,418	4,947
Balances with local authorities	77,777	82,497
Intra-governmental balances	80,195	87,444
Balances with bodies external to government	20,374	22,127
Total amounts falling due after more than one year	100,569	109,571

18. Pension Account

The Scottish Government requires the SPA to maintain a Police Pension Account in respect of its police pension schemes. During the transfer of legacy pension arrangements, the Scottish Government has effected guidance to the SPA to follow the requirements specified in the previously required Police Pension Account (Scotland) Regulations 2010 and the 2013 update to the 2010 Guidance. The regulations specify that a Police Pension Account must be maintained to record the payments made and income received in respect of police pensions. The funding for police pension payments is made through a Police Specific Grant paid to the SPA that takes into account the funding to meet the cost of the employer contributions.

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	2017/18 £'000	2016/17 £'000
Receivable:		
Employer contributions	136,193	137,620
Officers' contributions	80,330	81,996
Other receivables	5,290	8,514
Transfer values received	3,064	3,334
Total Receivable	224,877	231,464
Payable:		
Pensions	318,905	308,444
Refund & transfer values paid	2,056	2,391
Lump sum payments	87,617	80,523
Total Payable	408,578	391,358
Deficit before funding	183,701	159,894
Funding Received from the Scottish Government:		
Brought forward surplus	(460)	(9,153)
Police Pension Grant	(182,128)	(151,201)
Carried forward (surplus) / deficit funding received	1,113	(460)

19. Commitments under Finance Leases

Total future minimum lease payments under 7 finance leases are given in the table below for each of the following periods:

	2017/18 Buildings £'000	2016/17 Buildings £'000
Within 12 months	1,142	1,146
2-5 years	3,942	4,474
6-10 years	1,145	1,755
	6,229	7,375
Less: Interest element	(1,018)	(1,358)
Present Value of Obligations	5,211	6,017

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Present value of obligations under finance leases for the following periods comprise:

	2017/18 Buildings £'000	2016/17 Buildings £'000
Within 12 months	851	805
2-5 years	3,313	3,635
6-10 years	1,048	1,576
	4,361	5,211
	5,212	6,016

The assets held under Finance Leases are recognised on the Statement of Financial Position and included within the Land and Buildings as follows:

	2017/18 £'000	2016/17 £'000
Cost brought forward as at 1 April	14,606	14,961
Aggregate depreciation brought forward as at 1 April	(10,643)	(10,384)
Depreciation during year	(608)	(613)
Net Book Value as at 31 March	3,355	3,964
Revaluation Reserve as at 31 March	-	-

20. Commitments under PFI Arrangement

This note brings together various disclosure requirements relating to PFI/PPP Contracts and similar schemes. A 25-year PFI contract with Strathclyde Limited was established in 2002 for the construction, maintenance and operation of the Training & Recruitment Centre at Jackton. In accordance with the HM Treasury application of IFRIC 12 principles, the PFI/PPP property is an asset of the Board and the liability to pay for the property is, in substance, a finance lease obligation. There are no additional rights and obligations in relation to the property. The estimated future payments in respect of the PFI contract are as follows.

	2017/18				2016/17
	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000	Total £'000
Within 12 months	905	2,109	1,588	4,602	4,556
2-5 years	4,957	7,100	6,843	18,901	18,701
6-10 years	11,130	3,713	6,766	21,609	26,410
Sub total > 1 year	16,087	10,813	13,609	40,510	45,111
	16,992	12,922	15,197	45,112	49,667

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The asset is recognised on the Statement of Financial Position and included within the Land and Buildings as follows:

	2017/18 £'000	2016/17 £'000
Cost brought forward as at 1 April	17,350	17,350
Aggregate depreciation brought forward as at 1 April	(3,556)	(3,036)
Depreciation during year	(521)	(521)
Net Book Value as at 31 March	13,273	13,793
Revaluation Reserve as at 31 March	353	402

21. Long-term Loans

	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000	2016/17 Total £'000
Within 12 months	7,259	4,140	23	11,422	9,983
2 - 5 years	17,736	14,095	73	31,904	34,665
6 - 15 years	34,608	22,488	82	57,178	60,927
16 - 25 years	19,972	8,544	20	28,536	32,188
26 - 35 years	3,450	3,578	2	7,030	7,630
36 - 45 years	4,356	951	-	5,307	5,954
Sub total > 1 year	80,122	49,656	177	129,955	141,364
As at 31 March 2018	87,381	53,796	200	141,377	151,347

The loans which were transferred as at 1 April 2013 represent loans from the Public Works Loans Board and the debt is managed by the local Councils' Consolidated Loans Funds.

