

Annual Report and Accounts 2018/19



Our Report: Key Sections



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Financial Statements of the Scottish Police Authority

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Chair's Foreword

During 2018/19 policing has continued to adapt and develop to meet the needs of a changing Scotland and to ensure that people across the length and breadth of the country are kept safe. The dedication, commitment and professionalism of the workforce – both police officers and police staff – has been exceptional.

Despite increased demand and financial pressures, our police service has provided an effective and responsive service to local communities and has continued to build specialist capability from which the whole country now benefits. Police Scotland has responded effectively to a number of significant operational demands, including the policing of the US President's visit to Scotland and contingency planning for the UK's exit from the EU.

The past year has seen changes in the leadership and governance of policing in Scotland including the appointment of Iain Livingstone QPM as Chief Constable, together with a number of other senior officer appointments. This has brought renewed strength, stability and cohesion to the leadership of one of Scotland's most important public services. The SPA Board has also undergone rapid change and development with a number of new members appointed and improved governance and decision making arrangements put in place.

Over the last 18 months, there has been significant effort to build and strengthen the senior leadership team of Police Scotland with the appointment of a new Chief Constable, two new Deputy Chief Constables and five Assistant Chief Constables. In addition, the appointment of seven new SPA Board members has been acknowledged by HMICS in its most recent Annual Report as having equipped [the Board] "with significant experience and expertise from a wide range of professional backgrounds". Together the leadership team and the Board have actively promoted a collaborative approach, working together more effectively to build stronger more trusting relationships and partnerships with others – including local authorities, the wider public sector, Scottish businesses and many voluntary and third sector organisations.

While there has been progress in strengthening Police Scotland's leadership team and the SPA Board, there remains a significant challenge in ensuring that the Scottish Police Authority itself operates effectively and as the Act intended. Weaknesses in the core capacity and capability of the SPA's corporate team have been identified and steps are being taken to address this as a matter of urgency which go back to first principles set out in the Act.

The 2018/19 financial year has also seen positive steps forward in supporting, developing and empowering the workforce. A number of key milestones have been achieved, including a multi-year pay deal for police officers and long overdue progress to harmonise and reform pay and conditions for police staff across the country. Early progress has also been made to invest in and improve the technology available to our police service so that they can keep pace with changing patterns of crime and wider societal change.

All of this progress is tangible and is the result of sustained effort, determination and commitment by a great many people in our policing system and beyond. The year has not, however, been without challenge.

The Auditor General for Scotland said in the 2018/19 Audit Scotland Annual Report and Accounts, that she could not recall a year when public services have experienced such pressure and uncertainty and stated that "Public bodies are having to cope with static or shrinking budgets at a time when demands increase and expectations continue to rise."

This combination of factors is affecting policing in a very particular way. The nature and scope of policing has changed and widened over recent years and with that demand for policing has increased. In its most recent Annual Report, HMICS highlighted that just 22% of overall recorded police incidents are crime related. Work to understand where the remaining demand comes from is underway however there is a growing number of vulnerable people who need help and support – from the young person who is self-harming to the elderly person with dementia who can't find their way home. At a time of pressures on all public services, it is increasingly the police service who is being called upon to meet those needs when that is often not the most appropriate or cost-effective response.

Both the SPA and Police Scotland are engaging constructively with Scottish Government and other public sector partners to address these questions and it will be important that system-wide change is accelerated and progressed if our police service is to be able to focus its resources on policing and so continue to fulfil its unique role and responsibilities in the future. The need for increased capital investment, an area of historic underfunding, has become ever more acute. The police estate, fleet and ICT systems are in desperate need of further investment and modernisation. The SPA and Police Scotland are working together to build an evidence based case to the Scottish Government for increased capital investment, while also working to ensure that the funding we have now – both revenue and capital – is utilised and managed as effectively as possible.

Workforce costs account for more than 90% of the policing budget. It is vital that the police service is able to develop a flexible and highly skilled workforce and to adapt the workforce profile and mix to meet changing needs. Her Majesty's Chief Inspector of Constabulary Scotland said in her report published in December 2018 that she did not believe that "an arbitrary number of police officers and staff is a meaningful measure of the effectiveness of policing" and that "In order to demonstrate the impact of its efforts, Police Scotland requires an outcomes based performance framework". Progress has been made to develop both a new performance framework and to improve workforce planning. The SPA Board is very clear that progress in both these areas must be accelerated in the period to come. Our hope would be that this will provide the backdrop for a more informed and mature public and political debate about policing, its performance and its funding, going forward.

The SPA has a key role to play in informing public debate and awareness on policing and in driving change, investment and improvement across the policing system. It is a major national public body with significant responsibilities including the development and oversight of the UK's second largest police service and the delivery of Scotland's forensic service. It is the responsibility of the SPA Board to ensure that we fulfil our range of statutory functions effectively and that we develop our leadership role in helping to ensure that the system as a whole is working in the best interests of policing in Scotland.

During 2018/19 our focus necessarily had to be on rebuilding and strengthening the Police Scotland leadership team and the SPA Board itself, and this was achieved. Our focus now is on ensuring that the SPA as an organisation performs effectively and has the people, culture, systems and practices it needs to do the job it was put there to do. As with any process of significant organisational change this takes time and is not without challenge. We will continue to take forward that process of change as effectively as we are able to do while continuing to report openly and transparently on the progress which has been made and the challenges which remain.

Both I and SPA Board colleagues, are keen too to play our part in developing the wider post-police reform landscape so that it operates as it was intended. We will continue to engage with our many partners and stakeholders, and with Scottish Government and Scottish Parliament, to establish a greater shared understanding of respective roles, boundaries and accountabilities in policing going forward.

In conclusion, our police service is performing well despite many pressures and challenges and the oversight and governance of policing in Scotland is continuing to strengthen and develop. With continued commitment and determination, rooted in strong public service values, I am confident that we will make further progress on this journey of change in the future and that that will be to the benefit of the people of Scotland.

Susan Deacon CBE
Chair, Scottish Police Authority
24 September 2019

Performance Report

Following the Chief Executive's Statement, the Performance Report is divided into two parts:

Part 1 Overview

Purpose and Activities
Key Issues
Risks

Part 2 Performance Analysis

Performance Assessment and Reporting
Financial Performance
Going Concern
Non-Financial Information
Environmental Matters



Chief Executive's Statement

During the reporting year the SPA appointed a new permanent Chief Executive, Hugh Grover, who joined the organisation in October 2018. Mr Grover began a period of absence due to ill health in May 2019 and resigned from post in September 2019. Temporary arrangements were put in place to cover Mr Grover's Chief Executive and Accountable Officer responsibilities and the individuals responsible during this period have worked together in developing this report.

Strong foundations have been laid over the past year in strengthening the leadership and governance of policing in Scotland however the challenges faced by the SPA and Police Scotland remain very significant and pressing.

There is strengthened stability and resilience in both the SPA Board and in the Police Scotland leadership team. However, there is also much more work still to do to improve the capability and performance of the SPA as an organisation where systemic weaknesses remain.

We are able to report good evidence of a continuing positive trajectory towards financial sustainability. Annualised revenue savings of approximately £195 million have been achieved. By 2026, cumulative savings from police reform (net of costs) are expected to be £1.9bn. This represents a significant over-delivery compared to the outline business case for the creation of the new policing arrangements, which targeted £1.1bn of cumulative savings by 2026.

Closer working between SPA, Police Scotland and Forensic Services on the budget planning cycle and strengthened oversight of the flow of business with significant financial implications has continued to build on the turnaround in financial rigour evidenced in recent years. This is also a reflection on the strengthened relationship between the SPA and the Chief Financial Officer and his Police Scotland Finance team.

However, there is more to do to build the compelling evidence base for investment to deal with the known financial and service challenges policing faces, as well as the emergent demands and risks of issues like Brexit.

The year saw a very significant milestone in the ten-year strategy for policing, Serving a Changing Scotland, with the approval of the Digital Data and ICT Strategy and business case which will underpin the important transformation of policing as a service and as an organisation in the coming years.

The SPA estates strategy has recently been approved by the SPA Board, however workforce, and fleet strategies have a further way to go. These must be further developed over the coming months.

Our officers and staff are our most important assets and consequently there have been notable investments in, and modernisation of, the pay and conditions of officers and staff and in the technology they have access to.

However, there remain very challenging trade-offs between the capacity of the SPA to invest in modernisation, and the requirements to safely maintain a disparate estate and ageing fleet in which those officers and staff must work and travel. Much continued progress has been made across a range of important areas, but transforming policing and the governance of policing is still very much a work in progress.

We look forward with fresh and renewed commitment in the coming months to maintaining progress already in train, and to a step change in delivery and momentum where improvements have not yet been realised.

John McCroskie,
Interim Chief Executive
24 September 2019

Part 1 Overview



The purpose of this section is to provide an overview of the arrangements for the policing of Scotland and the respective roles of the SPA and Police Scotland. It also provides a summary of what we have achieved in 2018-19; our financial and organisational performance; the key risks we are facing and our plans to address future challenges.



Purpose and Activities

The Policing of Scotland

The Police and Fire Reform (Scotland) Act 2012 (the Act) created a new structure for providing police services in Scotland. The Act brought together eight police forces, the Scottish Police Services Authority (SPSA) and the Scottish Crime and Drug Enforcement Agency (SCDEA) into two new national bodies – the Scottish Police Authority (SPA) and the Police Service of Scotland (Police Scotland). The new structures became operational on 1 April 2013.

“This was one of the largest and most complex reforms of the Scottish public sector since devolution and the most significant change in policing for more than 40 years.”



The current structure has now been in place for six years. The SPA and Police Scotland are therefore relatively young organisations and many aspects of the post-police reform landscape are still evolving and developing. It is clear, however, that the creation of a single police service for Scotland has delivered real benefits to the people of Scotland.

The Scottish Government set three objectives for police reform:

To protect and improve local services, despite financial cuts, by stopping duplication of support services and not cutting the frontline.

To create more equal access to specialist support and national capacity – like murder investigation teams and firearms teams – where and when they are needed.

To strengthen the connection between police services and communities by: – creating a new formal relationship with all 32 councils – creating opportunities for many more locally elected members to have a formal say in police services in their areas – better integrating with community planning partnerships.

The Act also introduced new policing principles to replace the previous principles of ‘guard, patrol and watch’ from the Police (Scotland) Act 1967. The policing principles are:

the main purpose of policing is to improve the safety and wellbeing of persons, localities and communities in Scotland

the Police Service, 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, and promotes measures to prevent crime, harm and disorder.

The Scottish Police Authority

The Scottish Police Authority (SPA) is a national public body. It consists of a Chair and between 10 and 14 Members who are appointed by Scottish Ministers in accordance with the Scottish Public Appointments process. The SPA Board is supported by a team of staff and the SPA Chief Executive is the Accountable Officer for the SPA budget which includes the budget allocated to Police Scotland.

The overarching role of the SPA, as set out in the Policy Memorandum to the Act, is to:-

provide strong governance arrangements and clear accountability for the police service.

provide a clear separation between Scottish Ministers and the police service

ensure that the Chief Constable is free from undue political influence in making decisions about the investigation of crime.

The Act specifies that the SPA is to:

maintain the police service

promote the policing principles and continuous improvement of policing

keep policing of Scotland under review

hold the chief constable to account for the policing of Scotland

It also requires the SPA to:

provide forensic services, independently of Police Scotland, to support operational policing and the justice system in Scotland.

make arrangements for independent custody visiting

be the employer of police staff and to recruit, and assess complaints and conduct issues, related to senior officers (Assistant Chief Constable and above)

The Scottish Police Authority has gone through significant change in the last year and, under a strengthened Board, is continuing to develop its governance, structure and practices to ensure that the Authority operates as an effective as an effective public body.

Police Scotland

Police Scotland is the second largest police service in the UK and has a workforce of more than 22,000 people. It delivers a police service across the length and breadth of Scotland, some 28,168 square miles of urban, rural and remote communities. Police Scotland's focus is on keeping people safe by working in partnership at a local, national and international level, and through a range of specialist and local teams, to deliver policing priorities and commitments.

Police Scotland is led by the Chief Constable and is responsible for providing policing services to help improve the safety and wellbeing of people, places and communities across Scotland.

The Act requires the Chief Constable to:

be responsible and accountable to the SPA for the policing of Scotland

have direction and control of the police service

be responsible for the day-to-day administration of the police service

prepare an annual police plan

seek to secure continuous improvement in the policing of Scotland

ensure adequate arrangements are in place for the policing of each local authority area.

Under a new Chief Constable and strengthened senior leadership team, in the last year Police Scotland has dealt with a range of major events, challenges and increasing demands within the context of significant financial pressures.

The Strategic Police Priorities

The Act specifies that the Scottish Ministers set the strategic police priorities for the policing of Scotland. The current strategic priorities are¹:

Localism – Ensure that the needs of local communities are understood and reflected in the planning and delivery of policing at a local and national level;

Inclusion – Ensure our police service is accessible and responsive to the needs of all people in Scotland;

Prevention – Ensure our police service works to protect people by preventing crime and reducing fear of crime through communication, education, innovation and partnership working;

Response – Focus policing on improving the wellbeing of individuals and communities by tackling crime and responding to and investigating incidents effectively and efficiently;

Collaborative Working – Ensure that our police service works productively with partners at local, national and international levels to deliver better outcomes for people in Scotland;

Accountability – Continuously improve public confidence in policing and inspire trust by being transparent, accountable and acting with integrity, fairness and respect; and

Adaptability – Ensure our police service takes advantage of new opportunities and meets emerging threats and challenges.

The Scottish Government will be reviewing the Strategic Police Priorities during 2019-20 and this will provide the context within which policing will be further developed over the next coming years.

Serving a Changing Scotland – A Ten Year Strategy for Policing

Serving a Changing Scotland – a Ten Year Strategy for Policing² was published jointly by the SPA and Police Scotland in 2016. It sets out an ambitious programme of change and transformation to enable the police service to adapt to meet the needs of the future so that it has the capacity, technology and capability to police effectively in the public, private and virtual space. The Strategy is supported by three year and ten year Implementation Plans.

The vision is to provide sustained excellence in service and protection by focusing on the following areas:-

Protection – based on threat, risk and harm

Prevention – Tackling crime and enduring problems facing communities

Communities – focus on localism, diversity and the virtual world

Knowledge – informing the development of better service

Innovation – dynamic, adaptable and sustainable.

¹ The current strategic police priorities with further detail can be accessed online at: <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2016/10/strategic-police-priorities-scotland/documents/00506835-pdf/00506835-pdf/govscot%3Adocument/00506835.pdf?forceDownload=true>

² The Strategic Police Plan can be accessed online at: <http://www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-strategy.pdf>

This will be achieved through the following Strategic Objectives:

Improving public contact, engagement and service

Strengthen effective partnerships

Empower, enable and develop our people

Invest in our use of information and technology

Enhance cyber and forensic capabilities

Transform corporate support services.

During 2019/20, the SPA and Police Scotland will refresh the 10-year strategy so that it reflects progress to date and addresses emerging challenges and changes in demand within the context of continuing financial pressures

Scientific Excellence for Safer Communities – a Ten Year Strategy for Forensic Services

Scotland's Forensic Service is operated by the SPA and provides a unique crime scene to court model which serves Scottish policing and the wider justice system. It employs around 450 people based at the Scottish Crime Campus in Gartcosh and at other laboratory and operational locations across Scotland.

The Ten Year Strategy Scientific Excellence for Safer Communities³ sets out how the Forensic Service will build on its strengths to grow scientific excellence and so continue to prevent, detect and investigate crime.

The strategic objectives are:-

Value and develop our people, promoting wellbeing and equality

Deliver faster, more responsive and smarter forensic science

Advance the value and benefits from quality forensic services

Transition to an efficient operating model, delivering measurable improvements

Enhance profile and commercial potential of Forensic Services

Forensic Services performance for 2018/19 is reported on page 32 of this document.

³The SPA Forensic Services Strategy can be accessed online at:
<http://www.spa.police.uk/assets/126884/441011/441165/457127/item7.1i>

Key Performance Issues

During 2018/19 significant progress has been made in strengthening the leadership and governance of policing in Scotland and in progressing many key elements of Serving a Changing Scotland, the SPA and Police Scotland's ten year strategy for policing. The section below sets out the main areas of progress and identifies areas where further work is required.

Leadership and governance

While the service the public continued to receive from policing remained strong, as did public confidence in it⁴, it is important to acknowledge that the leadership of policing began this reporting year in a very challenging situation following a period of sustained critical comment and adverse political and media attention.

In the course of the last year, significant changes have taken place within the leadership of Police Scotland and the SPA Board, which have brought greater strength, resilience and focus to both bodies. This has enabled there to be a greater focus on performance, improvement and delivery. Ensuring that the Scottish Police Authority is supported to operate effectively and as the Act intended is a challenge due to weaknesses in the core capacity and capability of the SPA's corporate team however work is underway to progress this.

A major priority over the last year was the design and delivery of a series of rigorous and robust appointment processes which led to the successful appointment of a new Chief Constable, two Deputy Chief Constables and three Assistant Chief Constables (with a further DCC and two ACCs appointed shortly after the end of the reporting year). This significant programme of recruitment, underpinned by strengthened governance and oversight, has made an important contribution to shaping the future structure and culture of the leadership of policing in Scotland. This work was about much more than simply appointing a series of individuals but has been part of a sustained effort to build a cohesive and resilient leadership team which commands high levels of confidence and trust among both the workforce and the public.

Six new members joined the SPA Board during the course of the year, while three members left on completion of their term of office. Through a sustained process of induction and development, the Board has worked through

a significant period of transition. New Board objectives have been agreed and published, a revised Committee structure and membership has been put in place and considerable time and effort has been invested in developing a shared understanding of the role, purpose and priorities for the SPA going forward.

The renewed and strengthened leadership of both the SPA Board and Police Scotland have worked to build strong, trusting and professional relationships which respect roles and boundaries while working together to drive further improvements in governance and decision making to support the effective delivery and oversight of an ambitious programme of transformation and change.

A particular focus has been placed on strengthening Police Scotland's reporting to the SPA Board and its Committees to ensure that public awareness of changes and developments in policing is enhanced and that the Chief Constable is held effectively to account. The need to uphold the principle of 'policing by consent' lies at the heart of this work.

The development of a new outcomes focused Performance Framework was taken forward through a process of joint working and will form the basis of performance reporting from autumn 2019. The Performance Framework will be kept under review by both the SPA and Police Scotland and will be further developed as required both to enhance public reporting and accountability, and to act as a driver for performance improvement within the police service.

Both the SPA and Police Scotland have developed new Governance Frameworks and have worked together to ensure that these align to ensure effective decision making at all levels while avoiding unnecessary duplication of resource. This, together with a range of work on 'assurance mapping', as well as various internal audit reports and external reviews, will inform the future design and practices of the SPA to ensure that the scrutiny and oversight of policing is carried out in a way that is both rigorous and proportionate.

Transformation and change

Serving a Changing Scotland - the ten year strategy for policing, agreed by the SPA and Police Scotland in 2016, maps out a clear direction of travel for our police service underpinned by an ambitious programme of transformation and change. In the last year, significant progress has been made in delivering many key elements of the Strategy. Going forward it is vital that investment and change continues and that the pace of change is accelerated.

The requirement for police services to adapt and anticipate the changing nature of threats, risks and harms is not exclusive to Scotland but to societies and jurisdictions across the world. Our police service now needs to operate effectively across the public, private and virtual space and that means fundamental changes in how policing is delivered.

According to the latest Scottish Crime and Justice Survey, published in March 2019⁵, the two most prevalent worries

⁴ Across Scotland confidence in policing remains strong with 57% of respondents to the last Scottish Crime and Justice Survey indicating that the police are doing a good or excellent job. User satisfaction remains high with 81.6% of respondents satisfied with the way Police Scotland dealt with their incidents. This is an increase of 1.3% compared to this time last year. SPA Board Meeting Performance Report Q4 2018/19 – <http://www.spa.police.uk/assets/126884/441011/509407/523656/item11>

for people in Scotland are having their bank or credit card details obtained, and the theft of their identity. Research by the Scottish Government also estimates that a rise in cyber-enabled criminality has contributed to more than half the rise in recorded sexual crimes in Scotland since 2013-14. Cyber-enabled crimes are both growing in scale and still likely to be greatly under reported.