22. Provisions

	Legal Provision £'000	Other Provisions £'000	2017/18 Total £'000	2016/17 Total £'000
Opening balance as at 1 April	9,013	1,439	10,452	12,400
Provision during the year	7,400	1,178	8,578	7,176
Release of prior year provision	(4,781)	(38)	(4,819)	(9,124)
As at 31 March	11,632	2,579	14,211	10,452

Legal provisions are made up of specific provisions of £1.11m (2016/17: £0.85m) within the SPA and a specific provision of £10.52m (2016/17: £8.16m) for Employers' Liability, Public Liability and Third Party Motor Liability within Police Scotland.

An additional £2.6m (2016/17 £1.4m) dilapidations provision for obligations under repairing leases has been created, this will be built up to cover the estimated costs, over the remaining life of the lease.

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23. IAS19 Pension Liability – Reconciliation of All Schemes including PPS, NPPS, Injury and Local Government Pension Schemes

(a) Reconciliation of Pension Reserve

	Ref	2017/18 Income and Expenditure Analysis			2017/18 Statement of Financial Position	2016/17 Statement of Financial Position
		Actuarial Gain/(loss) £'000	Interest on Pension Scheme Obligations £'000	Staff Costs £'000	Total £'000	Total £'000
Opening position as at 1 April	A	-	-	-	(16,563,091)	(12,843,886)
Actuarial gain/(loss) in year	B	353,821	-	-	353,821	(3,354,609)
Interest on obligation	C	-	(499,669)	-	(499,669)	(499,815)
Expected return on assets	D	-	36,061	-	36,061	39,357
Total service costs	E	-	-	(467,753)	(467,753)	(331,509)
Other movements	F	-	-	445,567	445,567	427,371
As at 31 March 2018		353,821	(463,608)	(22,186)	(16,695,064)	(16,563,091)
As at 31 March 2017		(3,354,609)	(460,458)	95,862		

The full non-cash adjustment for IAS19 disclosed within the Summary of Resource Outturn for the year ended 31 March 2017 is made of the following:

	2017/18			2016/17		
	Police Officers £'000	Staff £'000	Total £'000	Police Officers £'000	Staff £'000	Total £'000
Interest on obligations	455,900	7,708	463,608	456,000	4,458	460,458
Staff costs	21,986	200	22,186	(103,900)	8,038	(95,862)
As at 31 March 2017	477,886	7,908	485,794	352,100	12,496	364,596

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(b) Change in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability

Below shows the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for all pension schemes combined:

		2017/18			2016/17		
	Ref	PPS NPPS & Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000	PPS NPPS & Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000
Fair value of employer assets		-	1,381,939	1,381,939	-	1,118,717	1,118,717
Present value of unfunded liabilities		(15,787,900)	(39,801)	(15,827,701)	(12,345,200)	(33,204)	(12,378,404)
Present value of funded liabilities		-	(1,628,129)	(1,628,129)	-	(1,208,899)	(1,208,899)
Present value of injury liabilities		(489,200)	-	(489,200)	(375,300)	-	(375,300)
Opening position as at 1 April	A	(16,277,100)	(285,991)	(16,563,091)	(12,720,500)	(123,386)	(12,843,886)
Current service cost		(403,400)	(50,202)	(453,602)	(293,800)	(35,091)	(328,891)
Past service cost (including curtailments)		(11,100)	(3,051)	(14,151)	-	(2,618)	(2,618)
Total service cost	E	(414,500)	(53,253)	(467,753)	(293,800)	(37,709)	(331,509)
Interest income on plan assets	D	-	36,061	36,061	-	39,357	39,357
Interest cost on defined benefit obligation	C	(455,900)	(43,769)	(499,669)	(456,000)	(43,815)	(499,815)
Total net interest		(455,900)	(7,708)	(463,608)	(456,000)	(4,458)	(460,458)
Total defined benefit cost		(870,400)	(60,961)	(931,361)	(749,800)	(42,167)	(791,967)