Police Scotland has made significant investment in building capacity and capability to be able to deliver transformation, supported by a range of external professional services and support (consultancy £6.6m, note 4 to the financial statements). It is important that as this process of transformation continues, Police Scotland's own capacity and capability to lead and drive change - operational technical and cultural - continues to be developed so that it becomes more self-reliant in the future.

Ensuring that there is informed public debate about how and why policing is changing will be ever more important as policing continues to change. Both the SPA and Police Scotland have taken steps to enhance public awareness and to increase public and stakeholder engagement in our work but there is both a need and opportunity to accelerate work in this area.

So too is there a need, as the Act envisaged, that there be a clearer separation between politics and policing. This, we recognise, is a sensitive issue as the Parliament and elected representatives have a necessary and legitimate interest in policing. Similarly, achieving an appropriate separation between Police Scotland and Scottish Ministers, again as envisaged by the Act, is an important founding principle of our policing arrangements. The SPA has made important steps forward in fulfilling its role as a 'buffer' between politics and policing but recognises there is much more to be done to ensure that it 'steps up and steps in' to that space and that others 'step back'.

We recognise that there are many, and often competing, views and interests about how policing should be developed and it is vital that these voices are heard and that a balance between different views and interests are reached. Important lessons have been learned from past experience where this has not always been done as readily or effectively as might have been the case. The way that the practice of Stop and Search has been developed in Scotland over recent years is a good example of how learning has been applied and of how a collective and collaborative approach can find ways of delivering policing which are effective and command high levels of confidence and trust. Building on this approach will be important in many other areas of policing going forward.

It is also clear that there is a growing need to consider how best rapid advances in technology can be applied to policing in a way that balances the protection of the public with the privacy of the individual and other ethical concerns. Police Scotland and the SPA have each taken steps to ensure that their respective roles in delivering and scrutinising changes and developments in policing become more active in this regard. We also welcome the steps being taken by the Scottish Government to consider how the legislative framework within policing operates can be updated to provide greater clarity and relevance in a digital age.

The increasing demands being placed on policing are significant.⁶ Other incidents not resulting in a crime report include anti-social behaviour, neighbour disputes and road traffic matters. During 2018/19 1.72 million were recorded by the police in 2018/19, up slightly from 1.71 million in 2017/18. There have been increases in reports from the public about disturbances, up 5.8% from 86,609 in 2017/18 to 91,632 in 2018/19, and communications offences which rose by 11.8% from 37,854 in 2017/18 to 42,306 in 2018/19. There is also an increasing requirement for the service to deal with people at times of crisis, whether through vulnerability, mental health, isolation, addiction or other needs and demands.

Acknowledging the need to understand what demand on the service looks like now, Police Scotland carried out work during 2018/19 to establish a demand and productivity baseline that will enable a review of local policing resources during 2019/20 - how they are allocated and deployed in response to demand. This work will provide a clearer understanding of remaining demand and productivity within policing and will be vital both to inform future priorities and resource allocation within policing, while also helping to drive wider change across the public services so that people get the right public service response, in the right way and at the right time.

In the last year important progress has been made in delivering key strategies which will underpin the process of transformation and change. Police Scotland's People Strategy and the recently produced Framework for Workforce Planning are two such examples which are important steps forward in ensuring that Police Scotland develops and shapes its workforce to be able to respond effectively to future needs. Similarly, there has been considerable work done to understand how productivity and capacity can be better utilised across the service. It is vital that the police service is able to develop a flexible and highly skilled workforce and to adapt the workforce profile and mix to meet changing needs. There is a pressing need for this work to be further progressed so that future plans can be developed to prepare the workforce for the future.

The production of the Digital Data and ICT Strategy (DDICT), approved by the SPA Board in September 2018, was a major step forward and represents a fundamentally different and better approach to transformation than the previous failed strategy. But the challenges of securing investment and delivering change at the scale and pace required are significant. Police Scotland is building its capacity to implement this programme and the SPA is developing plans for strengthened governance and oversight. This is a key priority for both organisations and is inextricably linked to securing additional public investment in ICT development in policing.

⁵ Scottish Government (2019) Scottish Crime and Justice Survey 2017/18 Main Findings. Available online at: <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2019/03/scottish-crime-justice-survey-2017/18-main-findings/documents/scottish-crime-justice-survey-2017/18-main-findings/scottish-crime-justice-survey-2017/18-main-findings-govscot%3Adocument/scottish-crime-justice-survey-2017/18-main-findings.pdf?forceDownload=true> Published March 2019.

⁶ Recorded crime represents only 22% of the overall incident demand" - <https://www.hmics.scot/sites/default/files/publications/HMICS20190626PUB.pdf>

Risks

Significant strategic risks across the policing system which remain current are summarised below, along with the details of relevant controls that are in place.

Financial Sustainability - significant challenges remain, not only to achieve financial sustainability but to ensure the transformation portfolio can be fully delivered. The capital funding requested for 2019/20 was £99.3m against a post-budget allocation of £43.1m. This shortfall has an effect on the intended timescale for delivery of the transformation portfolio. Work has been carried out to adjust and prioritise major programmes and projects in line with the available funding allocation. The financial performance section on page 34 provides more detail on the financial challenges and current performance.

Digital, data and ICT capability development - Police Scotland has produced a DDICT strategy⁷, programme and associated business case⁸ to enable transformation related to the Serving a Changing Scotland strategy. A funding bid was made to Scottish Government to enable the delivery of the DDICT programme, however the received allocation was less than requested and therefore the programme has been adjusted and prioritised to deliver over a longer period which is dependent on ongoing funding.

Workforce engagement and leadership development - it is recognised that during a period of significant organisational change there is a risk that officers and staff may become disengaged, affecting their wellbeing. Equally, talent management and succession planning to identify and grow leaders for the future is required.



Strategic planning, performance management and public engagement - the Serving a Changing Scotland transformation portfolio requires significant investment to deliver.

During 2018/19 an outcome-based performance framework was developed, going live on 1 April 2019⁹. Challenges remain in 2019/20 to ensure that Police Scotland can deliver new products, data and tools so that quarterly reporting is developed and delivered to the standard required by the SPA Board to carry out its statutory duties of keeping policing under review and holding the Chief Constable to account.

BREXIT contingencies - a number of potential impacts to Police Scotland exist in the event of the UK's departure from European Union, including the uncertainty of the manner and timing of the UK's exit from the European Union.

⁷The Strategic Outline Case for DDICT is available online at: <http://www.spa.police.uk/assets/126884/441011/441165/475794/82026servingachangingscotland>

⁸The Outline Business Case for DDICT is available online at: <http://www.spa.police.uk/assets/126884/441011/441165/505246/505303>

⁹The new performance framework can be accessed online at: <http://www.spa.police.uk/assets/126884/441011/509407/512003/Item7PRF>

A number of emerging risks have been identified for 2019/20 as follows:

Management of Demand - societal changes continue to drive a need to more preventative policing approach, working closely with partners to identify collaborative approaches to meet demand. There is a risk that unless successful collaboration is achieved to meet societal changes, demand will increasingly outstrip policing's capacity to respond.

Criminal Justice Services (CJS) for the Future - through the transformation of custody, productions and records management, the CJS programme aims to introduce more efficient criminal justice processes and implement structures and models to better manage demand. In order to transform, investment in infrastructure and technology is necessary. Owing to reduced funding stream for the programme in 2019/20, there is an emerging risk that a fit for purpose CJS Division cannot be realised in the planned timeframe.

Oversight of Change - there is an increasing risk that without a robust process for the oversight and scrutiny of the Police Scotland's change portfolio, the SPA's ability to improve policing and hold the Chief Constable to account may be diminished.

A number of strategic risks to policing have been downgraded during 2018/19 as follows:

Chief Police Officer Resilience - the Chief Constable was appointed by the SPA during 2018, as were two new Deputy Chief Constables.

"In August 2018, the Scottish Government announced that further interim options to deliver the devolution of railway policing were to be explored and the programme of full integration placed on hold."

Future Policing of Railways in Scotland - A Scottish Railway Policing Committee (SRPC) was proposed (a sub-committee of the British Transport Police Authority (BTPA), established under existing legislation). Members of the committee from SPA and BTPA worked together on the development of terms of reference and a memorandum of understanding for the establishment of the new committee. These were approved in June 2019 with the first committee scheduled to meet in autumn 2019.

Governance within Police Scotland - a revised Police Scotland Governance Framework was subject to an internal audit review published in March 2018¹⁰, which confirmed that "Police Scotland has implemented an effective governance structure that is aligned to the SPA governance structure."

¹⁰ The review is available online at:
<http://www.spa.police.uk/assets/126884/415820/441176/454698/455216>

Part 2

Performance

Analysis



Performance Assessment and Reporting

The SPA has assessed statistical and other performance evidence provided by Police Scotland, Forensic Services and SPA Corporate.

The SPA has also asked Local Authority scrutiny partners and COSLA to provide their views on Police Scotland's performance, including the level of engagement and support from policing to their respective communities throughout the year.

Operational policing performance has been judged against priorities and related commitments set out in the 2018/19 Annual Police Plan and delivery evidence of Year Two of the Serving a Changing Scotland Implementation Plan ¹¹

Forensic Services performance has been assessed against the objectives set out for the first year of the new Forensic Services 2026 strategy launched during 2018/19, and SPA Corporate evidence comprises progress against the SPA Improvement Plan for 2018/19.

The Scottish Crime and Justice Survey has also been considered and provides evidence on public confidence in policing and perceptions of the police and justice system more generally. The latest available findings cover the period 2017/18, with these findings published in March 2019.

The full detail of the SPA's assessment and analysis of police performance will be laid out in the separate Annual Review of Policing document, and is summarised for the Annual Report and Accounts in the following section.



¹¹ The 3 Year Implementation Plan for the Policing 2026: Serving a Changing Scotland strategy can be accessed online at: <https://www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-3-year-programme-2017-2020>

Police Scotland Performance

Progress on year 2 of implementation plan

Police Scotland has made progress in relation to delivering many planned activities against the strategic objectives during the second year of the three year Implementation Plan¹².



Serving a Changing Scotland
Creating capacity to improve
Implementation Plan
2017-2020



SCOTTISH POLICE
AUTHORITY

Highlights include progress on command and control systems, officer communications and data mobility, improved core operating business systems, development of a new contact assessment model, a new payroll system, better agile working facilities, harmonisation of employee pay and conditions and publishing of a People Strategy and an Estates Strategy. There has also been progress in staff wellbeing and internal communications and staff engagement.

However progress in some areas has been less than initially anticipated at the start of the financial year. A number of strategies were expected to be developed during the year, including a Partnerships Strategy, a Public Contact Strategy, a Rights-Based Policing Strategy, and an Innovation Strategy, but these were not delivered. Training in areas such as cybercrime awareness, distress, mental health and vulnerability was also expected to have been undertaken, but remain in planning phase. An Innovation Hub and Ideas Portal was expected to have been implemented, with strategic continuous improvement reviews taking place with partners, but again, implementation has been delayed due to other priorities. Cybercrime statistics were expected to feature in performance analysis reporting, and cybercrime journey mapping was planned but did not materialise. A Talent Management Programme for officers and staff was not launched as planned, and a revised recruitment and selection approach was not implemented.

These delays have arisen as a consequence of changes to phasing and priorities within the transformational change portfolio in the light of anticipated funding availability. The majority of the changes delivered are enabling projects which lay the foundations for future productivity gains and efficiency savings.

"Overall there is no significant change in the trend of total crime or detection rate, however there are significant sustained trends when total crime is disaggregated into crime types."

¹² Available at: <http://www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-3-year-programme-2017-2020>

Crime and Policing Statistical Analysis

Whilst there is a need to assess the impact of policing on our communities in the widest sense and in the context of the whole public sector landscape, crime statistics are, and will always be, a key measure by which policing performance will be gauged.

There is a drive to re-balance the continuum of action across prevention, intervention and enforcement toward preventative measures and this will be measured in the long term, to a certain extent, by changing crime statistical trends. In common with the rest of the public sector, policing is seeing an underlying rise in demand and this is reflected in the crime statistics. Against this underlying rise, success may be judged as a slowing down in the rate of increase as opposed to a reduction in any absolute measure.

Crime and Policing Statistics

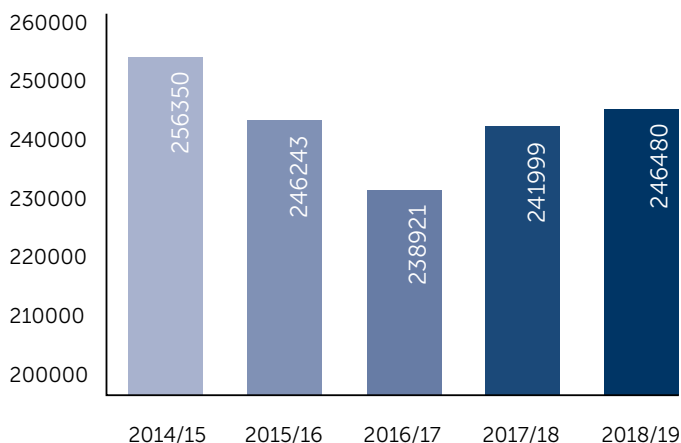
Recorded crime data and other criminal justice and policing statistics provide valuable information about the current state and historical trends of crime in Scotland. It should be noted, however, that only 35% of crime was reported to the police in 2017/18 according to the findings of the Scottish Crime and Justice Survey.

Provided below are some key observations regarding recorded crime data for 2018/19, set in the context of the longer term five year trend. The data has been sourced from a range of published sources, including Police Scotland Management Information.

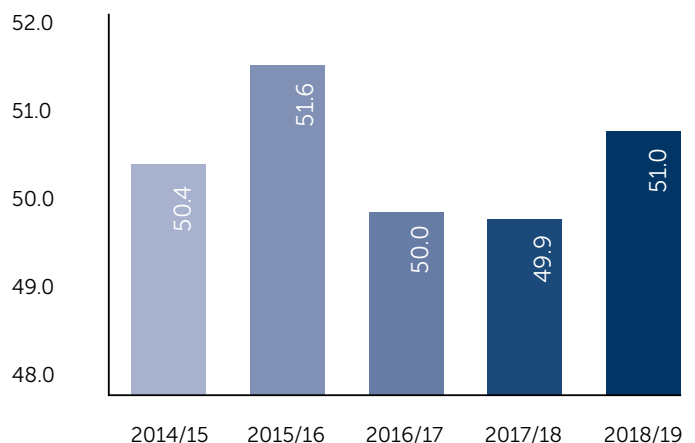
Total Crime

A total of 246,480 crimes were recorded by Police Scotland in 2018/19, an increase of almost 2% from the previous year but when assessed across the last five years this level is below the five year average of 250,782 crimes per year for the period 2013/14 to 2017/18. The detection rate for crime in 2018/19 is 51%, an increase of 1.1% from 2017/18 and in line with the preceding five year average of 50.6%. Overall there is no significant change in the trend of total crime or detection rate, however there are significant sustained trends when total crime is disaggregated into crime types, as can be found in the following crime-type section overleaf.

**Total Crimes in Scotland
2014/15 to 2018/19**



**Detection Rate - Total Crimes in Scotland
% of Crimes Detected 2014/15 to 2018/19**



Violent Crime

Violent crime increased by 10.2% from last year to 8,008 crimes. The five year trend shows that there has been a **sustained increase in violent crime**, with an overall total increase of 27.7% since 2014/15. Against this consistent rise in the number of crimes is a parallel and significant fall in the detection rate which shows an overall decrease of 10.4% since 2014/15. This is a concerning picture and is an area where focused action is required.

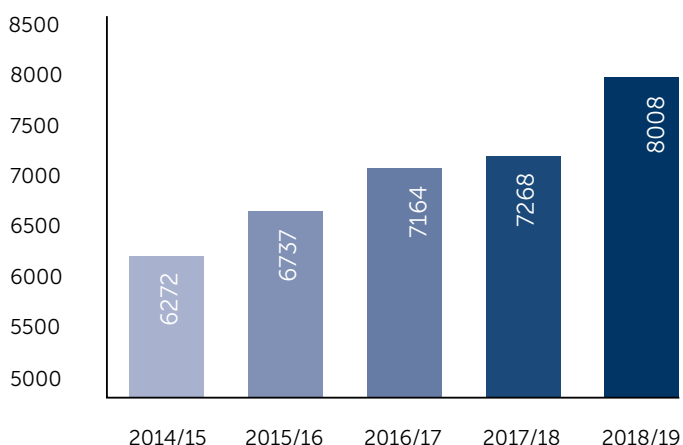
The findings from the most recently published Scottish Crime and Justice Survey 2017/18 report that 2.3% of adults in Scotland were victims of violence, with younger people, and people living in more deprived areas more likely to experience violence than other groups. Repeat victimisation rates for violence were also found to be high, with the survey finding that around 60% of violence impacts on just 0.7% of the adult population in Scotland.

Evidence from Emergency Department (ED) admissions statistics confirms the rise in violence related injuries within the last few years¹³. The proportion of assault injuries attributable to the use of a sharp implement, such as a knife, has remained fairly consistent during the last five years, averaging 21.5% of all violent assault injuries being presented to ED. The latest Scottish Crime and Justice Survey findings, for 2017/18, suggest that the proportion of violent crime involving the presence or use of weapons is 12%. In terms of alcohol, the survey found that offenders under the influence of alcohol has fallen from 63% in 2008/09 to 46% in 2017/18.

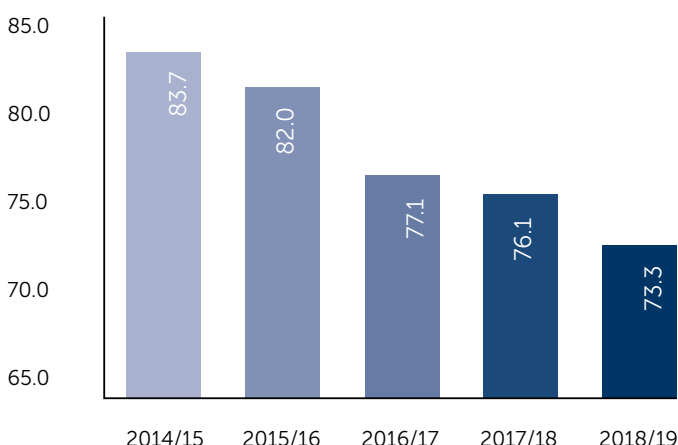
This trend in rising violence is **not reflected** when serious assault and murder rates are examined.

A particular element of violent crime that has risen is robbery, with the number of robbery crimes **increasing** by 20.7% over the five year period to 1,807 crimes. Detection rates for robbery are **decreasing**, a total of 4.8% since 2014/15, falling to 72.4% in 2018/19.

Non-Sexual Crimes of Violence in Scotland 2014/15 to 2018/19



Detection Rate - Non-Sexual Crimes of Violence in Scotland % of Crimes Detected 2014/15 to 2018/19



"The five year trend shows that there has been a sustained increase in violent crime, with an overall total increase of 27.7% since 2014/15."

¹³ NHS Information Services Division (2019): Unintentional Injuries - Hospital Admissions: Year ending 31 March 2018 - Deaths: Year ending 31 December 2017. Published 05 March 2019. Available online at: http://www.isdscotland.org/Health-Topics/Emergency-Care/Publications/2019-03-05/UI_Table15_Mar19.xlsx?14:29:20

Sexual Crimes

There has been a **sustained rise** in the number of sexual crimes over the last five years, with an overall increase of 41.7% from 2014/15. Of the 10,094 crimes recorded by Police Scotland in 2018/19, 25.5% were not recent in nature i.e. they occurred more than one year prior to being reported to the police. This level is consistent with 2017/18 (26%).

In contrast to the rising number of crimes, the detection rate for this crime group is following a **pronounced downward trend**, with an overall reduction of 18.4% since 2014/15. In particular, the number of rapes and attempted rapes has increased by 27.6% when compared to 2014/15, whilst detection rates have decreased since 2014/15.