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		2017/18			2016/17		
	Ref	PPS NPPS & Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000	PPS NPPS & Injury (note 25) £'000	LGPS (note 26) £'000	Total Net (liability)/asset £'000
Employer contributions		-	29,672	29,672	-	28,126	28,126
Net transfers in from other authorities		(2,500)	-	(2,500)	(2,400)	-	(2,400)
Contributions in respect of unfunded benefits		-	1,595	1,595	-	1,545	1,545
Pensions and lump sum expenditure		405,600	-	405,600	390,400	-	390,400
Injury award expenditure		11,200	-	11,200	9,700	-	9,700
Benefits paid		-	-	-	-	-	-
Unfunded benefits paid		-	-	-	-	-	-
Other movements	F	414,300	31,267	445,567	397,700	29,671	427,371
Expected closing position		(16,733,200)	(315,685)	(17,048,885)	(13,072,600)	(135,882)	(13,208,482)
Change in demographic assumptions		91,800	(8,826)	82,974	-	-	-
Change in financial assumptions		(643,100)	34,591	(608,509)	(2,828,200)	(368,928)	(3,197,128)
Other experience		262,800	137,659	400,459	(376,300)	6,595	(369,705)
Return on assets excl amounts in net interest		-	3,697	3,697	-	212,224	212,224
Change in mortality assumptions		475,200	-	475,200	-	-	-
Total re-measurements	B	186,700	167,121	353,821	(3,204,500)	(150,109)	(3,354,609)
Fair value of employer assets		-	1,433,275	1,433,275	-	1,381,939	1,381,939
Present value of unfunded liabilities		(16,175,900)	(41,396)	(16,217,296)	(15,787,900)	(39,801)	(15,827,701)
Present value of funded liabilities		-	(1,540,443)	(1,540,443)	-	(1,628,129)	(1,628,129)
Present value of injury liabilities		(370,600)	-	(370,600)	(489,200)	-	(489,200)
Closing position as at 31 March		(16,546,500)	(148,564)	(16,695,064)	(16,277,100)	(285,991)	(16,563,091)

24. Police Pension Scheme (PPS) & New Police Pension Scheme (NPPS)

(a) Financial and Demographic Assumptions in the Valuation

The below valuation, carried out by the Government Actuary's Department (GAD), has been based on the latest actuarial valuation of the schemes at 31 March 2016. Full membership data as at 31 March 2016 was provided by the Scottish Public Pensions Agency (SPPA). Sufficient additional data was supplied by SPA and the SPPA (assessed by GAD for reasonableness) to enable the liability at the 31 March 2018 to be assessed, based on the calculated liability as at the 31 March 2016.

Pay inflation

Promotional salary scales have been set in accordance with the published police pay scales in line with the 2012 valuation, with short-term general pay increases calculated taking pay restraint into consideration until 2020/21.

Year	31 March 2018	31 March 2017
2012-13	n/a	n/a
2013-14	n/a	n/a
2014-15	n/a	n/a
2015-16	n/a	1% plus promotional scale
2016-17	1% plus promotional scale	1% plus promotional scale
2017-18	1% plus promotional scale	1% plus promotional scale
2018-19	3.95% plus promotional scale	1% plus promotional scale
2019-20	3.95% plus promotional scale	1% plus promotional scale
2020-21	3.95% plus promotional scale	4.55% plus promotional scale

It has been assumed that serving officers in the PPS retire at the earlier of attaining 30 years' service, or after 25 years' service at the age 50 and above or at age 55. It has also been assumed that serving officers in the NPPS will retire at age 55, with some additional allowances for some premature retirements on the grounds of ill-health. Financial assumptions are summarised below:

	31 March 2018	31 March 2017
Pension increase rate	2.45%	2.55%
Salary increase rate	3.95%	4.55%
Discount rate	2.55%	2.80%

Mortality rates

Average future life expectancies at aged 60 are summarised as follows. The assumptions are the same as those adopted for 2016/17 and are in line with the ONS 2014-based population projections. The post-retirement mortality assumptions are based on S1NMA Mortality rates with future improvements based on the ONS 2014.

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	31 March 2018		31 March 2017	
	Males	Females	Males	Females
Current normal health pensioners	26.5 years	28.2 years	26.9 years	30.0 years
Future Pensioners	28.0 years	29.7 years	28.5 years	30.5 years
Dependants	26.6 years	28.3 years	27.0 years	29.0 years

(b) Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	31 March 2018		31 March 2017	
	Change in Employer Liability %	Approximate Monetary amount £'000	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% increase in real discount rate	(10.5)	(1,726,000)	(10.5)	(1,710,000)
1 year increase in member life expectancy	2.5	412,000	2.5	410,000
0.5% increase in salary increase rate	2.0	324,000	1.5	240,000
0.5% increase in the pensions increase rate (CPI)	8.0	1,320,000	9	1,460,000

The liability is very sensitive to the assumed discount rate and the pension increase rate. The reduction in the nominal discount rate from 2.80% pa to 2.55% pa, increases the liabilities. The removal of the short term pay increases which were used to assess the scheme liability as at 31 March 2017 increases the liabilities. The reduction in the assumed rate of pension increases from 2.55% pa to 2.45% pa, and the reduction in the assumed rate of general pay increases from 4.55% pa to 3.95% pa, both reduce the liabilities, and partially offset the increases noted above. The combined effects of the financial assumptions can be seen in movements above.

The pension scheme's Current Service Cost (inclusive of member contributions) for the year ended 31 March 2019 is estimated to be 67.1% (67.4% 2017/18) of pensionable salaries, with the injury benefit scheme's equivalent Current Service Cost being estimated at 1.34% (1.35% 2017/18).

(c) Change in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability

The tables overleaf show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for both the PPS and NPPS combined.

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	2017/18 Net (liability) / asset			2016/17 Net (liability) / asset		
	PPS/NPPS £'000	Injury £'000	Total £'000	PPS/NPPS £'000	Injury £'000	Total £'000
Fair value of employer assets	-	-	-	-	-	-
Present value of unfunded liabilities	(15,787,900)	-	(15,787,900)	(12,345,200)	-	(12,345,200)
Present value of injury liabilities	-	(489,200)	(489,200)	-	(375,300)	(375,300)
Opening position	(15,787,900)	(489,200)	(16,277,100)	(12,345,200)	(375,300)	(12,720,500)
Current service cost	(395,500)	(7,900)	(403,400)	(288,000)	(5,800)	(293,800)
Past service cost (including curtailments)	(11,100)	-	(11,100)	-	-	-
Total service cost	(406,600)	(7,900)	(414,500)	(288,000)	(5,800)	(293,800)
Interest income on plan assets	-	-	-	-	-	-
Interest cost on defined benefit obligation	(442,200)	(13,700)	(455,900)	(442,600)	(13,400)	(456,000)
Total net interest	(442,200)	(13,700)	(455,900)	(442,600)	(13,400)	(456,000)
Total defined benefit cost	(848,800)	(21,600)	(870,400)	(730,600)	(19,200)	(749,800)
Net transfers in from other authorities	(2,500)	-	(2,500)	(2,400)	-	(2,400)
Contributions in respect of injury benefits	-	-	-	-	-	-
Pensions and lump sum expenditure	405,600	11,200	416,800	390,400	9,700	400,100
Other movements	403,100	11,200	414,300	388,000	9,700	397,700
Expected closing position	(16,233,600)	(499,600)	(16,733,200)	(12,687,800)	(384,800)	(13,072,600)

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	2017/18 Net (liability) / asset			2016/17 Net (liability) /asset		
	PPS/NPPS £'000	Injury £'000	Total £'000	PPS/NPPS £'000	Injury £'000	Total £'000
Change in demographic assumptions	7,500	84,300	91,800	-	-	-
Change in financial assumptions	(631,500)	(11,600)	(643,100)	(2,743,200)	(85,000)	(2,828,200)
Other experience	224,000	38,800	262,800	(356,900)	(19,400)	(376,300)
Change in mortality assumptions	457,700	17,500	475,200	-	-	-
Total re-measurements	57,700	129,000	186,700	(3,100,100)	(104,400)	(3,204,500)
Fair value of employer assets	-	-	-	-	-	-
Present value of unfunded liabilities	(16,175,900)	-	(16,175,900)	(15,787,900)	-	(15,787,900)
Present value of injury liabilities	-	(370,600)	(370,600)	-	(489,200)	(489,200)
Closing position as at 31 March	(16,175,900)	(370,600)	(16,546,500)	(15,787,900)	(489,200)	(16,277,100)

25. Local Government Pension Schemes

The latest formal valuations of the Scottish LGPS funds was at 31 March 2017. In order to assess the value of the SPA's assets and liabilities in the funds as at 31 March 2018 for the purposes of IAS19, the value of the SPA's liabilities has been rolled forward, allowing for different financial assumptions required under IAS19, the investment returns obtained and contributions paid into and estimated benefits paid from the Fund. In calculating the service cost, allowance has been made for changes in the pensionable payroll as estimated from contribution information provided.