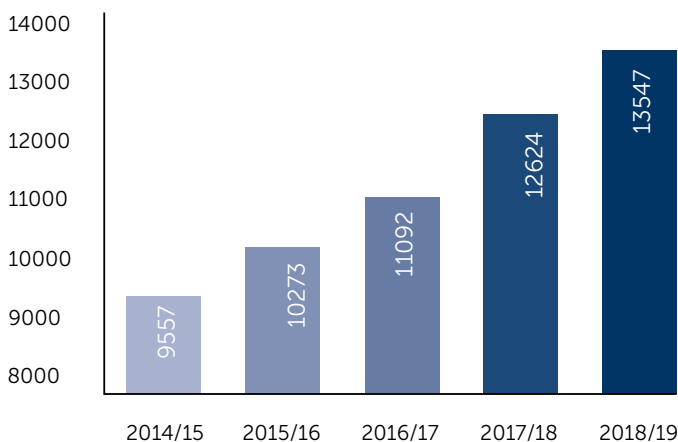
Findings from the Scottish Crime and Justice Survey 2017/18 provide additional context to some of the challenges facing the police service in this area, largely due to a combination of under-reporting (which results in an incomplete intelligence picture and understanding) and delayed reporting, making investigations more complex.

For example, only 23% of respondents who had experienced a serious sexual assault said that they had reported the incident to the police, with 38% saying that the 'fear of making matters worse' was the main barrier for not reporting the incident. As with violent crime, repeat victimisation rates are high, with 62% of those who had experienced forced sexual intercourse since the age of 16 saying that there has been more than one incident, with half of these people also saying that they had experienced too many incidents to count.

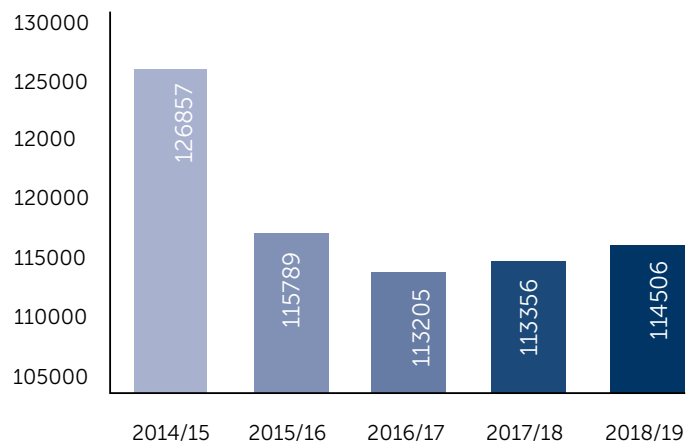
Crimes of Dishonesty

Crimes of dishonesty, which include thefts, frauds, shoplifting, vehicle crime and housebreaking, have **increased marginally** by 1% last year. The five year trend shows a **significant reduction in 2015/16 and a generally steady state since that year**. Detection rates in this crime group have increased by 1.1% from last year and 2.5% since 2014/15. Analysis from the 2017/18 Scottish Crime and Justice Survey finds that people living in the most deprived areas of Scotland, and those living in urban locations, were more likely to experience property crimes (including vandalism) than other groups.

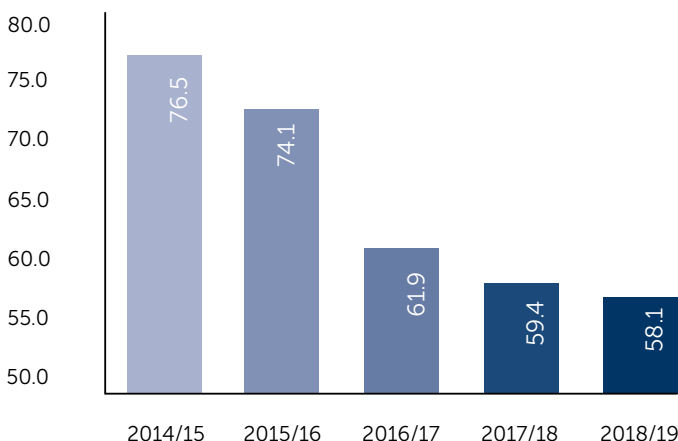
**Sexual Crimes in Scotland
2014/15 to 2018/19**



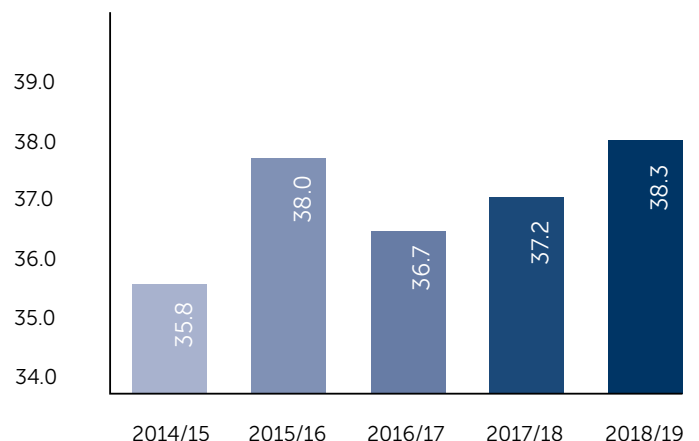
**Crimes of Dishonesty in Scotland
2014/15 to 2018/19**



**Detection Rate - Sexual Crimes in Scotland
% of Crimes Detected 2014/15 to 2018/19**



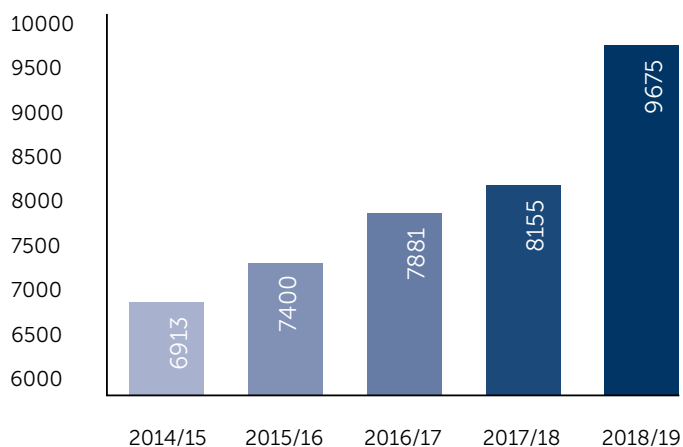
**Detection Rate - Crimes of Dishonesty in Scotland
% of Crimes Detected 2014/15 to 2018/19**



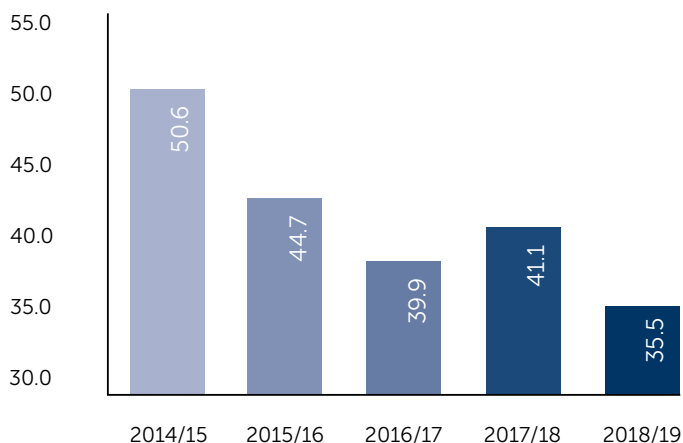
Fraud

A significant trend over the last five years within this crime group has been a sustained increase in fraud, with fraud representing a crime type that the general public is most commonly worried about the likelihood of experiencing¹⁴. Fraud has **increased** by 18.6% (to 9,675 crimes) in 2018/19 compared with last year and 40% when compared to 2014/15, whilst the detection rate has **decreased** overall by 15.1% over the last five years. It is believed that fraud crime is rising as a consequence of increases in cybercrime and the use of digital means to carry out financial transactions. During 2018/19 Police Scotland introduced a specific cybercrime marker on incident recording systems. This will enable a more accurate picture of fraud crime reporting of statistics in relation to cyber-enabled and cyber-dependent crime.

Fraud Crimes in Scotland 2014/15 to 2018/19



Detection Rate - Fraud Crimes in Scotland % of Crimes Detected 2014/15 to 2018/19

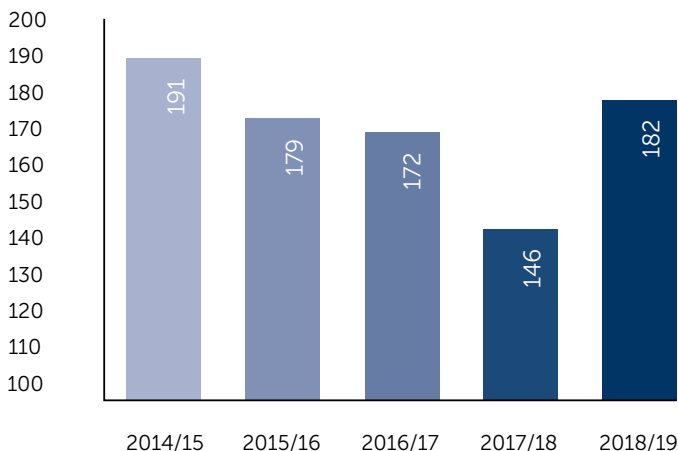


Road Deaths

During 2018/19 there was an unexpected rise in the number of deaths on the roads, increasing by 36 (24.7%) compared with 2017/18. However the five year trend is **downward** and close monitoring going forward should reveal whether this represents a change in the longer-term trend, or whether 2018/19 had been an exceptional year.

If the average level is regained during 2019/20, this would be at the level of the Scottish Government target of 175 road deaths per year by 2020.

Road Deaths in Scotland 2014/15 to 2018/19



¹⁴Scottish Crime and Justice Survey 2017/18

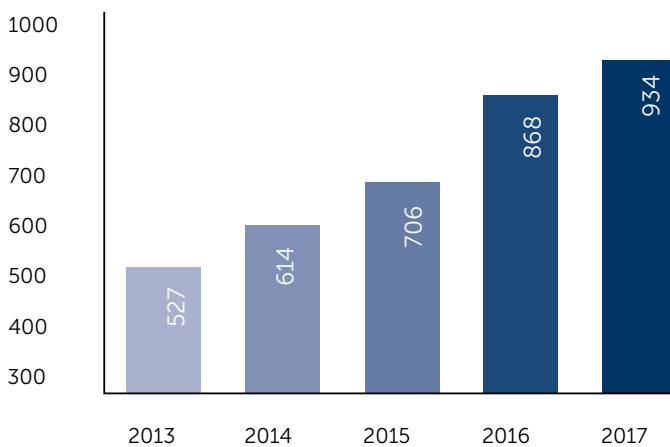
Drug Related Deaths

In 2017, the highest level of drug related deaths were recorded in Scotland since the series began in 1996. There is a 7.6% increase from 2016 and a 77.2% increase from 2013. Scotland's drug death rate is higher than those reported for all EU countries, and Scotland's drug death rate (per head of population) is around **two and a half times that of the UK as a whole**.¹⁵

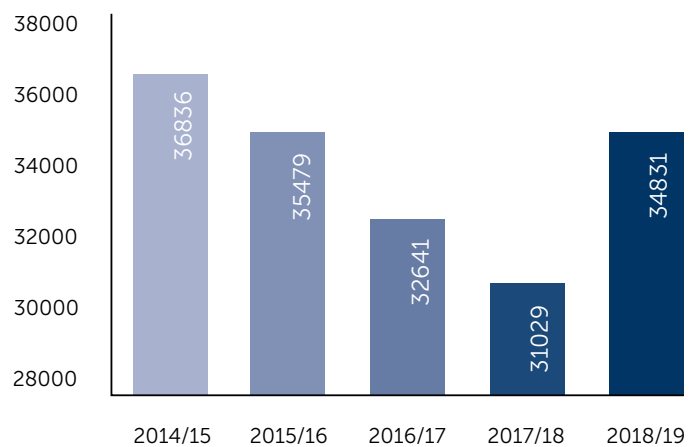
Drug Related Crime

2018/19 saw an **increase in levels of drug crime of 12.3%** since the previous year, however the trend over the last four years has been falling. Close monitoring throughout 2019/20 will show whether 2018/19 has been an exceptional year.

**Drug - Related Deaths in Scotland
2013 to 2017**



**Total Drug Crime in Scotland
2014/15 to 2018/19**



"2018/19 saw an increase in levels of drug crime of 12.3% since the previous year, however the trend over the last four years has been falling. Close monitoring throughout 2019/20 will show whether 2018/19 has been an exceptional year."

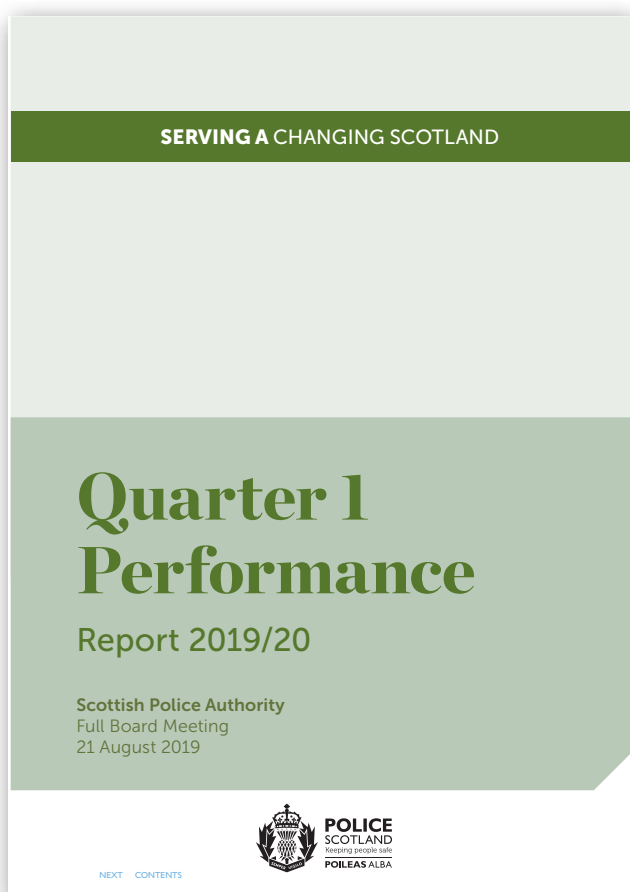
¹⁵ Statistics on drug related deaths in Scotland are available online at: <https://www.nrscotland.gov.uk/files//statistics/drug-related-deaths/17/drug-related-deaths-17-pub.pdf>

Delivery of the Annual Police Plan Priorities

It is believed that Police Scotland provides a very good level of service to the people and communities of Scotland. In the multi-source assessment undertaken there are many examples which demonstrate effective, responsive policing and a number of achievements resulting from effective partnership working.

From 2019/20 Police Scotland's new outcome-based performance framework, measuring and assessing impact of planned policing activity should provide a better picture of overall success in achieving these outcomes. The use of key performance questions within the framework will help officers to focus on assessment of their activity and how it contributes to overall performance around prevention and detection of crime. For example; "How well are Police Scotland using available intelligence to prevent and respond to crime?".

The following sections provide an insight into the range of work to support these priorities and the positive impact it is having, thematically presented against the operational priorities laid out in Police Scotland's 2018/19 Annual Police Plan.



Priority: Violence, disorder and antisocial behaviour

Earlier statistical analysis shows that violent crime is consistently rising and detection rates are falling. During 2018/19 Police Scotland committed to maintaining their prevention, partnership and intelligence-led approach to tackling this priority and detecting such crimes, including development of business intelligence tools to identify both emerging trends and geographical areas where these issues are impacting on communities.

The policing approach is both strategic and local, with a national Violence Prevention Board that includes key strategic external partners that focuses on Scotland-wide issues and a monthly Violence, Disorder and Antisocial Behaviour Meeting supported by analysis and expertise to identify discernible patterns and emerging trends, informing local policing deployments. Analysis was undertaken in 2018/19 on assault statistics relating to emergency workers.

Police Scotland uses the National Intelligence Model (NIM) methodology to monitor and address emerging threats, leading to significant local operational results. There is evidence across the local policing divisions of information sharing and the development of joint problem-solving and early intervention initiatives with a diverse range of partners.

Some recent examples that demonstrate the impact of policing activity in tackling this priority are presented below:

Ensuring Early Intervention and Prevention

During 2018/19 Police Scotland continued valuable work to better understand the reasons why young people become involved in crime and what works to prevent it. There is strong evidence of the negative impact that adverse childhood experiences (ACEs) caused by abuse and neglect can have on children, putting them at greater risk of poorer outcomes in life including addictions, imprisonment, homelessness and poorer health.

Local Policing in Ayrshire and Dumfries and Galloway has undertaken a prototype of becoming a Trauma Informed Division, with a programme of awareness for all staff. Having a trauma-informed workforce is about more than simple awareness of ACEs. It is also about breaking the cycle of offending and reducing the chances of young people becoming future victims of crime. It is a long-term, transformative approach that also aims to change how policing is delivered, acknowledging that law enforcement can in itself cause trauma. There are plans to enhance trauma awareness within more specialist policing roles such as custody, child protection, campus officer and sexual offence liaison officer.

Close partnership-working with other public service partners is a critical factor to making trauma-informed policing work, strongly correlating with the Christie Commission on the future delivery of public services and the much-publicised public health approach to preventing violence and reducing inequalities.

Below are some trauma-informed policing examples from Ayrshire:

Preventing and reducing trauma when executing search warrants within domestic properties;

Campus police officers and educationalists adopting a targeted approach to children, young people and their families who have been exposed to adversity and trauma; and

Introducing 'Operation Encompass' in Ayrshire to enhance local protocols with Education Services in circumstances where children have witnessed domestic abuse and suffered trauma.

The use of campus officers is one way in which education and Police Scotland are working together to help young people engage in positive behaviour and steer away from antisocial activity and crime. Although the use of campus officers is not a universal approach across Police Scotland, during 2018/19 there has been an expansion of campus officers to include all of Glasgow's local authority schools. These were initially targeted in some of the larger schools in the city, however the positive results, seen though marked

improvement in the relationships between pupils and police officers has led to a city-wide rollout. Campus officers are able to offer guidance and support to young people in a safe environment, whilst children are still learning and forming their view of the world. Local officers recently visited Avon and Somerset Police to share their learning from this initiative.

In their recent inspection report¹⁶ HMICS has recommended that Police Scotland should carry out an evaluation of the campus officer role and consider extending the concept across Scotland.

Making the city safer

Operation Engagement/Escalade targeted two organised crime groups in Glasgow that had been engaged in a long running feud resulting numerous incidents of serious violence. This operation was positively cited by HMICS in a recent inspection of Greater Glasgow Policing Division. Numerous stolen vehicles were recovered, with many used in acts of violence against rival gang members. Intelligence enabled further opportunities to prevent and disrupt planned violence and help to reduce escalating tension between the crime groups involved.

A team of officers from Greater Glasgow and Specialist Crime Divisions worked collaboratively to achieve significant arrests and disruption to criminal activity, culminating in six men being convicted of conspiracy to murder and imprisoned for a total period of 104 years in April 2019.

Cybercrime investigation played a pivotal role in this investigation, with examinations of over 400 devices throughout the operation, with the operation's Forensic Analyst spending four days giving evidence of his findings at the trial. The partnership element of this disruption approach was extensive, relying on close working with many partners. Officers were able to increase their knowledge of Serious Organised Crime (SOC) tactics in respect of the use of stolen plates, trade plates and false plates on motor vehicles, contributing to the recovery of a large number of stolen motor vehicles.

"Police Scotland uses the National Intelligence Model (NIM) methodology to monitor and address emerging threats, leading to significant local operational results."

¹⁶ HMICS's inspection report can be accessed online at: <https://www.hmics.scot/publications/local-policing-inspection-programme-inspection-greater-glasgow-division>



Priority: Serious Organised Crime (SOC)

During 2018/19 Police Scotland committed to work in partnership to prevent harm caused to individuals, communities and businesses by SOC, including the increasing threat from cyber enabled crime including organised online fraud. Police Scotland is currently taking forward a programme to build a national cybercrime capability, through the implementation of Policing 2026: Serving a Changing Scotland. Police Scotland has tackled disruption and prevention of SOC activity at both national and local level.

There has also been renewed focus on how enforcement and multi-agency working can impact on rising levels of drug deaths. However it is an increasing problem, with reporting in July 2019 of 1,187 drug-related deaths registered in 2018, 253 (27%) more than in 2017. This is the largest number ever recorded, and 613 (107%) higher than the figure for 2008 which was 574. Scotland's drug death rate is higher than those reported for all EU countries, and Scotland's drug death rate (per head of population) is almost three times that of the UK as a whole.¹⁷

Below are some examples of how Police Scotland and its partners are tackling this very serious issue and making an impact on several fronts;

Working in partnership to prevent drug misuse

Police Scotland is working together with a number of partners including the National Health Service (NHS), Local Authorities and local drug agencies, to play a pivotal role when dealing with people in crisis on the frontline, helping those with drug and alcohol problems get the right support. Research has shown that high levels of drug misuse in Scotland have been linked to mental illness or childhood trauma.

Police Scotland supported the Partnership for Action on Drugs (PADS) launch of the 'Change Stigma to Respect' event in Glasgow. This showcased work to raise awareness around stigma and the adverse effect this has on recovery, supporting the extensive media work already undertaken to raise awareness of stigma. In addition, Police Scotland's Substance Harm Prevention team implemented a prevention approach aimed at tackling stigma, including the causes

and effects that it can have on a person's recovery from problematic substance use. This approach has been collaborative, involving Police Scotland's Specialist Crime Division (SCD), local policing divisions, Scottish Drugs Forum (SDF), Scottish Families Affected by Alcohol & Drugs (SFAD) and recovery communities throughout Scotland.

Operation Fundamental

This local policing operation in Tayside is an example of how partnership working can impact on the increasing incidence of drug related deaths. The operation formed part of a wider, longer term approach to tackling the issue of drugs and drug related deaths in Tayside, working with Dundee Alcohol and Drugs Partnership and Dundee City Council Social Work and Neighbourhood Services. By combining police enforcement and access to support services, the approach aimed to impact on criminal activity and address the wider social, lifestyle and health problems that drug use can create within communities.

As a result of the operation, 84 individuals were subject to drug enforcement action and 30 were reported for drugs supply charges. 66 adults were identified as vulnerable or at risk of harm from the effects of illicit drug use and were referred to partner agencies. Many of these individuals had care of or access to children and consequently details of 60 children have been shared with partner agencies.

¹⁷ Statistics on drug related deaths in Scotland are available online at: <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/vital-events/deaths/drug-related-deaths-in-scotland/2018>

Priority: Counter terrorism and domestic extremism

Police Scotland evidenced a range of work, including with partners, to reduce the threat and harm from terrorism through its well-developed Pursue, Prevent, Protect and Prepare approach. An example under Prevent is included below to demonstrate the range of partners involved;

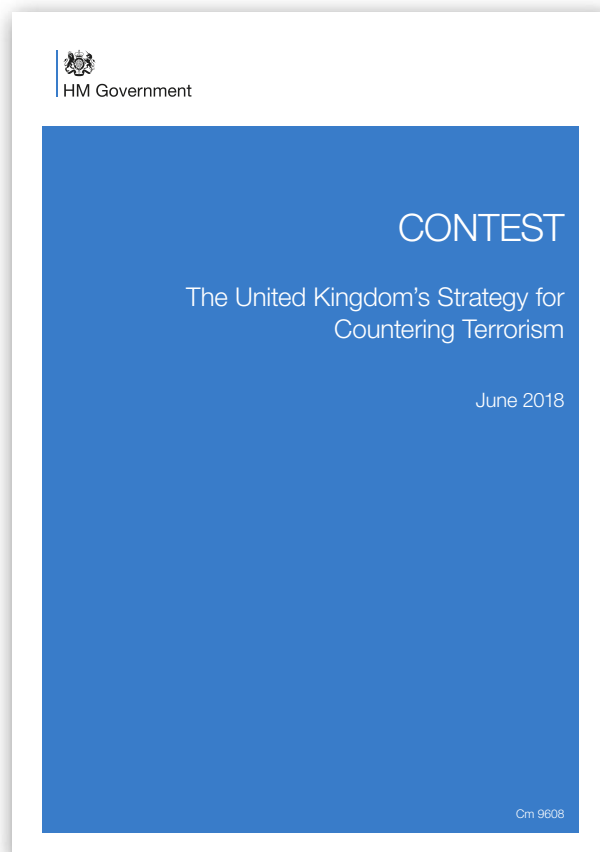
PREVENT: To stop people becoming terrorists or supporting terrorism

During 2018/19 the Police Scotland Prevent Delivery Unit (PDU) continued work on an evaluation project along with medical experts, the Scottish Government and Prevent partners in England and Wales. The aim is to introduce a national mental health service for Prevent cases based on the Serious Offender Liaison Service (SOLS) model which currently operates in Lothian and Borders. The benefits of this model will be to significantly enhance the ability of PDU to deal with the risk posed by Prevent subjects who are suffering from a mental disorder. Fact finding and benchmarking research with other medical professionals in England and Wales has been used to establish the basis for a proposed service in Scotland.

In addition to a range of less visible activity, Police Scotland's capability to deploy highly-visible police deployments designed to deter, detect and disrupt a range of potential criminal activity was noted over the summer months of 2018, including in the preparations for the United States Presidential visit to Scotland, demonstrated below;

PREPARE: To mitigate the impact of a terrorist attack

Project Servator is the name given to highly visible police deployments, designed to deter, detect and disrupt a wide range of criminal activity. Officers involved possess a high level of training to detect hostile reconnaissance and respond appropriately. These officers were deployed at a number of key events over the summer months during 2018. In preparation for the United States Presidential visit to Scotland, a full command structure was put in place to support the delivery of this tactic. This has led to this approach being adopted as good practice across the rest of UK law enforcement.



Priority: Public protection

The protection of the public is a national priority for Police Scotland, working with partners to protect people, support victims and prevent all forms of abuse, neglect and exploitation. Police Scotland has taken forward initiatives and campaigns around the prevention of child abuse and neglect, domestic abuse, sexual crime and abuse of adults at risk. There is also evidence of local good practice and approaches to investigation of online child exploitation. There have been efforts in awareness raising on human trafficking and modern slavery. Police Scotland took proactive action to prepare for the introduction of enabling legislation – the Duty to Notify. There is work underway to better understand the causes and manage the demands placed upon policing of missing person investigations.

Examples of how Police Scotland has prepared for new legislation to help tackle domestic abuse, as well as examples demonstrating impact around this key priority, keeping people safe, are provided below:

Preparing for the Domestic Abuse (Scotland) Act 2018

On 1st April 2019 new legislation on domestic abuse which, for the first time incorporates both emotional abuse and physical abuse into the same offence, came into force. To ensure effective implementation of the Domestic Abuse (Scotland) Act 2018, Police Scotland worked with partners during 2018/19 to establish a detailed training programme giving officers and staff key information on the new legislation before introduction whilst continuing to improve understanding on the complexities of domestic abuse. Police Scotland was able to apply learning from the introduction of similar legislation in England and Wales where training for officers was only provided post-implementation. The training had three key phases; online learning, face to face training and a champions programme. Almost 22,000 officers and staff have completed online learning.

In the first month of the new Act coming into force, 55 people were reported to the Crown Office and Procurator Fiscal Service (COPFS) with proceedings being taken immediately against 90% and further investigation instructed for the others. The first conviction against an abuser was secured within a month and Police Scotland are working with partners to monitor ongoing use of the legislation to identify good practice. The new law means that Police Scotland can now investigate and report the full circumstances of an abusive relationship to the COPFS. The legislation marks an important milestone in the cultural shift to make any form of domestic abuse unacceptable in society.

Operation Greenline

This was a joint Forth Valley Division and Specialist Crime Division cybercrime operation which uncovered extensive online child exploitation. This operation was nominated for a national award as part of the International Digital Investigations and Intelligence Awards. The awards recognise police operations, campaigns or investigations where the use of digital technology played a key role. The nomination related to extensive investigative work carried out to gather evidence from mobile devices belonging to a suspect from Larbert, followed by effective engagement with a number of female victims under the age of 16 who were identified during the investigation. In November 2018, the offender was sentenced to 44 months imprisonment at Stirling Sheriff Court and placed on the sex offender's register, having pleaded guilty to 24 charges of non-contact sexual offences involving the use of the internet, as well as offences of fraud and extortion.



Priority: Acquisitive crime

Statistical analysis shows that fraud is consistently rising and detection rates are falling. Police Scotland has prioritised action to tackle the rising incidence of fraud. Acquisitive crimes account for almost half of all recorded crime in Scotland and cause fear and harm across Scotland's communities. There is evidence of effective, proactive policing, extensive prevention measures and campaigns delivered during 2018/19. As mentioned earlier, action is planned to report against crimes of fraud with a cyber feature, in order to get a better picture of the scale of this aspect of crime. Some examples of Police Scotland's response to the threat of theft and fraud are presented below:

Using the Banking Protocol partnership to prevent fraud

This partnership, launched in early 2018 between Police Scotland, Trading Standards and the banking sector aims to prevent customers falling victim to fraud. To date it has led to financial institutions preventing more than £7 million in fraudulent transactions in Scotland by the end of March 2019. Police Scotland has prioritised action to tackle the rising incidence of fraud, with acquisitive crimes accounting for almost half of all recorded crime in Scotland. There has been a particular focus on strengthening the partnerships and protocols between policing, banking and trading standards for example,

A partnership approach to preventing and tackling rural crime

The Rural Crime Report 2018 reported that the cost of rural crime had decreased by 3.8% in Scotland, compared to a UK average increase of 13.4%. The report outlined the impact that the Scotland Partnership against Rural Crime (SPARC) has had on rural crime across Scotland highlighting that tractor and quad theft costs have fallen by 48% since SPARC's inception in 2015. The National Police Chiefs Council Rural Affairs Strategy 2018/21 sets out six operational priorities: farm plant and vehicle theft, livestock offences, fuel theft, equine crime, fly tipping and poaching. Police Scotland has developed an action plan to address these priorities, working in collaboration with a number of strategic partners to tackle high value thefts of farm machinery, plant equipment and livestock worrying. Police Scotland has delivered a programme of engagement, site visits and presentations by the Rural Crime Unit.

Several prominent recoveries of plant, mainly due to equipment having either tracker equipment or Construction Equipment Safety and Registration (CESAR) markings have been made. In February 2019 over £277,000 of agricultural machinery and plant was recovered by Police Scotland including several telehandlers, tractors and various quad bikes.

Priority: Road safety and road crime

During 2018/19 Police Scotland made priority commitments to keeping people safe on the roads by reducing casualties and tackling road crime. To achieve this, policing action was taken to promote road safety through education and awareness to improve driving behaviour and enforcing road traffic legislation, which in turn is contributing to the aims and objectives of the Scottish Government Road Safety Framework. Work was also undertaken to prevent and detect criminal activity on the roads. Some examples that demonstrate the variety of local and national approaches to these commitments and their impact are included below;

National 'Speeding, Seatbelt and Mobile Phone' Campaign

This preventative campaign was driven by casualty statistics on the increasing level of pedestrian deaths and the risks associated with mobile phone use whilst driving. Local priority routes were selected by Police Scotland, supported by Area Safety Camera Units. Several week-long campaigns were held during autumn 2018. Road policing officers engaged with road users, stopping over 6,000 vehicles. Over 700 speeding offences were detected, as well as prohibited use of mobile phones, with over 1,800 further offences detected by the Safety Camera Units.

The 'Festive Drink Drive' campaign

This was part of a planned seasonal approach between the Road Policing Division and local policing officers, running through December 2018 to the beginning of January 2019. A preventative media campaign before the launch ensured a consistent and sustained road safety message, for example, warning people of the risks of driving the morning after a night out. On the enforcement element, roadside check sites were deployed throughout the country. Of the 8,672 drivers stopped during the campaign, a total of 565 drivers, 1 in 15, failed the road side breath test, compared with 567 drivers, 1 in 28, during the same period the previous year. Of the 565 detected, 23 were caught the morning after, down from 39 in 2017/18.

Forensic Services Performance

During 2018/19 Forensic Services continued to deliver high quality services for Police Scotland, Crown Office and Procurator Fiscal Service and the Police Investigative Review Commissioner. This was an interim year for performance measurement as Forensic Services are developing a performance framework during 2019/20 that will allow appropriate key performance indicator reporting to be scoped and developed. This will be focused on service demands and developed to encourage best use of forensic science resources.

As part of the implementation of Phase 1 of the Forensics 2026 Strategy "Increasing Capacity, Improving Utilisation and Demonstrating Value" initiatives have reduced the casework workload and improved the throughput of cases. This improvement activity will continue over the next 12 months as Phase 1 initiatives continue.

Following the annual audit in April 2019 Forensic Services were awarded reaccreditation to the laboratory standard ISO 17025 by the United Kingdom Accreditation Service (UKAS). Forensic Services have successfully maintained the scope of accreditation to the ISO 17025 standard for the 21st consecutive year.

26,152 new cases were opened in Forensic Services in 2018/19 year, compared to 27,299 in 2017/18 – a reduction of 4.2%. 32,200 units of work were created in respect of these cases rising from 30,600 units of work creating the previous year. This increase reflects increasing case complexity with demand for work having increased by 5.2%.

Sexual Crimes saw a 15% reduction in new cases involving rape. This is in the context that many recorded rapes are determined 'non-recent' and therefore unlikely to yield forensic opportunities. There has been a 25% increase in firearms related cases, up to 505 for the year. The number of drug death cases¹⁸ remained static at 570 while there were significant declines in cases involving sudden death and suicide.

Forensic Services continued to have a significant input into major crime and were actively involved in a number of key cases involving murder, missing persons, serious assaults and serious sexual assaults. The use of external resources in Biology has eased the current high workload in serious crime cases. Further permanent capacity benefits will be achieved over the coming 18 months as the training of new staff completes, however this does require support from existing scientific staff and so external resource will continue to be needed in the coming year.

Forensic Services also gave evidence to the House of Lords Science and Technology Select Committee who issued their report: Forensic Science and the Criminal Justice System: A Blueprint for Change on 1 May 2019. The recommendations made address a number of high level issues that have been identified. The first of these relates to the lack of high level leadership, oversight and accountability for forensic science in England and Wales and in particular a lack of strategic direction. In Scotland oversight of forensic science provision is provided by the SPA which preserves a 'sterile corridor', and hence independence, between the policing and forensic investigations.

The report also highlights a range of concerns regarding the fragility and fragmentation of the commercial market for provision of forensic science in England and Wales. This poses a number of risks in terms of quality of provision, ability to respond to changes in demand for new services, and the risk of exit of suppliers. In Scotland, as SPA Forensic Services (SPA) provides the vast majority of forensic provision to the Scottish Justice System these issues are not relevant. It is however important to note the concerns expressed in the report with regards to some niche areas of forensic provision (such as fibres, paint, and glass analysis) which are at risk of dying out in England and Wales due to a lack of commercial viability. The Forensic 2026 strategy for Scotland specifically highlights the requirement to preserve the 'one stop shop' provision of all forensic disciplines and as such will mitigate the loss of these critical, although less utilised, types of forensic evidence that have proved crucial in the investigation of the most complex types of crime.

"Forensic Services have successfully maintained the scope of accreditation to the ISO 17025 standard for the 21st consecutive year."

¹⁸ Forensic Services drug death cases are linked to criminal investigations. Some drug deaths are not recorded crimes that require a criminal investigation

SPA Corporate Performance

The SPA's Improvement Plan 2018/19 was approved by the Board on 2 May 2018. This set out the SPA's improvement priorities for 2018/19, with actions aligned to four main themes:

SPA Board and Committees;

improving internal governance, policies and processes;

strengthening external engagement and relationships; and

building SPA corporate team capacity and capability to support the Board to effectively discharge its functions.

Over the year, updates were provided to the Board reporting regularly on progress made in delivering the plan: Actions undertaken to deliver the Improvement Plan 2018/19 were also aimed at responding to the 246 recommendations from 12 external audits, reviews and inspections of the SPA which were undertaken during the previous year.

While progress was made in a number of areas of the Improvement Plan, most notably around the first strand of the Improvement Plan on the Board and its Committees, progress against the other areas was mixed. For example, a revised governance framework was agreed and published. However, a review of the SPA operations manual is required and has not been actioned and key areas including schemes of delegation and frameworks and protocols covering relationships with Police Scotland and Scottish Government require review.

During the year, weaknesses in the core capacity and capability of the SPA's corporate team were identified. In June 2019, the SPA Board took steps to drive further improvement and change within the SPA; address some of the wider changes to systems and practices identified above; and to redesign and develop the structure, culture and practices of the SPA so that it aligns with the Authority's statutory functions and is fit for the future.

The SPA Board recognises that much work remains to be done to accelerate progress and to ensure that the SPA delivers its responsibilities and ambitions effectively in the future. The SPA Board has a responsibility to ensure that this is addressed professionally and in accordance with good practice and best value in the coming year and has agreed to a programme of interconnected activity, underpinned with strengthened HR advice and support, including:

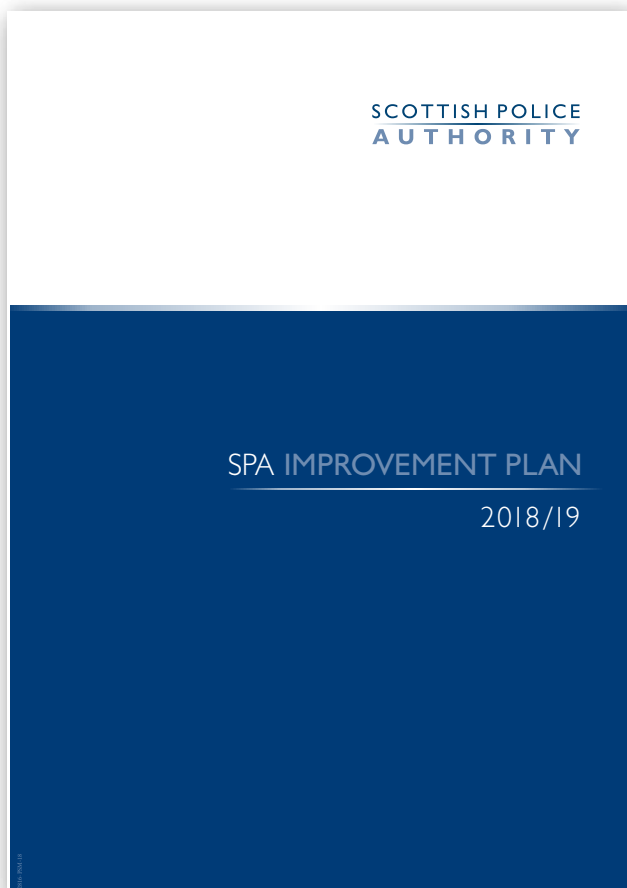
Organisational development and design;

Addressing immediate capacity issues;

Improved Strategic Coordination;

Collaborative working, and;

Communications, engagement and relationships.



Financial Performance

Since the 2017/18 financial year, the SPA has reported a revenue deficit, reflecting a recurring cost base in excess of the funding provided. From September 2017, the SPA has approved a refreshed multi-year financial plan targeting elimination of the deficit by 2020/21, augmenting real terms protection of Grant in Aid funding (from 2016/17) with cost reduction delivered through transformation and change. As a result of the United Kingdom's planned exit from the European Union ("Brexit"), leading to an operational decision to secure an additional 400 police officers, it is now unlikely that the policing budget will be balanced in 2020/21.

From a high point of £63m in 2016/17, the deficit reduced to £35.4m in 2018/19. Although this is in line with the 3 year financial plan, achieving financial sustainability in future years remains challenging: the required transformation benefits continue to be heavily dependent on a significant increase in capital funding, the optimal size and mix of the workforce going forward has yet to be defined, and the additional costs of Brexit will continue for an uncertain duration.

The 2019/20 budget anticipates a "core" revenue deficit of £24.6m, which may increase by up to £17m should no additional funding be secured for an additional 400 officers planned for Brexit.

Refreshed three and 10 year financial plans will be developed in the second half of 2019 for consideration by the SPA Board. These will incorporate the financial impact of strategic plans currently being developed for ICT, Estates, Fleet and the workforce. At that point the SPA's multi-year financial outlook will become clearer.