Below shows the assumptions, sensitivity analysis, projected defined benefit cost and change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year for all of the LGPS schemes combined.

Calculations were carried out in accordance with the Pensions Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013, and adopting paragraphs 94 of IAS19 which recognises actuarial gains and losses in the period in which they occur. The current service cost includes an allowance for administration expenses of 0.2% of payroll. The valuations were conducted by Hymans Robertson.

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2018	31 March 2017
Pension increase rate	2.4%	2.4%
Salary increase rate	3.4%	3.4%
Discount rate	2.7%	2.6%

Average future life expectancies at 65 are summarised as follows:

Life expectancy is based on the VitaCurves as applied to the Strathclyde Pension Fund with improvements in line with the CMI 2012 model assuming that the current rate of improvement has reached a peak and will converge to a long term rate of 1.5% for males and 1.25% for females. Based on these assumptions, the average future life expectancy at the age of 65 would be:

	31 March 2018		31 March 2017	
	Males	Females	Males	Females
Current pensioners	21.4 years	23.7 years	22.1 years	23.6 years
Future pensioners	23.4 years	25.8 years	24.8 years	26.2 years

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(b) Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	31 March 2018		31 March 2017	
	Increase to Employer Liability %	Approximate Monetary amount £'000	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	11	180,782	12	205,155
1 year increase in member life expectancy	3-5	*	3	50,038
0.5% increase in salary increase rate	3	52,850	4	73,389
0.5% increase in the pensions increase rate (CPI)	8	123,472	7	123,427

**For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply to younger or older ages).*

The figures have been derived based on the membership profile of the employer at the date of the most recent actuarial valuation.

(c) Projected defined benefit cost for the year to 31 March 2019

	Assets	Obligations	Net (liability) / asset	
	£'000	£'000	£'000	% of pay
Projected current service cost*	-	51,607	(51,607)	(37.3%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	51,607	(51,607)	(37.3%)
Interest income on plan assets	38,342	-	38,342	27.7%
Interest cost on defined benefit obligation	-	43,024	(43,024)	(31.1%)
Total Net Interest Cost	38,342	43,024	(4,682)	(3.4%)
Total included in Profit or Loss	38,342	94,631	(56,289)	(40.7%)

**The current service cost includes an allowance for administration expenses of 0.2% of payroll.*

The estimated employers' contributions for the year to 31 March 2019 will be approximately £29.7m

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(d) Split of the fund assets

	Period ended 31 March 2018				Period ended 31 March 2017			
	Quoted Prices	Not Quoted	Total	Percentage of Total Assets	Quoted Prices	Not Quoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	137,057	4	137,061	9.6%	132,313	4	132,317	9.6%
Manufacturing	123,493	111	123,604	8.6%	106,068	108	106,176	7.7%
Utilities	47,038	-	47,038	3.3%	47,726	-	47,726	3.5%
Financial Institutions	100,998	1	100,999	7.0%	85,065	1	85,066	6.2%
Healthcare	54,362	4	54,366	3.8%	53,772	4	53,776	3.9%
IT	82,561	15	82,576	5.8%	81,971	14	81,985	5.9%
Other	112,720	-	112,720	7.9%	66,379	24,001	90,380	6.5%
Debt securities								
Corporate bonds (investment grade)	15,089	3,720	18,809	1.3%	4,841	2,989	7,830	0.6%
Corporate bonds (non-investment grade)	-	5,580	5,580	0.4%	-	6	6	0.0%
UK Government	39,522	4,909	44,431	3.1%	20,569	-	20,569	1.5%
Other	5,169	30	5,199	0.4%	27,954	-	27,954	2.0%
Private Equity:								
All	912	76,831	77,743	5.4%	5,525	97,888	103,413	7.5%
Real estate:								
UK Property	18,155	122,645	140,800	9.8%	27,361	108,813	136,174	9.9%
Overseas property	117	498	615	0.0%	862	288	1,150	0.1%
Investment funds & unit trusts:								
Equities	79,875	219,716	299,591	20.9%	110,122	228,600	338,722	24.5%
Bonds	13,237	42,319	55,556	3.9%	16,765	56,134	72,899	5.3%
Hedge funds	-	-	-	0.0%	-	-	-	0.0%
Commodities	547	-	547	0.0%	1,251	-	1,251	0.1%
Infrastructure	1,801	36,021	37,822	2.6%	1,616	937	2,553	0.2%
Other	10,865	18,173	29,038	2.0%	9,640	13,667	23,307	1.7%
Derivatives:								
Inflation	0	0	0	0.0%	-	-	-	0.0%
Interest rate	0	0	0	0.0%	-	-	-	0.0%
Foreign exchange	135	94	229	0.0%	(181)	92	(89)	0.0%
Other	(98)	0	(98)	0.0%	(52)	-	(52)	0.0%
Cash:								
All	53,149	5,900	59,049	4.1%	47,684	1,142	48,826	3.5%
Total	896,704	536,571	1,433,275	100.0%	847,251	534,688	1,381,939	100.0%