Revenue

When the SPA budget was approved for 2018/19 it included a revenue operating deficit of £35.6m. This meant that the approved budget included expenditure for the year which was £35.6m higher than the revenue funding that was available from the Scottish Government. This position was recognised by the Scottish Government in its 2018/19 Budget Allocation and Monitoring (BAM) letter to the SPA:

"We understand the pressure for 2018-19 remains estimated at £35.6m... The Scottish Government will continue to provide support to SPA / Police Scotland's efforts to minimise the potential cost and manage this pressure down over the course of the year, while maintaining effective service delivery. We will also look to assist in mitigating wholly unavoidable cost pressures through management of budgets across the Scottish Government."

The table below sets out the final revenue outturn position against budget for 2018/19.

Revenue Reform	2018/19 Outturn		
	Budget £m	Outturn £m	Variance over/(under) £m
Police Officer Costs	786.6	803.8	17.2
Police Staff Costs	177.0	178.7	1.7
Holiday Pay Accrual	-	2.8	2.8
Non-pay Costs	142.6	144.3	1.7
Income	(40.5)	(48.4)	(7.9)
Total Police Scotland	1,065.7	1,081.2	15.5
Forensics	30.6	30.5	(0.1)
SPA Corporate	4.1	3.8	(0.3)
Net Expenditure	1,100.4	1,115.5	15.1
Funding	(1,064.8)	(1,080.1)	(15.3)
(Over)/Under spend against budget	35.6	35.4	(0.2)

The table shows that against a budgeted revenue deficit of £35.6m the actual outturn position for the year was a £35.4m deficit which was £0.2m ahead of budget. Scottish Government provided additional funding of £35.9m to cover this deficit. Net expenditure was £15.1m higher than budget due to in-year pay and other cost pressures including the Police Officer pay award, pay harmonisation for staff (Staff Pay and Reward Modernisation, SPRM) and the visit of the President of the United States of America. Over the year, the Scottish Government increased Grant in Aid funding by £15.3m to cover these pressures as agreed with the SPA. This position is in line with the deficit reduction trajectory set out in the 3 Year Financial Plan.

The most significant factors that contributed to the increased costs versus budget were as follows:

Police Officer costs (£17.2m over budget) –

The overspend against budget primarily reflects the additional cost of the Police Officers' pay award above budget (£10.6m), additional costs of complying with the European Working Time Directive (EWTD) (£2.4m), Police Officers' overtime relating to the visit of the President of the United States (£1.6m) and the commencement of additional recruitment in support of Brexit planning (£0.4m).

Police Staff costs (£1.7m over budget) –

The overspend mainly relates to additional SPRM costs (£3.5m), partly offset by the impact of a higher number of staff vacancies throughout the financial year than budgeted.

Non-pay costs (£1.7m over budget) –

This overspend comprised a number of different items, the primary drivers being costs relating to the President of the United States visit (£1.6m); additional external legal costs (£2.5m); liability claims (£0.9m) for major cases; estate maintenance (£1.5m); and transport related costs (£1.4m), offset by an unbudgeted one-off gain on property disposals (£5.1m) and other one-off underspends (£1.1m).

Income was £7.8m higher than budgeted as a result of additional income (£2.4m) from the policing of events primarily from football, concerts and other operations. Extra specific grant funding (£2.1m) has been received as well as additional mutual aid income (£0.6m) in relation to operations conducted on behalf of other Forces, additional recovery of income in respect of rental and hire charges (£1.1m) and various other small items (£1.6m).



Capital

The table to the right sets out the capital expenditure and the capital funding for 2018/19 which resulted in a break-even position:

Capital Expenditure in 2018/19 matched the funding available for investment. However, capital expenditure was £6.5m lower than the original budget. This was a result of securing lower than budgeted capital receipts, thus reducing the overall level of funding available. This resulted in the pausing of proposed investment projects such as Custody and Productions Remodelling in order to ensure expenditure aligned to available funding.

Other transformation projects (Core Operating Solution, Mobility, National Network) were delayed in moving into the delivery phase due to required procurement timescales and business case governance. The funding profiles for these projects have been reset for the forthcoming financial year. Where underspends were identified in excess of the capital receipts deficit, funding was redirected to areas of strategic importance such as investment in fleet.

Continuation of business case improvement along with closer working relationships with both Estates and Legal departments to manage property disposals have been put into practice during 2018/19. The continued focus on strengthening of process and communication relating to capital management remains a priority and will support the progress made thus far.

As many of the key transformation projects moved into the delivery phase during 2018/19, capital expenditure in 2019/20 will be based on scheduled contractual milestones and project deliverables enabling more robust phasing of capital budgets.

Expenditure	Capital		
	Budget	Actual	Variance
Estates	4.5	4.5	0.0
Fleet	5.4	7.0	(1.6)
ICT	6.6	6.0	0.6
Specialist Policing Equipment	3.3	3.0	0.3
Weaponry	1.4	0.8	0.6
Forensics	1.1	1.5	(0.4)
Business as Usual Capital Expenditure	22.3	22.8	(0.5)
New Corporate Service Model	0.1	0.0	0.1
Payroll Interim System	0.1	0.2	(0.1)
Purchase to Pay (P2P)	0.4	0.0	0.4
Custody Remodelling	0.9	0.3	0.6
Productions Remodelling	1.1	0.1	1.0
Records Management	0.3	0.2	0.1
Core Operation Systems	4.8	3.2	1.6
Mobility	1.8	1.4	0.4
Body Worn Videos	0.0	0.0	0.0
Cyber Capability Programme - General	0.1	0.0	0.1
National Cybercrime infrastructure	0.1	0.0	0.1
Borders Policing Solution	0.4	0.1	0.3
National Network	1.8	0.5	1.3
Automatic Number Plate Recognition (ANPR)	0.2	0.3	(0.1)
Armed Policing Microwave Downlink	0.1	0.1	0.0
Digital Integrated Communications Control System (ICCS)	2.5	2.1	0.4
Active Directory, Exchange & Lync (ADEL)	4.3	3.7	0.6
Telematics	0.4	0.4	0.0
Change	0.0	(0.2)	0.2
Transformation Capital Expenditure	19.4	12.4	7.0
Total Expenditure	41.7	35.2	6.5
Funding			
Grant Aid	23.0	24.0	(1.0)
Receipts	14.1	6.4	7.7
Reform Funding	4.6	4.6	0.0
Capital Grant Income	0.0	0.2	(0.2)
Total Funding	41.7	35.2	6.5

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 2018/19, a total of £29.6m was made available by Scottish Government (£25m of revenue funding as set out in the table below, and £4.6m of capital funding as noted in the Capital Section). The funding could only be drawn down once the SPA and Scottish Government were satisfied that there were robust business cases in place that demonstrated best value in the use of Reform funding.

The Reform funding available was used in full. The greatest element of Reform expenditure related to resources to support transformation projects and departmental reorganisations. As part of the project to harmonise staff pay and rewards (SPRM), the SPA agreed to fund an element of the in-year financial impact through the Reform budget. This reduced the funding available for other transformation projects and professional services support.

The table below provides a break down as to how the Reform funding was utilised in 2018/19:

Revenue Reform (£M)	Budget	Actual	Variance
Transformation Resource	11.6	9.7	1.9
Professional Services	7.9	6.4	1.5
Digital & Efficiency Transformation	2.3	1.7	0.6
Corp Services Transformation	0.5	0.3	0.2
Operation Policing Transformation	0.6	0.3	0.3
VR VER	2.1	1.4	0.7
SPRM*	0.0	5.2	(5.2)
Total	25.0	25.0	0.0
Reform Funding	25.0	25.0	0.0

*The SPA reached agreement with the Scottish Government that this element of the reform budget could be used to meet the costs of the Recognition Payment which was a component of the approved SPRM agreement.

Statement of financial position

The most prominent feature of the Statement of Financial Position (SoFP) is the pensions liability. This totals £17.0bn (2017/18: £16.7bn) and represents the total value of current and future pension costs. Of this, over 98% is attributable to the Police Officers' pension scheme which is an unfunded, defined benefit scheme. The costs of providing those pensions are met on an ongoing basis by Scottish Government and are not paid for by general SPA sources of funding. Consequently, the costs do not directly impact SPA spending or prioritisation decisions. The increase in liability reflects the change in actuarial assumptions due to past service costs associated with age discrimination claims disclosed in Note 31.

During the year, improvements were made to treasury management processes to ensure that the SPA maintains appropriate cash levels to meet expected outgoings. This can be seen in the lower cash balance held at year end of £14.1m (2017/18: £24.7m). The improvements mean that the SPA can take more informed decisions around the timing and quantum of Grant in Aid draw-downs from Scottish Government, helping to ensure that public resources are more effectively deployed across the public sector. In the year, additional cash funding of £35.9m (2017/18: £nil) was received from Scottish Government to fund the planned deficit. Additional similar payments of working capital cash funding from the Scottish Government will be required each year whilst the Scottish Police Authority remains in a deficit position.

During the year, the SPA continued to dispose of underutilised property assets. This was the subject of a public consultation in 2017/18 which helped inform the disposal process. During the year, property assets with net book values totalling £6.5m (2017/18: £3.9m) were disposed of and receipts were utilised to fund vital capital expenditure in Police Scotland.



Forward financial outlook

2019/20 Budget

The 2019/20 budget sets out the spending plans for the SPA (which includes Police Scotland and Forensic Services) for revenue, capital and reform for the next financial year.

The budget commits to a further year-on-year reduction of the underlying operating deficit which, when excluding the potential additional costs of Brexit, is £24.6m for 2019/20. This represents a 30% (or £11m) reduction from the £35.6m budgeted deficit included in the 2018/19 budget.

In line with the Chief Constable's planning assumptions to cover the potential impact of Brexit related events, an additional 400 officers have been budgeted for the duration of 2019/20 at a cost of £17m. Additional Scottish Government funding has been agreed to cover this cost for 2019/20.

The key points to note from the 2019/20 budget are:

As a result of some very significant inflationary pressures on non-pay costs (e.g. gas, electricity, software licences), there is a £4.8m centrally held cost challenge that requires translation into tangible cost saving initiatives at the earliest opportunity.

Police officer and staff overtime budgets have been uplifted to reflect the European Working Time Directive (EWTD) which provides that every worker should receive 20 days annual leave each paid at the workers 'normal' rate of pay, including overtime.

Services of Police Income has been uplifted to reflect the increased charge out rates for Police Officers. This increase is being phased over a two year period.

An additional £2.0m income target has been included in the 2019/20 budgets on the basis that there are typically additional events, football matches, operations, etc. that are unknown at the time of budget setting.

Given the level of capital funding available, some difficult investment decisions have been taken. The delivery of the Digital, Data and ICT programme has been elongated over a longer period, and "business as usual" spend across Estates, Fleet and ICT is considerably lower than that required to properly maintain core assets.

Financial sustainability – three year financial plan

Revenue

The 3 Year Financial Plan agreed by the SPA Board on 2 May 2018 articulated a route to eliminating the Authority's operating deficit by 2020/21 whilst supporting the Policing 2026 Delivery Plan.

An interim update of the plan was reviewed by the SPA Resources Committee in November 2018, which confirmed the achievability of a balanced budget by 2020/21, should certain key planning assumptions crystallise. This update incorporated the impact of a number of key developments since May, including the police officers' pay award, the SPRM programme and the Digital, Data and ICT strategy.

As the next steps in the development of the financial strategy are being considered, there are additional significant challenges to delivering a balanced budget in line with the previously stated plans, including:

The impact of the 400 officers required as a result of Brexit;

The quantum of legitimate non-pay inflationary pressures being addressed in the 2019/20 budget;

The level of central government funding granted in respect of revenue, capital and reform; and

The degree to which transformational change can be delivered, and the impact on capacity created as a result.

As the various supporting strategies (e.g. ICT, Workforce and Estates) are being developed to reflect the above, a detailed multi-year financial strategy will be presented to the SPA Board for approval during 2019 which will incorporate the financial impacts of these strategies. The indicative broad options available in terms of strategic / corporate level planning assumptions are:

Maintain current officer & staff numbers with no increase in funding. **Deficit grows.**

Adjust size and mix of workforce to balance the books. **Deficit can be eliminated by 2022/23.**

One-off structural correction to government funding and increased thereafter in line with wage inflation. **Additional funding from 2021/22 – deficit eliminated.**

Investment

There has been a significant underinvestment in policing infrastructure; technology, estate and fleet; for a long number of years. There was an attempt to modernise the ICT infrastructure through the i6 programme, but this flawed programme failed to deliver. When benchmarking against other UK police forces, or other parts of the public sector in Scotland, there is a consistent picture showing that policing in Scotland has a disproportionately small capital plan in relation to its overall size.

The table below, using CIPFA benchmarking data shows that policing in Scotland spent the 5th lowest amount of capital expenditure per employee of all the police services across the UK. This is despite the fact that unlike other police services, policing in Scotland has undergone significant structural change in recent years, and as a national service, has a complexity far greater than most other policing organisations in the UK.

The current situation is unsustainable. The capital investment being comparatively lower than similar police services across the UK manifests in a number of ways:

ICT

- The ICT capability in place at present does not reflect that of a single national police service in the 21st Century;
- Our technology and application landscape is disparate, ageing, complex remaining largely legacy based with significant challenges around data and compliance with Data Protection and GDPR;
- Our officers input the same information into multiple systems, which is inefficient;
- It is very difficult to share with or receive timely information from partner agencies using the current systems.

Estate

- The organisation has an ageing estate that hasn't been designed for modern policing purposes;
- 25% has a condition survey rating of "poor";
- In the most recent survey in 2015, it was estimated that the backlog maintenance bill stood at £278m.

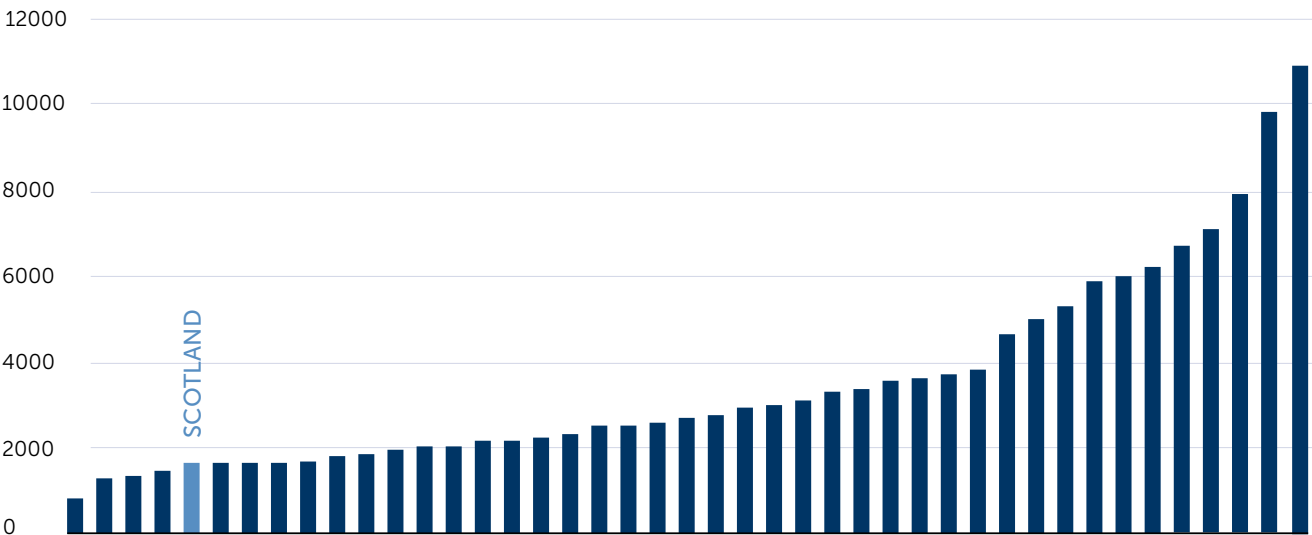
Fleet

- Average maintenance costs per vehicle have been increased by 16%;
- The average age per vehicle has increased from c.3.2 years to 5.3 years, since the inception of Police Scotland;
- A total of £30 million would be required to bring the fleet up to the condition inherited from the legacy forces in 2013. This would see the replacement of over 50% of the fleet that currently operates beyond the replacement criteria.

In order to address these challenges the Digital Data and ICT Strategy was developed and approved in autumn 2018, an Estate strategy was approved in May 2019 and a Fleet strategy is currently under development. These documents set out a clear strategic direction for addressing policing infrastructure, and ensuring that it is fit for purpose in the delivery of the "Serving a Changing Scotland" policing strategy. Details of each are set out on the following page.

Capital Expenditure

spend per employee by UK Police Force in 2017/18



Infrastructure Investment Strategies

We consider our Digital Data & ICT Strategy, Estate Strategy and Fleet Strategy to be of such national significance and scale, as to be considered National Infrastructure Programmes.

National Policing ICT infrastructure

Society has embraced new technology at an incredible pace and much of Scotland's future success depends on the digital economy. Criminals and Terrorists have exploited our technology dependence **which is changing the nature of the crime we face.**

Police Scotland currently work around our 20th century technology gaps and capability to provide an excellent service to the people of Scotland, but this is **unsustainable**. As an example, Officers are still sent out to police our streets with pen and paper instead of mobile technology. **Urgent change is required.**

The proposed **Digital Data & ICT Strategy** and outline business case seeks **£231m over the next 5 years** to consolidate legacy policing applications, introduce mobile (handheld and body worn) technology, improve our approach to using data as an asset (ensuring legislative compliance), storing and processes digital evidence, updating our core incident response system and advancing our approach to tackling cyber crime.

Investment in **national policing ICT infrastructure** will provide officers and staff with fit for purpose basic technology and tools to do their jobs, increasing officer and staff productivity, improving our ability to prevent, detect and investigate crime, improving quality of and access to intelligence and improving collaboration across other public sector organisations.

Improving **national policing ICT infrastructure** will contribute towards the outcomes of the National Performance Framework, specifically: *'We live in communities that are inclusive, empowered, resilient and safe'* – supported by more productive officers with access to better tools, technology, information and data. *'We have a globally competitive, entrepreneurial, inclusive and sustainable economy'* – 21st Century technology in policing will help support the safety and security of an increasingly digital economy.

Fleet Strategy

Currently Police Scotland has a fleet of approximately 3,500 vehicles – this is the second largest and most visible public sector fleet in Scotland. 85% of vehicles are diesel, 14% are petrol and 1% electric/hybrid.

In order to support the delivery of the outcomes of the National Performance Framework, specifically 'we value, enjoy, protect and enhance our environment', Police Scotland will create an ambitious fleet strategy with the a target of having a **100% electric fleet within 5-10 years.**

Our carbon footprint from vehicles has been reducing year on year as we replace older vehicles with newer, more efficient models. Transitioning to an electric fleet would eliminate the 157,000k tonnes of CO2 currently emitted by the existing fleet. Telematics technology will also be fitted to cars to use data to drive decision making on usage and sizing of our fleet.

We have committed to installing a charging network across 25 sites in 19/20, but will need significant additional investment (anticipated to be in the region of **£150m-200m over 10 years**) over the period to create the charging infrastructure for the whole fleet. Revolutionising the UK's second largest police fleet will provide a critical mass that benefits other public sector organisations (further supporting the Estate Strategy objective of increased co-location and collaboration) and being a leader in driving positive environmental behaviours.

Our ambitious Fleet investment plans will support the National Performance Framework outcome *'We value, enjoy, protect and enhance our environment'* through embracing greener transport solutions and reducing our carbon footprint.

The Fleet strategy is currently in development and will be published in Autumn 2019.

Estate Strategy

Much of our current estate is ageing, operationally not fit for purpose, inefficient and deteriorating. The way the public engage with policing has changed fundamentally and as such we need to adapt in order to achieve our ambition to effectively police and serve a changing Scotland. We need to transform the estate to support the modernisation of both policing and wider public services.

The proposed strategy seeks to update and modernise our estate to support new service models and improve our visibility in communities, creating safe and functional spaces. The aim is to co-locate more in multi-agency buildings where we can work collaboratively with partners to provide integrated services, for example, other blue light services, local authority services and other justice agencies.

Investing in **Police Scotland's Estate Strategy (£435m over 10 years)** will transform our properties into a network of buildings that support a digitally enabled service model to improve operational effectiveness in a sustainable way which is adaptable for future needs and diversifying communities. Co-location and collaboration will provide more integrated and effective public services with better outcomes, namely, integration and engagement with our communities and a better working environment for officers and staff.

Improving Policing estate infrastructure will contribute towards the outcomes of the National Performance Framework, specifically:

'We live in communities that are inclusive, empowered, resilient and safe' – Supported by provision of facilities and integrated services that are central to local communities.

'We value, enjoy, protect and enhance our environment' – Supported by the creation of estate that is more efficient, fit for purpose and adaptable to future needs.

Conclusion

In conclusion, the SPA and Police Scotland are required 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 '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 on a regular 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.

However, the analysis performed to date clearly shows that financial sustainability will be dependent on a significant levels of investment (capital and reform) in the coming years to ensure that there is an efficient and effective infrastructure in place to support the delivery of operational policing.

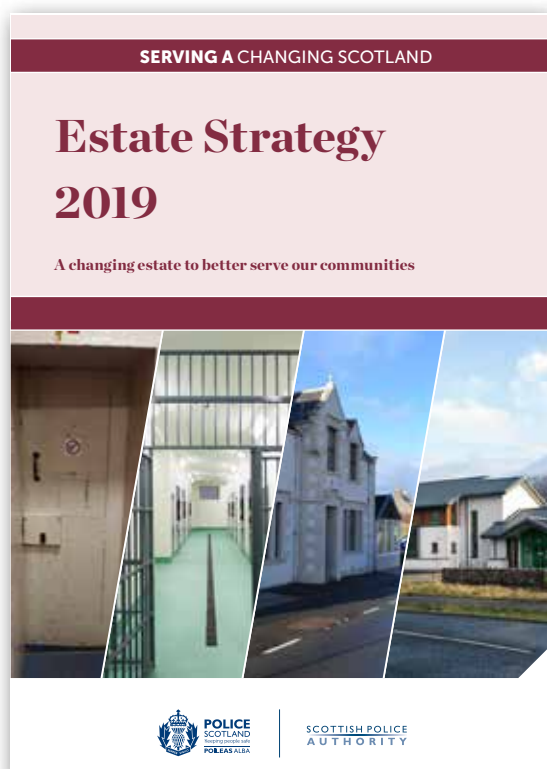
Going Concern

These financial statements have been prepared on a going concern basis in accordance with the 2018/19 Financial Reporting Manual issued by HM Treasury. The net asset position, before pension liabilities, demonstrates that SPA's underlying operating model justifies treatment as a going concern.

SPA has total pension liabilities of £17.0 billion (31 March 2018: £16.7 bn) which is almost entirely (over 98%) attributable to the Police Officers' pension scheme. Scottish Government fund all ongoing employer pension contributions in this regard and the Police Officers' pension liability will not be met from sources of funding provided to the SPA by Scottish Government for the purpose of maintaining policing.

In line with the three year Financial Plan, SPA is currently in a position where the annual budget contains an element of planned deficit in the short term. The Scottish Government will continue to support efforts by SPA to minimise costs pressures and manage the gap down as far as possible whilst assisting in mitigating wholly unavoidable costs through management of budgets across Scottish Government.

Consequently, the SPA has determined that it can continue to meet its obligations as they fall due and it is therefore appropriate to prepare its financial statements on a going concern basis.



Non-Financial Information

Members of the SPA, and officers and staff of Police Scotland, SPA and Forensic Services should demonstrate the highest standards of professional behaviour, honesty and integrity.

Police officers are bound by conduct regulations and the standards of professional behaviour which reflect the expectations of its officers, whether on or off duty.

Prevention and awareness sessions are delivered to staff when they join the police service and at various stages throughout their career.

A register of gifts and gratuities is maintained with the general position being that other than in clearly defined circumstances they will not be accepted.

A whistleblowing policy and an anonymous integrity reporting mechanism exist for staff to raise their concerns.

The Fraud and Economic Crime Standard Operating Procedure (SOP) also details processes for reporting and addressing potential cases of bribery, meeting the requirements of the Bribery Act 2010.

Finally, an Anti-Corruption Unit (ACU), which comes under the banner of Professional Standards, is in place to not only to conduct intelligence led investigations into the minority who engage in corrupt activity but also to support staff across Police Scotland in identifying, taking ownership of and proactively addressing any vulnerabilities, corrupt practices and unethical behaviour.

Environmental Matters

Sustainability

The SPA and Police Scotland are fully committed to the role that all public services require to play in the collective drive to reduce our environmental impact and strengthen sustainability.

We aim to operate in a responsible, ethical, environmentally-friendly manner and to manage our assets in a way that will improve access to them, as well as improving efficiency and sustainability

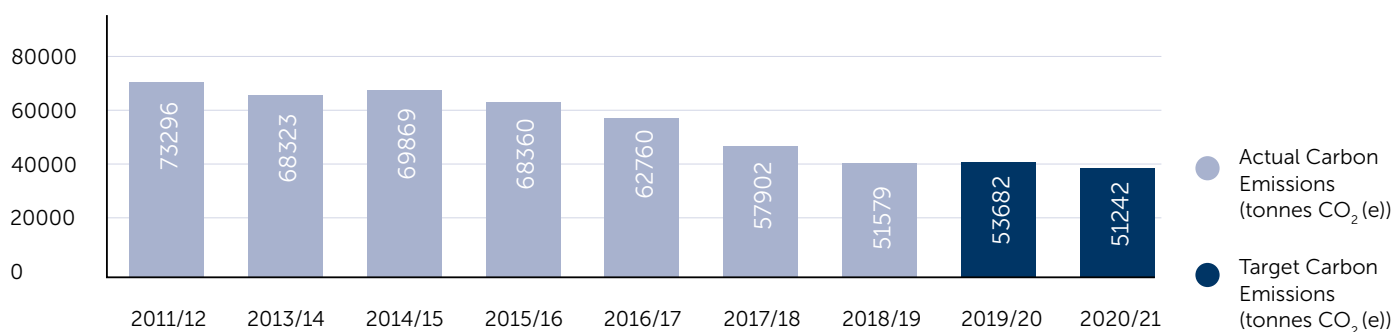
The first Carbon Management Plan (CMP) to support both SPA and Police Scotland was approved in October 2014. The CMP sets out the ambitions and a roadmap for progress. By 2020, the aim is to reduce carbon emissions by 25%*, by 2030 by 50%* and by 2050 will strive to be a carbon neutral police service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

[Link to SPA Carbon Management Plan:](#)

Progress to date shows that total emissions from all sources (energy from buildings, waste, business miles, fleet operations and water) amounted to a reduction in excess 29% between 2011/12 to 2018/19.

Further progress will be signalled in our refreshed estates and fleet strategies in terms of, respectively, significantly reducing carbon footprint and expanding the use of electric vehicles.

Carbon Emissions (tonnes CO₂ (e))



Sustainability Performance Scorecard 2018/19**Direct Carbon Emissions (Tonnes of CO₂)**

Indicator	16/17	17/18	18/19	Trend (18-19 vs 17-18)	Overall Trend
Estate	45,593	41,292	35,006	▼	▼
Fuel	16,839	16,379	16,470	▲	▲
Fleet	329	232	102	▼	▼
Total	62,761	57,903	51,578	▼	▼

Units of Energy Consumed (Kilowatts/hour kWh)

Indicator	16/17	17/18	18/19	Trend (18-19 vs 17-18)	Overall Trend
Electricity	61,984,707	60,727,896	57,908,417	▼	▼
Gas	86,606,975	89,541,517	85,748,252	▼	▼

Units of Fuel Consumed (Litres)

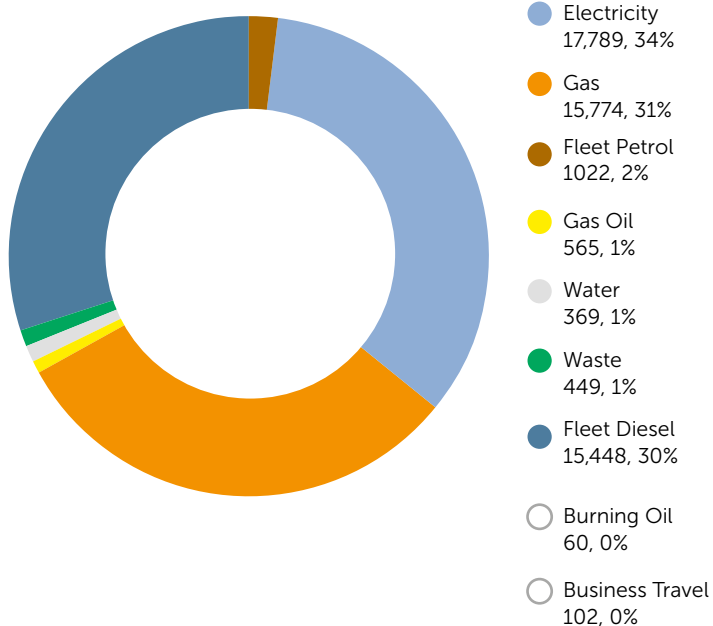
Indicator	16/17	17/18	18/19	Trend (18-19 vs 17-18)	Overall Trend
Fuel	6,371,188	6,200,147	6,205,465	▲	▲

Business Travel (Miles)

Indicator	16/17	17/18	18/19	Trend (18-19 vs 17-18)	Overall Trend
Fleet	1,094,129	79,0347	35,1579	▼	▼

Waste and Renewable Energy (kWh Generated/Tonnes Produced)

Indicator	16/17	17/18	18/19	Trend (18-19 vs 17-18)	Overall Trend
Renewable kWh	102,864	67,051	74,492	▲	▲
Waste tonnes	3,196	3,263	3,442	▲	▲

**Biodiversity**

Under the Nature Conservation (Scotland) Act (2004), all public bodies are required to further their organisations efforts towards biodiversity conservation during their service and are required to report on their performance every three years.

Police Scotland reports publicly on both its own, and on the SPA's behalf, with regards to the biodiversity duty.

[Link to Police Scotland and SPA Biodiversity Duty Report.](#)

Renewables

Both the SPA and Police Scotland recognise the importance of harnessing the earth's natural resources meaning that the number of sites with Solar PV installed has increased from eight to eleven with the successful completion of three further projects at Bilston Glen and at two sites in Inverness. Some 300,000 kWh of electricity has been generated since the first project was carried out saving approximately 115 tonnes of CO₂.

John McCroskie
Interim Chief Executive
24 September 2019



Accountability Report

This section is divided into three parts:

Part 1 Corporate Governance Report
Overview
Directors' Report
Statement of Accountable Officer's
Responsibilities
Governance Statement

Part 2 Remuneration and Staff Report
Overview
Remuneration Report
Staff Report

Part 3 Parliamentary Accountability and Audit Report
Overview
Statement of Resource Outturn
Independent Auditor's Report





Part 1 Corporate Governance Report



Overview

The SPA has a key role in planning the strategic direction for policing in Scotland and ensuring that there is effective scrutiny and oversight of Police Scotland so as to ensure public accountability, confidence and trust.

It is a National Public Body in Scotland, identified within the Scottish Government category of Other Significant National Public Body.

The SPA Chief Executive is accountable to the SPA Board. The Chief Executive is also the designated Accountable Officer, enabling accountability to the Scottish Parliament for the whole of the policing budget.

General and specific responsibilities of the Accountable Officer are fully laid out in the relevant section of the Scottish Public Finance Manual (SPFM, *Annex 2: Memorandum to accountable officers for other public bodies*).

The SPFM is issued by Scottish Ministers to provide guidance to relevant bodies, on the proper handling of public funds. It is designed to ensure:

compliance with statutory and parliamentary requirements;

value for money;

high standards of propriety;

effective accountability and robust systems of internal control.

The SPA publishes its own Governance Framework which has been the subject of considerable refresh and update during the last year¹⁹. This document describes how the SPA works to deliver good corporate governance.

SPA Committees submit an annual assurance statement to the SPA Board detailing activities during the year and how they have satisfied their governance responsibilities.



¹⁹SPA Governance Framework:
<http://www.spa.police.uk/assets/128635/293617/572522/GovFrameJun2019>

Directors' Report

Introduction

Members of the SPA present its Annual Report and Accounts for the year to 31 March 2019.



Susan Deacon CBE



David Crichton



Gordon Dewar



Martyn Evans



Tom Halpin QPM



Robert Hayes



Grant Macrae



Michelle Miller



Mary Pitcaithly



Jane Ryder OBE



Matt Smith OBE DL



Caroline Stuart



Elaine Wilkinson

SPA Board

Board Members are appointed by Scottish Ministers for a period set out in their terms and conditions which must not exceed four years. Individual members may be reappointed but may not serve for a total period exceeding eight years. In the event of early termination there is no contractual provision for compensation.

Further details of Board meetings are available on the [SPA website](#).

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.

Appointments for Board Members in office during 2018/19 were as follows:

Name	Appointment Dates	
	From	To
Susan Deacon CBE (Chair)	4 December 2017	3 December 2021
David Crichton (Vice Chair)	1 April 2018	31 March 2022
Gordon Dewar	17 October 2018	16 October 2022
Martyn Evans	1 August 2018	31 July 2022
Tom Halpin QPM	28 March 2018	27 March 2022
Robert Hayes	1 April 2017	31 March 2021
Grant Macrae	1 April 2017	31 March 2021
Michelle Miller	1 June 2018	31 May 2022
Mary Pitcaithly	1 May 2018	30 April 2022
Jane Ryder OBE	1 April 2018	31 March 2022
Matt Smith OBE DL	1 April 2017	31 March 2021
Caroline Stuart	1 April 2017	31 March 2021
Elaine Wilkinson	4 May 2015	3 May 2019*
Graham Houston#	17 October 2012	16 October 2018
David Hume#	17 October 2012	31 October 2018
Iain Whyte#	17 October 2012	16 October 2018

* Elaine Wilkinson was reappointed on 4 May 2019 for a further year.

Expiry of second term

Register of Interests

[The Register of Interests of Board members](#), and [Board Members' biographies](#) are held on the SPA website.

The Register of Interests for SPA Senior Management can be supplied on application to:
Executive Support, SPA, 1 Pacific Quay,
Glasgow G51 1DZ.

SPA Senior Management Team

Name	Position
Hugh Grover	Chief Executive (1 October 2018 to 10 September 2019) and also Accountable Officer (from 5 November 2018 to 13 June 2019)
Kenneth Hogg	Interim Chief Officer & Accountable Officer (to 4 November 2018)
John McCroskie ¹	Director of Communications and Relationships
Barry Sillers	Director of Strategy (from 3 January 2019)
Lindsey McNeill	Director of Governance and Assurance
Tom Nelson	Director of Forensic Services
Hilary Pearce	Interim Director of Improvement and Assurance (to 2 December 2018)
Carron McDiarmid	Interim Chief Operating Officer and Deputy Chief Executive (from 3 September 2018 until 1 February 2019)
Catherine Topley	Interim Director (to 29 June 2018)
Stephen Jones	Director of Planning and Corporate Support (to 9 December 2018)
Robin Johnston	Acting Director of Governance and Assurance (to 10 June 2018)

¹From the commencement of the period of absence of the Chief Executive (from 10 May 2019), the Director of Communications and Relationships carried out the delegated duties of the Chief Executive. The Accountable Officer responsibilities of the Chief Executive were transferred on an interim basis to the Chief Financial Officer (James Gray) from 14 June 2019 (see Police Scotland Force Executive table).

Police Scotland Force Executive

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

Name	Status
Iain Livingstone, QPM	Chief Constable (from 27 August 2018); previously Deputy Chief Constable Designate (to 26 August 2018)
Fiona Taylor	Deputy Chief Constable, People and Professionalism (from 2 July 2018)
Will Kerr	Deputy Chief Constable, Local Policing (from 1 September 2018)
Johnny Gwynne	Deputy Chief Constable, Crime & Operational Support (to 15 March 2019)
Rose Fitzpatrick, QPM	Deputy Chief Constable, Local Policing (to 30 June 2018)
David Page	Deputy Chief Officer
James Gray	Chief Financial Officer; and also Interim Accountable Officer (from 14 June 2019)
Tom McMahon	Interim Director of Business Integration
Judith Helliker	Director of People and Development
Neil Dickson	Director of Change
Martin Low	Interim Director of ICT
Martin Leven	Director of ICT (to 5 September 2018)

Register of Interests for the Force Executive of Police Scotland can be supplied on application to:
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.

Personal Data-related Incidents

During the year, there were four personal data related incidents (2017/18: nil) that 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, which is reproduced 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 2018/19 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 2018/19 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.

Governance Statement

Scope of responsibility

As Accountable Officer of 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. I have also been granted delegated powers to approve routine operational property transactions, ill health retirals, and non-competitive actions (NCA).

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 Governance Framework](#) is the overarching reference document that sets out the roles, responsibilities and procedures for the effective and efficient conduct of the Authority's business.

The SPA, Forensic Services 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, including to the SPA Board's Resources 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.

Functions of the SPA

In addition to the considerable scope of responsibilities for the SPA set out in the overview section at the beginning of this report, the Authority also has oversight of both local and specialist policing, for an annual budget well in excess of £1 billion, and a workforce of more than 23,000 police officers and staff.

The SPA Board must also hold the Chief Constable, the SPA Chief Executive and the Director of Forensic Services to account.

The SPA must prepare a Strategic Police Plan which sets out the main objectives for the SPA and for policing Scotland. The SPA published its initial Strategic Police Plan and laid it before Parliament in March 2013. This was subsequently updated with the development and publication of the 'Policing 2026: Serving a Changing Scotland' long-term strategy in June 2017. The SPA, in collaboration with Police Scotland, will review the current Strategic Police Plan in 2019/20 on the basis of the Scottish Government commitment to refresh the Strategic Police Priorities, as signalled in its Programme for Government²⁰. The SPA's Strategy, Policy and Performance Committee will oversee the review and development of the Strategic Police Plan as per its terms of reference.

²⁰ Scottish Government (2018) Delivering for today, investing for tomorrow: the Government's programme for Scotland 2018-2019. Page 108 refers. Available at: <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2018/09/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/documents/00539972-pdf/00539972-pdf/govscot%3Adocument/00539972.pdf>

Governance improvements

During the reporting year a wide-ranging programme to strengthen and develop the SPA as an effective and trusted public body was undertaken, together with key steps to improve the leadership and governance of policing.

The programme, which is a continuing process, is built around a number of key guiding principles which are being applied and embedded into SPA culture and practice:

Simplification and transparency

Collaborative approach

Public service ethos

Sound decision-making

Trust and relationships

Strategic and outward-looking

The SPA Chair worked with the Scottish Government and the Public Appointments Commissioner on a robust and effective recruitment process which brought six new members into the SPA Board, each with strong personal reputations and track records in Scottish public life.

The SPA now operates openly and transparently, an approach acknowledged by both HMICS and Audit Scotland, with the practice of holding 'closed' Board meetings ceased and informal members' meetings replaced with Board development sessions.

This strengthened Board development programme has helped to rebuild and develop a shared purpose and direction, collegiate working, and fostered a culture of continuous improvement, self-reflection and constructive challenge. Over the year, the Board held over 30 such development sessions as a group, and with the leadership of Police Scotland.

Building on work began at pace in the previous reporting year to address a range of identified deficiencies in SPA governance and decision-making, a new Governance Framework was introduced and a review and restructure of the SPA's Committees undertaken.

The Board also developed, agreed, and published shared objectives for all Members, and the Chair and Vice Chair worked with individual Members to develop individual contributions and roles, including the appointment of a number of new Committee Chairs.

A fuller report on improvement was provided by the SPA Chair to both the Justice and Public Audit and Post-Legislative Scrutiny (PAPLS) Committee of the Scottish Parliament and can be accessed on the [Scottish Parliament website](#).

While there has been progress in strengthening the governance and leadership of the SPA Board, there remains a challenge in ensuring that the Scottish Police Authority operates effectively and as the Act intended. Weaknesses in the core capacity and capability of the SPA's corporate team have been identified by the SPA Board and steps have been initiated to review and design an organisation which will ensure the SPA fulfils its responsibilities as the Act intended.

SPA Board

The Scottish Police Authority is a national public body. The Act specifies how it is to be constituted and to operate:-

The SPA is to consist of a Chairing member and between 10 and 14 members

The Scottish Ministers are responsible for appointing the Chair of the Authority and members of the SPA may elect one of their number to act as deputy for the Chairing member

Members are appointed by Scottish Ministers on the basis of expertise relevant to the functions of the SPA

It is for the SPA to appoint staff and to second police officers to assist in carrying out its functions

The SPA may appoint Committees and sub-committees to carry out its functions

SPA meetings are to be held in public.