It is important to note that the accounting standard requires the discount rate to be set with reference to the yields on high quality corporate bonds, irrespective of the actual investment strategy of the fund. As a result, the figures illustrated are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the employer's obligations to the fund.

(e) Change in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability

Whilst the liabilities calculated in the table below include an allowance for some premature retirement on the grounds of ill health, there is no allowance for early retirements on the grounds of redundancy or efficiency, other than those actual cases notified to the actuary.

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	2017/18			2016/17		
	Assets	Obligations	Net (liability)/ asset	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	1,381,939	-	1,381,939	1,118,717	-	1,118,717
Present value of unfunded liabilities	-	39,801	(39,801)	-	33,204	(33,204)
Present value of funded liabilities	-	1,628,129	(1,628,129)	-	1,208,899	(1,208,899)
Opening position as at 1 April	1,381,939	1,667,930	(285,991)	1,118,717	1,242,103	(123,386)
Current service cost	-	50,202	(50,202)	-	35,091	(35,091)
Past service cost (inc. curtailments)	-	3,051	(3,051)	-	2,618	(2,618)
Total service cost	-	53,253	(53,253)	-	37,709	(37,709)
Interest income on plan assets	36,061	-	36,061	39,357	-	39,357
Interest cost on defined benefit obligation	-	43,769	(43,769)	-	43,815	(43,815)
Total net interest	36,061	43,769	(7,708)	39,357	43,815	(4,458)
Total defined benefit cost recognised in P&L	36,061	97,022	(60,961)	39,357	81,524	(42,167)
Plan participants' contributions	8,603	8,603	-	8,828	8,828	-
Employer contributions	29,672	-	29,672	28,126	-	28,126
Transfers in from other authorities	-	-	-	-	-	-
Contributions re unfunded benefits	1,595	-	1,595	1,545	-	1,545
Pensions and lump sum expenditure	-	-	-	-	-	-
Benefits paid	(26,697)	(26,697)	-	(25,313)	(25,313)	-
Unfunded benefits paid	(1,595)	(1,595)	-	(1,545)	(1,545)	-
Other movements	11,578	(19,689)	31,267	11,641	(18,030)	29,671
Expected closing position	1,429,578	1,745,263	(315,685)	1,169,715	1,305,596	(135,882)

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	2017/18			2016/17		
	Assets	Obligations	Net (liability)/ asset	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000	£'000	£'000	£'000
Change in demographic assumptions	-	8,826	(8,826)	-	368,928	(368,928)
Change in financial assumptions	-	(34,591)	34,591	-	(6,595)	6,595
Other experience	-	(137,659)	137,659	-	-	212,224
Return on assets excl net interest	3,697	-	3,697	212,224	-	-
Total re-measurement recognised	3,697	(163,424)	167,121	212,224	362,333	(150,109)

Fair value of employer assets	1,433,275	-	1,433,275	1,381,939	-	1,381,939
Present value of unfunded liabilities	-	41,396	(41,396)	-	39,801	(39,801)
Present value of funded liabilities	-	1,540,443	(1,540,443)	-	1,628,129	(1,628,129)
Closing position as at 31 March	1,433,275	1,581,839	(148,564)	1,381,939	1,667,930	(285,991)

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26. Scottish Government Funding

The cash and non-cash Grant in Aid received from the Scottish Government is detailed below, and shown within the Statement of Resource Outturn analysis within the Financial Overview within the Performance Report.

Grant in Aid	2017/18 £'000	2016/17 £'000
Revenue grant funding	1,015,780	1,004,010
Reform funding – revenue*	47,100	34,834
Transfer from capital	-	20,500
Resource funding	1,062,880	1,059,344
Additional ODEL grant to cover loan capital repayments**	5,404	5,404
Resource and ODEL Grant in Aid	1,068,284	1,064,748
Capital grant funding	17,080	18,200
Reform funding – capital*	12,400	17,800
Transfer to revenue	-	(20,500)
Capital funding	29,480	15,500
Total cash received	1,097,764	1,080,248
Non-cash GiA received	50,000	50,000
AME funding***	33,000	44,000
Total non-cash received	83,000	94,000
Total Grant in Aid	1,180,764	1,174,248

Additional funding is received each year from the Scottish Government per the schedule below. Annex D and Pension Funding is shown within note 18, and other grant income received is shown within Other Operating Income in note 3.

Non-Grant in Aid	2017/18 £'000	2016/17 £'000
Annex D and Pension Funding (note 18)****	318,148	288,672
Safety Camera Partnership	3,457	2,925
Violence Reduction Unit	1,051	1,308
International Development Unit	249	-
Choices for Life	125	135
Other	190	306
Non-Grant in Aid funding	323,220	293,346

* Reform Funding received during the year from the Scottish Government amounted to £59.500m (2016/17: £52.634m).

** This is cash Grant in Aid received which covers outside DEL expenditure (ODEL) for HM Treasury for borrowings agreed and held by councils prior to 2004/05.

*** Annual Managed Expenditure (AME) covers expenditure for items such as pension adjustments, some provisions and impairments which cannot be fully controlled.

**** This is made up of Employer Contributions of £136.2million (2016/17: £137.6million) and Police Pension Grant of £182.1million (2016/17: £151.2million).

27. Contingent Liabilities

There are a number of potential liabilities facing SPA and Police Scotland, which are as yet to crystallise and for which estimated amounts are included below:

Age Discrimination - Pensions

In January 2017, an Employment Tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to the New Judicial Police Pension Scheme established in April 2015, while under transitional provisions older colleagues were able to remain in the existing final salary scheme. The Government is currently appealing that judgement. In a similar age discrimination case brought by members of the Firefighters Pension Scheme, the Employment Tribunal ruled that the transitional provisions were a proportionate means of achieving a legitimate aim and so do not give rise to unlawful age discrimination. It is not possible to quantify the impact as this time or predict the outcome of the judgement.

Unpaid Overtime

The claimants in the case 'Allard vs Chief Constable, Devon & Cornwall Constabulary' were police handlers who managed police informants. They worked their normal hours but were sometimes contacted, through an automated telephone system, by the informants outside these hours. If the designated police handler was not available, a text would be directed to another police handler until one was available to respond.

The judge found that officers in this position were required to deal with the calls as and when they came in and were not at liberty simply to ignore a text. The Chief Constable's appeal against the ruling was dismissed. The judges allowed a cross-appeal by the former officers over the amount of overtime they should receive.

On 6 February 2015 the Scottish Police Federation wrote to the then Chief Constable of Police Scotland, Mr Stephen House, highlighting the above decision, and raising the possibility of similar claims being made by Scottish police officers who handle Covert Human Intelligence Sources (CHIS). The time and cost of providing an accurate determination of the on-call commitments of every CHIS handler in Police Scotland for the last 5 years is prohibitive.

Currently, there are 142 officers at the rank of Constable and Sergeant who perform the On-Call handling function. The maximum total exposure, after applying the Prescription and Limitation (Scotland) Act 1973 reducing the scope of claims to 5 years, would be between £20,890 and £23,281 for each officer. The cumulative totals would therefore be between £3 - 3.3million.

28. Financial Commitments

The SPA had capital commitments as at 31 March 2018 of £183,600 (31 March 2017: £46,400), and commitments under operating leases are detailed in note 5 to the Accounts of £6,599,000 (31 March 2017: £7,218,000).

29. Related Party Transactions

The SPA is an Other Significant Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year, the SPA has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as a parent body, in particular regarding property transactions such as the rental of Gartcosh from the Scottish Government. In addition, the SPA has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

During the year, apart from their service contracts, no Board Members or members of senior management or their related parties have undertaken any material transactions with the SPA.