The SPA Board webcasts public sessions of its meetings via a dedicated livestream channel. The Board met thirteen times during 2018/19, three of which were convened by teleconference for the purpose of specific appointment decisions. During 2018/19, the SPA Board met in eight different local authority areas the length and breadth of the country (up from six the previous year). Board meeting agendas, minutes and papers are published on the [SPA website](#).

During the course of 2018/19 a number of very significant changes were made both in the composition and operation of the SPA Board:

Six new members, all of whom were required to have significant senior experience in the fields of governance and strategy, were appointed following a high profile open public appointments process.

The SPA's decision making and wider governance arrangements were reviewed and developed to ensure that the SPA was operating openly and transparently and at a strategic level.

A revised Committee structure and new terms of reference were put in place.

A new Vice Chair was appointed by the Board.

A comprehensive review of Committee Membership, including Chairs, was undertaken, led by the Vice Chair and a new Committee structure was populated.

An extensive programme of Board member induction and development was put in place.

Some Committees were given decision making powers (a reversal of the previous governance Review and an intended direction of travel for the future) which was coupled with a move towards a more strategic focus at meetings of the SPA Board.

The level of questioning and scrutiny at Board meetings has been developed as has the requirements for those who report to it, with greater emphasis being placed on information being presented in a way that is clear and accessible to the public.

The Board is increasingly involving a wider range of views and voices in its Board discussions and this will continue in 2019/20.

It is intended that further significant changes will be introduced in the operation of SPA Board in 2019/20, including enhanced opportunities for public interaction and questioning.

Some key elements of business considered by the Board during 2018/19 were:

Regular review and scrutiny of the overall financial position across Police Scotland, Forensic Services and SPA Corporate

Approval of the 2017/18 Annual Report and Accounts

Approval of the 2019/20 Budget for the SPA, Police Scotland and Forensic Services

SPA Chair

The Chair of the SPA is appointed by Scottish Ministers. The Chair is expected to work²¹ constructively with SPA and Police Scotland colleagues and build effective working relationships with external stakeholders.

During 2018/19, the Chair's objectives were:

Leadership and Governance: Provide the strategic leadership to firmly establish the SPA as a trusted and credible national body for the oversight and scrutiny of policing in Scotland.

Strategy and delivery: Ensure that the Board works effectively with Police Scotland to maintain and develop policing in Scotland.

Relationships and reputation: Strengthen stakeholder engagement, developing collaborative and proactive approaches to ensure effective scrutiny and decision making; build public confidence and trust in the SPA.

Finance: Ensure that the Chief Executive, Director of Forensic Services and the Chief Constable are held to account for effective governance which promotes best value and builds financial capacity and leadership.

The Chair provides regular updates to public sessions of Board meetings about her progress against these objectives.

²¹ Scottish Public Appointments: Role of SPA Chair: https://applications.appointed-for-scotland.org/pages/job_search_view.aspx?jobId=1303&cf=rss

Scottish Police Authority Board

Number of meetings in 2018/19 : 13	Board Meetings Attended ^a	Committee Membership ^{b, c}
Susan Deacon CBE Chair	13/13	SPA
David Crichton (from 1 April 2018) Vice Chair	10/13	SPA / SPP
Gordon Dewar (from 17 October 2018)	5/5	FS
Martyn Evans (from 1 August 2018)	7/8	SPP
Tom Halpin QPM	11/13	SPA / FS
Robert Hayes	9/13	FS / POL / SPP
Graham Houston (to 16 October 2018)	4/8	FS / POL
David Hume (to 31 October 2018)	8/9	AC
Grant Macrae	13/13	AC / CC / FIN / RC
Michelle Miller (from 1 June 2018)	11/11	CC / SPP
Mary Pitcaithly (from 1 May 2018)	12/13	RC
Jane Ryder OBE (from 1 April 2018)	12/13	AC / FS
Matt Smith OBE DL	11/13	AC / CC / POL
Caroline Stuart	11/13	CC / FIN / RC
Iain Whyte (to 16 October 2018)	6/8	CC / FS / FIN
Elaine Wilkinson	11/13	FIN / RC

Notes

a: Number of Board meetings attended / Number of Board meetings available to the Board member (after allowing for any starting and leaving dates).

b: Membership of Committees at any point during 2018/19.

Attendance details included later in this section.

SPA: Succession Planning and Appointments

SPP: Strategy, Policy and Performance

FS: Forensic Services

POL: Policing

AC: Audit

CC: Complaints and Conduct

RC: Resources

FIN: Finance

c: The Finance Committee was discontinued during 2018/19, with the remit and functions now covered by the new Resources Committee. Similarly, The Policing Committee was discontinued during 2018/19, with the remit and functions now covered by the new Strategy, Policy and Performance Committee.

Committees of the Board

The SPA Board is supported by established committees. As at 31 March 2019, these committees were as follows:

Audit Committee

Complaints and Conduct Committee

Forensic Services Committee

Resources Committee

Strategy, Policy and Performance Committee

Succession Planning and Appointments Committee.

The Terms of Reference for each committee are outlined in the [SPA's Corporate Governance Framework](#).

Audit Committee

During the 2018/19 financial year, the Audit Committee met formally on six occasions. The main focus of the Committee has been:

Monitoring, reviewing and/or recommending various reports, including the 2017/18 Annual Report and Accounts and Audit Scotland Annual Audit Report for 2017/18; the Internal Audit Statement of Assurance for the 2017/18 Annual Report and Accounts; Audit Scotland's Management Report 2017/18; the 2017/18 Internal Audit Plan and the 2018/19 Internal Audit Plan;

Monitoring organisational risk, data loss, recent ICT incidents, fraud and theft reporting;

Monitoring the progress of External Audit recommendations and reviewing the 2018/19 External Audit Plan, and;

Reviewing Whistleblowing and Integrity Matters procedures.

Complaints & Conduct Committee

During the year the Complaints and Conduct Committee met formally 11 times and held 3 workshops. The main focus of the Committee has been:

Monitoring and review of Police Scotland and SPA's quarterly complaints performance reports;

Examining the results of the SPA audit process of Police Scotland complaints handling;

Reviewed the trend analysis of PIRC Complaint Handling Reviews,

Consideration of a number of complaints received by the SPA and maintained oversight of further actions requested by PIRC.

During the Committee workshops, stakeholder were invited feedback to the Authority on its revised complaints handling procedures and to have an in-depth discussion around the role of PIRC. The Committee also met with Dame Elish Angiolini, in advance of considering the SPA submissions to the independent review of police complaints handling.

Forensic Services Committee

During the year the Forensic Services Committee met formally on four occasions. The main focus of the Committee has been:

Consideration of quarterly performance management information;

Review and scrutiny of reports including the Forensic 2026 Strategic Development Programme, Forensic 2026 Business Plan delivery, HMICS recommendations tracking, Review of Forensic Services Risk; Operational and Strategic, and Oversight of Drug Driving Service Delivery;

Resources Committee

During the year the Resources Committee met formally on three occasions. The main focus of the Committee has been:

Providing regular scrutiny and oversight of the financial planning, monitoring and reporting of each of the three elements of the overall SPA budget - Police Scotland, Forensics Services and SPA Corporate;

Providing input and advice on the 2019/20 budget setting process;

Consideration of and recommendation to the SPA Board of significant business cases; contract awards; estate disposals;

Oversight of Staff Pay and Reward Modernisation Programme; Police Scotland Commercial Excellence Review; Police Officer Pay Awards and Police Staff Pay Deal.

Oversight of benefits realised or productivity gains from Police Scotland Change Portfolio;

Implementation of the Police Scotland People Strategy, and;

Ongoing work to support Police Scotland in the development of a framework for Strategic Workforce Planning which was considered and approved by the SPA Board on 22 May 2019.

Strategy, Policy and Performance Committee

The Strategy, Policy and Performance Committee was established in 2019. It met for the first time on 5 February and again on 21 March. The main focus of the work of the Committee has been:

Setting the expectations for and supporting the development of a revised outcome based approach to Police Scotland performance reporting and operational planning;

Overseeing the development of terms of reference and memorandum of understanding for the new Scottish Railway Policing Committee;

Scrutiny and oversight of a number of operational matters including: Conducted Energy Devices, Digital Triage Devices and Stop and Search.

Succession Planning and Appointments Committee

During the year the Succession Planning and Appointments Committee met formally on six occasions. The main focus of the Committee has been:

Monitoring and oversight of succession planning and Board member development with a view to ensuring an effective, diverse Board;

Development and recommendation to the SPA Board of effective and robust processes for the appointment of senior police officers within Police Scotland in line with section 7 of the Police and Fire Reform (Scotland) Act 2012 and;

Development and recommendation to the SPA Board of effective and robust processes for the appointment of the Chief Executive and senior Director level SPA and police staff.

In line with the SPA Corporate Governance Framework, reports on Committee activities were provided by the respective Chairs to public sessions of SPA Board meetings.

Scottish Police Authority Board

	Audit	Complaints and Conduct	Forensic Services	Resources	Strategy, Policy and Performance	Succession Planning and Appointments
Number of meetings held	6	11	4	3	2	6
Susan Deacon CBE						6/6
David Crichton					1/2	5/6
Gordon Dewar			0/1			
Martyn Evans					2/2	
Tom Halpin QPM			3/3			6/6
Robert Hayes			4/4		1/2	
Graham Houston			2/2			
David Hume	5/5					
Grant Macrae	6/6	11/11		2/3		
Michelle Miller		1/2			2/2	
Mary Pitcaithly				2/2		
Jane Ryder OBE	4/4		1/1			
Matt Smith OBE DL	1/1	11/11				
Caroline Stuart		10/11		3/3		
Iain Whyte		5/5	2/2			
Elaine Wilkinson				3/3		

Committee Chairs

Audit: Jane Ryder OBE (from Nov 2018);
David Hume (to Oct 2018)

Complaints and Conduct: Matt Smith OBE DL

Forensic Services: Tom Halpin (from Nov 2018);
Iain Whyte (to Oct 2018)

Resources: Elaine Wilkinson

Strategy, Policy and Performance: Michelle Miller

Succession, Planning and Appointments:

Susan Deacon CBE

Membership and Attendance (Discontinued committees)
(meetings attended / meetings available)

During 2018/19, the following Committees were discontinued as responsibilities transitioned into new and revised Committee arrangements (the new Resources Committee in the case of both the Finance and People Committees, and the new Strategy, Policy and Performance Committee in the case of the Policing Committee).

	Finance	Policing
Number of meetings	5	1
Robert Hayes		1/1
Graham Houston		1/1
Grant Macrae	5/5	
Matt Smith OBE DL		1/1
Caroline Stuart	4/5	
Iain Whyte	3/5	
Elaine Wilkinson	5/5	

Finance Committee Chair: Elaine Wilkinson

Policing Committee Chair: Robert Hayes

The People Committee did not hold a meeting during 2018/19, and was discontinued formally in October 2018.

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.

Risks are contained within risk registers for Forensic Services and Police Scotland and are monitored internally by risk management teams. Risk registers for SPA Corporate/Board are currently under development. Measurement of risk is based on an established standard matrix and consistent scoring criteria, considering likelihood and impact. Significant risks 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 Police Scotland 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 Internal Audit Plan for the 2018/19 financial year was approved by the SPA Board in March 2018.

The opinion on the controls for the financial year provided by Internal Audit (Scott Moncrieff) was as follows:

"In our opinion, Police Scotland has a framework of controls in place that provides reasonable assurance regarding the organisation's governance, internal controls, the effective and efficient achievement of objectives and the management of key risks. This is with exception to arrangements over procurement, purchasing and tendering, where we have raised a number of high risk findings. We are content however that work is ongoing to address these issues.

Within the SPA corporate body there remains a significant challenge to address key issues relating to risk management, performance management, governance and internal control. As a result, the framework of controls cannot yet be fully relied on to provide reasonable assurance regarding the organisation's governance, internal control, the effective and efficient achievement of objectives and management of key risks. In addition, arrangements to promote value for money and deliver best value are inadequate. Although part of the SPA as a whole, we have noted clearer arrangements in some aspects of Forensic Services, such as their operational management structures."

In the context of the 2018/19 expenditure recorded in the Accounts, 97% of it relates to Police Scotland for which internal audit has provided an unqualified opinion, with an exception relating to procurement, purchasing and tendering. The qualified opinion in relation to the SPA corporate body represented 0.4% of the organisation's overall expenditure in 2018/19.

Internal Audit noted that the SPA corporate body is still in the process of developing an approach to managing its internal governance and performance arrangements, and progress on this will address findings in relation to best value, risk register improvement, and the development of key strategic documents.

Further strategy development is also required from Police Scotland on Workforce, and Fleet Management, building on the completion of other organisational strategies such as Estates, and Digital Data and ICT. Internal Audit recognised the commitment from Police Scotland to address issues identified during their audits, and in particular, the reduction in high risk recommendations:

	2018/19 Number of findings	2017/18 Number of findings
Grade 4 (very high risk) ¹	1	9
Grade 3 (high risk)	17	35

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

The five recommendations relating to procurement and tendering (which include the 2018/19 Grade 4 finding) remained open at the end of the financial year, but with actions to address the recommendations in place to complete these during 2019/20.

Progress on resolution of these findings, along with all other internal audit findings is reported to the SPA Audit Committee and Board on a quarterly basis.

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 SPA adopts a culture of continuous improvement. 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 Resources Committee and the Board;

procurement contracts being awarded through competitive tender processes, alongside the reduction of non-competitive agreements (NCAs) to ensure compliance and achievement of best value;

staff structures reviewed and appraised by the Resources Committee; and

a policy of Voluntary Redundancy (VR) and Voluntary Early Retirement (VER) in place for police staff.

The SPA carries out all of its duties in a way that is proportionate, accountable, transparent and consistent with the principles of good governance.

Audit arrangements

A significant part of the overall governance arrangements is the work of the external and internal auditors.

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 2017/18 Annual Report and Accounts.

In summary, Audit Scotland provided an unqualified opinion on the Scottish Police Authority's annual report and accounts for 2017/18 audit report.

Audit Scotland has highlighted a number of important areas of improvement in financial and organisational performance including:

a year-end resource overspend outturn of £34.3m, reduced from £47.2m deficit included in the approved 2017/18 budget;

robust budget monitoring arrangements now in place;

new leadership teams now in place in both Police Scotland and the Scottish Police Authority, and;

the Authority now conducts its business in an open and transparent manner

Audit Scotland has also identified areas for attention including:

further improvements in the overall control environment;

The need to fully develop underlying strategies to support the delivery of Serving a Changing Scotland;

delays in the development of a robust workforce strategy;

the need for a well-developed performance management framework, and;

the need for robust monitoring of the use of contracts for consultancy and external professional support to ensure value for money and the achievement of strategic objectives

Details of these are set out in the [Annual Audit Report for 2017/18](#).

A range of actions were taken during 2018/19 to address these, with the main responses as follows:

The Data, Digital and ICT (DDICT) strategy was approved in May 2018, along with the approval of the DDICT Outline Business Case by the Board in September 2018.

The draft Estates Strategy was approved by the Board on 22 May 2019.

The 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.

A Framework for Strategic Workforce Planning was approved by the Board on 22 May 2019, and consultation with stakeholders on a draft Workforce strategy also continued during 2018/19.

On performance management, the new Police Scotland Performance Reporting Framework was presented to the SPA Board in March 2019, with implementation in Quarter 1 of 2019/20.

Expenditure on consultancy and external contracts is monitored at individual contract level and in aggregate. A full benefits realisation procedure continued in development during 2018/19, and ownership of external contracts is assigned to a senior Officer or member of Police staff, with regular monitoring procedures in place. In line with Internal Audit recommendations, this will be remedied by September 2019.

Improvements in the detail and methodology underpinning accounting provision estimates, and in the descriptions and content within the asset register.

Significant progress on the consolidation of payroll systems through the national payroll project has continued throughout the year, leaving any remaining legacy payroll systems due for transfer to the new system in early 2019/20.

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 Accountable Officer in relation to the financial year that systems of internal control have been working well within their area of responsibility.

All budget holders (Force Executive and Directors; SPA/Forensic Service Directors) were written to on 20 March 2019 explaining the process and significance of completing fully the 2018/19 certificates of assurance and internal control checklists.

I received a full set of certificates of assurance from budget holders, along with completed associated internal control checklists at the end of May 2019.

A number of matters were correctly highlighted to me within these certificates in the areas of procurement arrangements for contractors, control weaknesses in procurement practices, the need for effective workforce planning, and funding for the maintenance of the estate.

These are being reviewed and appropriate actions have been, or will be, taken to address, strengthen and enhance the control environment. These are regularly followed up by internal audit as required.

It was highlighted in 2018/19 that there had been non-compliance in ICT supplier spend ongoing for a number of years; ICT contractors are now procured in a compliant manner, with this issue now having been fully addressed. Following this, further work has been done to assess procurement weaknesses and appropriate actions taken since the 2018/19 year end.

A procurement improvement plan has been produced to address wider procurement weaknesses, and this will be an ongoing process in the early part of 2019/20.

The approved Estates Strategy will start to address the remaining matters that have been raised, as will the framework for Strategic Workforce Planning. It is recognised that this framework represents a starting point, and that full resolution of the issues will be achieved through the ongoing development of a Strategic Workforce Plan.

My review is also informed by:

the managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

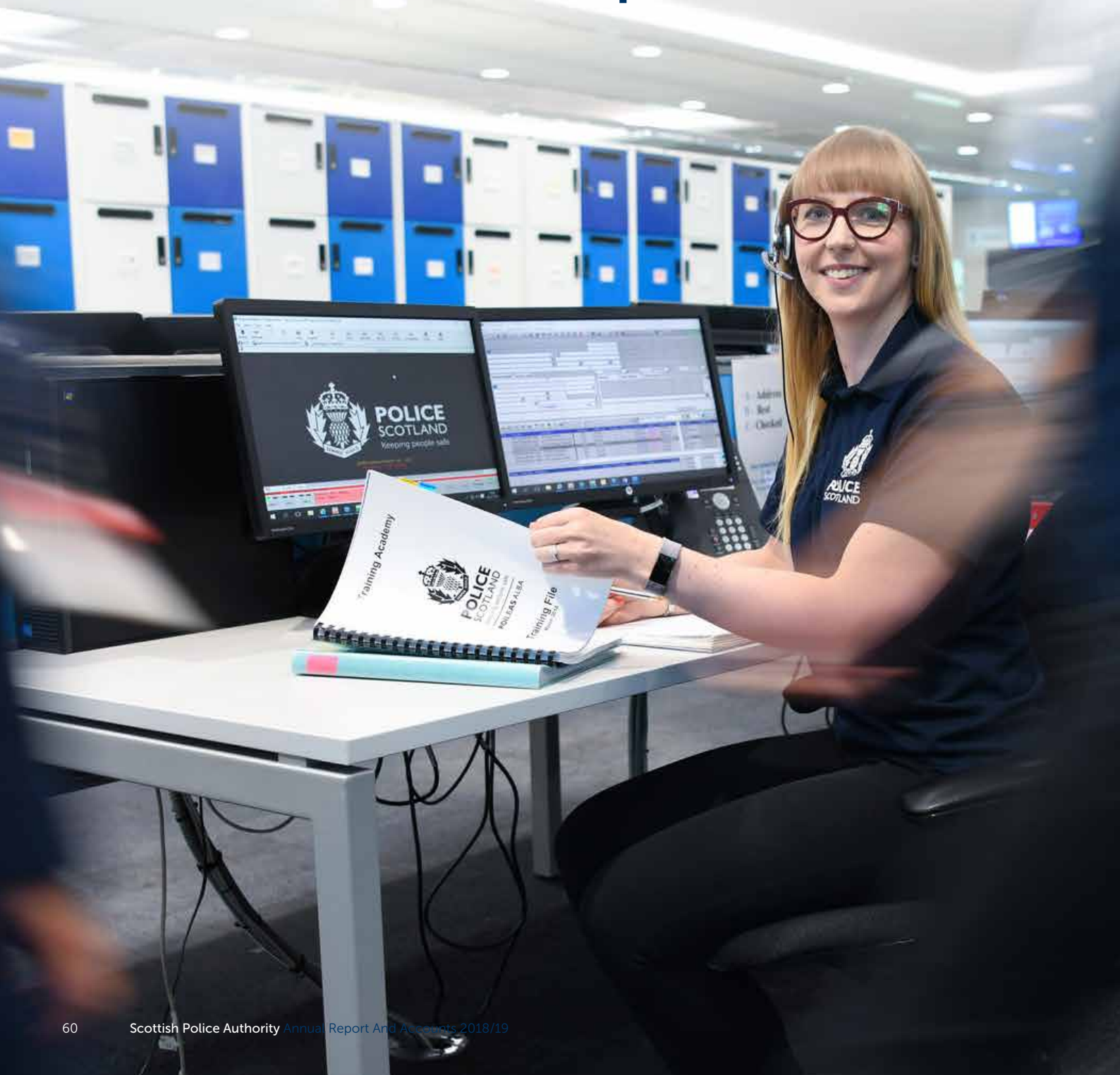
comments made by the external auditors, Audit Scotland, in their management letters and other reports; and

internal audit and other reviews conducted throughout the year by Scott Moncrieff LLP and HMICS.