Board Members' interests are detailed within the Remuneration Report. Transactions with bodies in which they hold interests have been examined and no transactions found.

The SPA is a member of Community Safety Glasgow (CSG), a company limited by guarantee and not having share capital, and during the course of the financial year received funding from CSG of £134,687 (2016/17: £202,392) and also provided goods and services to CSG of £24,225 (2016/17: £234,514).

30. Financial Instruments

As detailed in note 26 to the Accounts, the SPA and Police Scotland is funded through Grant in Aid which is set by Scottish Ministers in advance of the following year. Cash Grant in Aid is released throughout the year in order that the organisation can meet its financial responsibilities as they fall due throughout the year and maintain an adequate level of working capital.

Working Capital Analysis	Note	31 March 2018 £'000	31 March 2017 £'000
Cash and cash equivalents	13	24,702	43,907
Inventories	14	3,027	3,235
Trade and other receivables within one year	15	30,058	32,366
Assets held for sale*	16	6,377	9,584
Trade and other payables within one year, excluding financing	17	(118,966)	(104,812)
Balance as at 31 March		(54,802)	(15,720)

* This value represents the lower of current value in existing use and the fair value less costs of sale.

The SPA and Police Scotland have no power to borrow funds, however there are long term loans payable by the organisations, see note 21. These loans, from the Public Works Loans Board, were transferred from the Local Councils on the creation of the SPA and Police Scotland and are managed by the local Councils' Consolidated Loans Funds.

All surplus funds are held in non-interest-bearing accounts and therefore exposure to interest rate fluctuations is low. Bank balances are not held in foreign currency, although the organisation transacts in foreign currency with some creditors. Any shortfall or surplus in currency transactions is minimal.

Financial assets and liabilities are generated through day-to-day operational activities and there are no additional financial instruments held. Because of the nature of its activities and the way in which the SPA and Police Scotland are financed, there is little exposure to the degree of financial risk faced by business entities.

Fair Value Hierarchy

- Cash and cash equivalents are measured at fair value constituting hierarchy level 1 input.
- All other Assets and Liabilities are measured at fair value constituting Hierarchy Level 2 input.
- There were no transfers between hierarchy levels for assets and liabilities during the year.

31. Events after the Reporting Period

There have been no events which have occurred after the reporting period which have had an effect on the Annual Report & Accounts for 2017/18 which have not been disclosed.

32. Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities within the financial statements, are addressed below.

- Impairment of PPE and Investment properties. The Board has used estimated impairment figures within the reported figures. These are based upon the valuation reports produced by suitably RICs qualified surveyors (both in-house and external), market conditions and other available data.
- Provisions: The Board has a number of provisions within the accounts for obligations existing at the year-end. These have been provided by in-house solicitors and where appropriate an actuarial valuation has been sought. These estimates were based on the information available at the year-end date.
- The Fair Value of PPE: Assumptions regarding the fair value of PPE and Investment Properties are based upon information provided in valuation reports produced by suitably RICs qualified surveyors (both in-house and external), market conditions and other available data.
- Post-employment benefits estimates including the IAS 19 adjustment. Actuarial assumptions and valuations in respect of post-employment benefits are provided by the Government Actuary's Department and Hymans Robertson LLP.
- Accruals are based on invoices received after the year-end but for which the goods are services were received before the year-end. These estimates have been made by the finance team in line with best accounting practices.

FINANCIAL STATEMENTS OF THE SCOTTISH POLICE AUTHORITY

The estimates and valuations provided are a point in time assessment of the potential liability and these are assessed annually for any movements. The assumptions used are based on the expert knowledge of the advisors and signed off by the Chief Financial Officer.

There has been no indication that any of the above estimates have been subject to any material change since the year-end, unless specifically mentioned elsewhere within these accounts. All risks and assumptions related to the valuations are listed within the individual reports and where appropriate have been summarised in the notes above.

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THE SCOTTISH POLICE AUTHORITY

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 5 (1) of chapter 1 of the Police and Fire Reform (Scotland) Act 2012 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2013, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses and cash flows for the financial period and of the state of affairs at the end of the Financial period.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Gillian Russell
Head of Police Division
Signed by the authority of the Scottish Ministers

Dated: 1st March 2013