In conclusion, progress to discharge all appropriate actions has been underway both within 2018/19, and since 31 March 2019. These actions are addressing the remaining identified internal control weaknesses to ensure that robust governance and control arrangements are in place in all areas.

Part 2

Remuneration and Staff Report



Overview

The reporting year 2018-19 saw one of the most significant and longstanding remuneration issues in policing addressed. Following a successful ballot of union members, a package of measures was approved to create a fairer, more equitable pay and reward system for more than 5,000 police staff covering Police Scotland, Forensic Services, and the SPA's corporate staff.

The Staff Pay and Modernisation Project has been a very intensive and complex programme of work involving lengthy negotiations with the trade unions. The changes, which were backed by additional investment of £23 million, will address the longstanding inequities of the multiple pay and conditions systems which were inherited from the pre-reform legacy arrangements. It will also create a solid foundation to build upon in the future.

In line with sound governance principles, and in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the SPFM, the SPA Resources Committee now 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 is 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 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 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.

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 Police 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. There was no increase in fee levels to members in the reporting year. Current employer pension schemes are not open to Board members.

Board members' interests

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

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 2019:

		2018/19 £'000	2017/18 £'000
Chair - Susan Deacon CBE #	(from 4 Dec 2017)	125	44
Chair - Andrew Flanagan	(to 3 Dec 2017)	-	35
Vice Chair - David Crichton	(from 1 Apr 2018)	26	-
Vice Chair - Nicola Marchant	(to 21 Mar 2018)	-	29
Gordon Dewar	(from 17 Oct 2018)	3	-
Martyn Evans	(from 1 Aug 2018)	6	-
George Graham	(to 31 Dec 2017)	-	9
Tom Halpin QPM		10	-
Robert Hayes		9	14
Graham Houston	(to 16 Oct 2018)	4	14
David Hume	(to 31 Oct 2018)	6	19
Grant Macrae		15	13
Robin McGill	(to 31 Oct 2017)	-	4
Michelle Miller	(from 1 Jun 2018)	10	-
Mary Pitcaithly	(from 1 May 2018)	14	-
Jane Ryder OBE	(from 1 Apr 2018)	10	-
Matt Smith OBE DL		15	15
Caroline Stuart		15	18
Iain Whyte	(to 16 Oct 2018)	7	13
Elaine Wilkinson		15	17
Total		290	244

Overall remuneration levels include daily rate payments as follows: Member £300; Vice Chair £375; Chair £530. Social security costs are paid through payroll and this can be seen in note 2a.

During a period of significant change within the SPA, the Scottish Government has temporarily increased the number of days per month from the contracted days of 12, which the SPA Chair is permitted to be recompensed for. The current Scottish Government authority permits the Chair to work 20 days per month. This was agreed in January 2019, and superseded two previous authorities provided since 1 January 2018. The current number of days is due to be reviewed in August 2019.

Details of all Board Member appointments are held within the Directors' 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 is 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 within the SPA and Police Scotland, 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. The pay, and terms and conditions for police officers are negotiated through the Police Negotiating Board (PNB). PNB Circulars 2018-05 and 2017-4 set out the salaries for senior officers within the Police Scotland Force Executive Team. Benefits in kind values relate to the provision of vehicles, also available for private use, with values provided to the nearest £100.

The value of the pension benefits in the tables below, 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.

SPA employees and officers are respectively entitled to membership of one of two distinct pension schemes:

a Local Government Pension Scheme for police staff employees

the Police Pension Schemes for police officers (1987, 2006 and 2015)

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.

The SPA Senior Management Team (audited)

The SPA senior management team has at time of writing a permanent complement of five roles. There were two permanent appointments in the reporting year, and a larger number of leavers as previous temporary arrangements came to an end.

Total remuneration 2018/19	Salary and Allowances £'000	Other Pay Items £'000	Benefits in Kind to nearest £100	Pension Benefits ⁵ £'000	Total £'000
Hugh Grover Chief Executive (from 1 Oct to 10 Sep 2019); Accountable Officer (from to 5 Nov 2018 to 13 Jun 2019)	55-60	-	-	18	75-80
Full-year equivalent	115-120				
John McCroskie Director of Communications & Relationships	90-95	-	-	32	120-125
Lindsey McNeill Director of Governance & Assurance	90-95	-	-	-	90-95
Tom Nelson Director of Forensic Services	95-100	-		41	135-140
Robin Johnston Acting Director of Governance and Assurance (to 10 Jun 2018) ¹	5-10	-	-	3	10-15
Full-year equivalent	40-45				
Barry Sillers Director of Strategy(from 3 Jan 2019)	20-25	-	-	7	25-30
Full-year equivalent	85-90				
Kenneth Hogg ² Interim Chief Officer and Accountable Officer (to 4 Nov 2018)	90-95	-	-	-	90-95
Full-year equivalent Including employer's costs	150-155				
Stephen Jones ² Interim Director of Planning & Corporate Support (to 9 Dec 2018)	55-60	-	-	-	55-60
Full-year equivalent Including employer's costs	80-85				
Hilary Pearce ² Interim Director of Improvement & Assurance (to 2 Dec 2018)	65-70	-	-	-	65-70
Full-year equivalent Including employer's costs	95-100				
Catherine Topley ³ Temporary Director (to 29 Jun 2018)	15-20	-	-	-	15-20
Full-year equivalent Including employer's costs	75-80				
Carron McDiarmid ⁴ Interim Chief Operating Officer and Deputy Chief Executive (from 3 Sep 2018 to 1 Feb 2019)	45-50	-	-	-	45-50
Full-year equivalent Including employer's costs	115-120				

¹Robin Johnston was Acting Director of Governance and Assurance while Lindsey McNeill was absent to 10 June 2018.

²Kenneth Hogg, Stephen Jones and Hilary Pearce were seconded from the Scottish Government on a temporary basis for part of the financial year 2018/19. The Scottish Government invoiced SPA for their salaries and on-costs. These are the amounts shown in the table.

³Catherine Topley was seconded from the Scottish Prison Service up to 29 June 2018. The Scottish Prison Service invoiced the SPA for her salary and on costs. These are the amounts shown in the table.

⁴Carron McDiarmid was seconded from The Highland Council on a temporary basis. The Highland Council invoiced the SPA for her salary and on costs. These are the amounts shown in the table.

⁵The value of the pension benefits in the table above, is calculated as the real increase in pensions multiplied by HMRC methodology multiplier of 20, plus the real increase in any lump sum.

Total remuneration 2017/18	Salary and Allowances £'000	Other Pay Items £'000	Compensation for loss of office £'000	Benefits in Kind to nearest £100	Pension Benefits £'000	Total £'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
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					

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 was seconded from the Scottish Government on a temporary basis. The Scottish Government invoiced the SPA for his salary and on costs (inc VAT). These are the amounts shown in the table.

³Amy McDonald's post was made redundant on 1 August 2017.

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 were seconded from the Scottish Government on a temporary basis. The Scottish Government invoiced the SPA for their salary and on costs (inc VAT). These are the amounts shown in the table.

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.

Pension Information	Accrued Pension at 31 March 2019 £'000	Accrued Lump sum at 31 March 2019 £'000	Real Increase in Pension* £'000	Real Increase in Lump sum* £'000	CETV as at 31 March 2018 £'000	CETV as at 31 March 2019 £'000	Real Increase in CETV 2018/19* £'000
Hugh Grover	0-5	-	0-2.5	-	-	15	10
John Foley	-	-	-	-	120	-	-
John McCroskie	15-20	0-5	0-2.5	0-2.5	192	225	21
Amy McDonald	-	-	-	-	60	-	-
Tom McMahon ³	-	-	-	-	49	-	-
Lindsey McNeill ¹	-	-	-	-	-	-	-
Robin Johnston ²	0-5	-	0-2.5	-	31	35	3
Judith Mackinnon	-	-	-	-	41	-	-
Tom Nelson	50-55	105-110	0-2.5	0-2.5	966	1,047	54
Barry Sillers	0-5	-	0-2.5	-	-	5	3

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

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

² Robin Johnston left his senior role during the year. The CETVs shown are at 31 March 2018 and as at the date he left the senior role on 10 June 2018.

³Tom McMahon changed senior roles during 2017/18, 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 on 31 May 2017.

Police Scotland Force Executive (audited)

Total remuneration 2018/19	Salary and Allowances £'000	Other Pay Items £'000	Benefits in Kind to nearest £100	Pension Benefits ⁵ £'000	Total £'000
Iain Livingstone QPM ¹ Chief Constable (from 27 Aug 2018)	130-135	-	5,800	88	225-230
Full Year Equivalent	225-230				
Iain Livingstone QPM Deputy Chief Constable Designate (to 26 Aug 2018)	85-90	-	-	343	430-435
Full Year Equivalent	220-225				
Rose Fitzpatrick Deputy Chief Constable – Local Policing (to 30 Jun 2018)	40-45	-	600	16	60-65
Full Year Equivalent	175-180				
Johnny Gwynne Deputy Chief Constable – Crime & Operational Support (to 15 March 19)	170-175	-	4,500	-	175-180
Full Year Equivalent	175-180				
Fiona Taylor Deputy Chief Constable – People & Professionalism (from 2 July 2018)	130-135	-	2,500	31	165-170
Full Year Equivalent	175-180				
William Kerr ² Deputy Chief Constable – Local Policing (from 1 Sep 2018)	105-110	-	4,200	42	150-155
Full Year Equivalent	180-185				
David Page, Deputy Chief Officer	175-180	-	-	56	235-240
Martin Leven ³ , Director of ICT (to 5 Sep 2018)	45-50	30-35	3,300	17	100-105
Full Year Equivalent	110-115				
Martin Low Interim Director of ICT	100-105	-		159	255-260
James Gray Chief Financial Officer; Interim Accountable Officer (from 14 Jun 2019) ⁶	115-120	-	-	36	150-155
Jude Helliker ⁴ , Director of People & Development	110-115	-	3,700	35	150-155
Tom McMahon, Interim Director of Business Integration	100-105	-	-	34	135-140
Neil Dickson, Director of Change	120-125	-	-	38	155-160

General: Senior police officer pay grades received a pay award effective 1 Sep 2018. This comprised a flat rate increase of £4,133, covering the period to 31 March 2021, in equal monthly amounts.

¹Iain Livingstone was appointed Chief Constable on 27 August 2018. Salary level to 26 August 2018 was at the equivalent of Chief Constable. Salary uplift is the main factor applied to methodology for assessing pension benefit values (see Footnote 5).

²William Kerr received taxable relocation expenses of £1,107 (£2,291 including tax and NI costs paid) and £1,935 for vehicle expenses in 2018/19 which are included in the above table. In addition, he received non-taxable/tax exempt relocation expenses of £10,612 which are not required to be disclosed in the above table within benefits in kind total.

³Martin Leven resigned on 5 September 2018, receiving £6,990 for untaken annual leave and £25,266 for 12 weeks' salary in respect of his notice period. These costs are included in other pay items in the table above.

⁴Jude Helliker received taxable relocation expenses of £2,000 (£3,698 including tax and NI costs payable in 2019/20) in 2018/19 which are included in the above table. In addition, she received non-taxable relocation expenses of £2,367 which are not required to be disclosed in the above table within the benefits in kind total.

⁵The value of the pension benefits in the table above, is calculated as the real increase in pensions multiplied by HMRC methodology multiplier of 20, plus the real increase in any lump sum.

⁶James Gray commenced role of Interim Accountable Officer from 14 June 2019, in the absence of Hugh Grover, Chief Executive, whose role as Accountable Officer ceased on 13 June 2019 (see p64).

Total remuneration 2017/18	Salary and Allowances £'000	Other Pay Items £'000	Compensation for loss of office £'000	Benefits in Kind to nearest £100	Pension Benefits £'000	Total £'000
Phil Gormley QPM ¹ Chief Constable (to 7 Feb 2018)	180-185	80-85	-	6,400	-	270-275
Full-year equivalent	215-220	-	-			
Iain Livingstone QPM 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	-		-	27	115-120
Full-year equivalent	105-110		-	-		
Tom McMahon, 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	-				

¹Phil 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 (£5,167 including tax and NI costs paid), with those costs included in the benefit in kind total in the table above.

²DCC 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.

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

⁴James 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. PwC invoiced SPA £59,280 for the period. This is the amount shown in the table. This amount does not represent the amount he received from PwC.

⁵Louise 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 for the period. This is the amount shown in the table.

⁶Jude Helliker received non-taxable relocation expenses of £5,633 in 2017/18, the total costs are not required to be disclosed in the table above within the benefits in kind total.

In addition to those listed above, nine (2017/18: nine) Assistant Chief Constables are also part of the wider Force Executive but report directly into the DCCs above, who, along with the Chief Constable, the DCO and Directors, are the main decision-makers.

Pension Information	Accrued Pension at 31 March 2019 £'000	Accrued Lump sum at 31 March 2019 £'000	Real Increase in Pension* £'000	Real Increase in Lump sum* £'000	CETV as at 31 March 2018 £'000	CETV as at 31 March 2019 £'000	Real Increase in CETV 2018/19* £'000
Iain Livingstone	120-125	-	22.5-25	-	2,184	2,960	702
Rose Fitzpatrick ²	15-20	20-25	0-2.5	-	271	289	10
Johnny Gwynne ⁴	90-95	-	-	-	2,130	2,302	132
Fiona Taylor	0-5	-	0-2.5	-	-	30	12
William Kerr	115-120	-	2.5-5	-	2,608	2,915	278
David Page	5-10	-	2.5-5	-	71	124	32
Martin Leven ³	10-15	-	0-2.5	-	131	148	10
Martin Low	55-60	100-105	7.5-10	10-12.5	645	778	112
James Gray	0-5	-	0-2.5	-	13	32	7
Jude Helliker ¹	40-45	100-105	0-2.5	-	21	623	17
Tom McMahon	5-10	-	0-2.5	-	68	92	13
Neil Dickson	0-5	-	0-2.5	-	14	38	11

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

¹ Increases in 2018/19 relate to a transfer in of values from a previous employment / scheme.

² Rose Fitzpatrick retired during the year. The accrued pension and CETVs shown are at 31 March 2018 and as at the date of leaving on 30 June 2018.

³ Martin Leven resigned during the year. The accrued pension and CETVs shown are at 31 March 2018 and as at the date of leaving on 5 September 2018.

⁴ Johnny Gwynne retired during the year. The accrued pension and CETVs shown are at 31 March 2018 and as at the date of leaving on 15 March 2019.

Median and fair pay (audited)

The highest paid current employee of the organisation was the Chief Constable. His annualised remuneration before pension benefits was £223,549 (2017/18: Deputy Chief Constable Designate £198,150). This was 5.8 times (2017/18: 5.3 times) the median remuneration paid to SPA police officers and staff, which was £38,811 (2017/18: £37,614). Remuneration ranged from £17,213 to £223,549 (2017/18: £17,213 to £198,150) during the year.

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 2019				As at 31 March 2018			
	Male	Female	%*	Total	Male	Female	%*	Total
Board members	7	6	46	13	7	3	30	10
SPA Senior Management Group	4	1	20	5	5	3	38	8
Police Scotland Force Executive	7	2	22	9	8	2	20	10
SPA and Police Scotland staff	2,120	3,668	63	5,788	2,001	3,521	64	5,522
Agency staff ¹	36	40	53	76	14	24	63	38
Police officers	12,007	5,469	31	17,476	12,102	5,292	30	17,394
Special Constables	361	164	31	525	423	201	32	624
Total	14,542	9,350	39	23,892	14,560	9,046	38	23,606

* indicates the percentage of females for each category of staff

¹Agency staff numbers are shown as at 31 March and do not represent movement in numbers during the year, while agency staff costs represent the full year.

Total staff costs analysis (audited)

2018/19	Board members £'000	Staff £'000	Officers £'000	Agency staff £'000	Total £'000
Wages and salaries	290	172,255	706,987	2,415	881,947
Social security costs	26	16,547	77,147	-	93,720
Pension costs	-	31,029	21,563	-	52,592
IAS19 pension adj. (note 23)	316	219,831	805,697	2,415	1,028,259
	-	37,672	660,200	-	697,872
Total	316	257,503	1,465,897	2,415	1,726,131

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
IAS19 pension adj. (note 23)	267	198,852	770,840	4,043	974,002
	-	21,987	200	-	22,187
Total	267	220,839	771,040	4,043	996,189

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 £340,911 (2017/18: £354,627) during the year. Officers' pension costs include both ill health and injury pensions. Staff and officer pay levels are compliant with the UK living wage.

Additional staff details

There were 4 officers (2017/18: 7) and 5 staff members (2017/18: 8) who died during the year. There were also 105 officers (2017/18: 80), and 26 members of staff (2017/18: 18) 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 voluntary redundancy and voluntary early retirement (VR/VER) schemes until 31 March 2019. 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	2018/19 Total Employees	2017/18 Total Employees
£0 - £25,000	5	22
£25,000 - £50,000	5	26
£50,000 - £75,000	3	15
£75,000 - £100,000	1	4
£100,000 - £125,000	1	3
£125,000 - £150,000	-	1
£150,000 - £175,000	2	1
£175,000 - £200,000	-	-
£200,000 - £250,000	1	-
£250,000 - £300,000	-	1
Total number of exit packages	18	73
	£'000	£'000
Total costs of agreed departures during the year	1,128	3,436

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 two years continuous service can also 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 18 releases during 2018/19 (2017/18: 73).

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 four financial settlements were entered into with four employees in the £0-£25,000 range (2017/18: two). The payments were made for employment tribunal claims outside the VR/VER policy and are not included in the above table.

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	2018/19 Total	Short term	Long term	2017/18 Total
Staff	2.5%	2.9%	5.4%	2.6%	3.0%	5.6%
Officers	1.8%	2.5%	4.3%	1.9%	2.6%	4.5%

Agency and consultancy fees (audited)

In addition, staff paid through an agency disclosed in total staff costs above was £2.42 million (2017/18: £4.04m), there was an additional £3.4million (2017/18: £2.7m) of contractors' fees which were capitalised within additions in ICT assets under construction. Other consultancy fees can be found in note 4 to the financial statements.

Trade union (TU) facility time reporting

TU facility time		2018/19	2017/18
1	Employees identified as union officials (and full time equivalent)	39 (38.4)	47 (45.5)
2	Proportion of working time spent on facility time (no. of employees)		
2a	0% of working time	3	7
2b	1-50% of working time	24	28
2c	51-99% of working time	0	0
2d	100% of working time	12	12
3	%age of pay bill spent on facility time	0.04	0.05
4	%age of time spent on trade union activities	9	10

Details of trade union facility time are also disclosed on the [Police Scotland website](#) in line with legislative requirements laid out in the Trade Union (Facility Time Publication Requirements) Regulations 2017.

Employee relations

Corporate information for police officers and staff is publicly 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 such as SPRM, 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, and the process of procedural simplification is ongoing in order that user groups find access more tailored for their needs.

SPA is in the process of scoping out future staff survey requirements. It is anticipated that this work will provide the opportunity to benchmark against other police forces and will identify focus areas that will make the most impact for our people.

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

The SPRM project that has been ongoing since the inception of Police Scotland has now been accepted through a ballot, and work commenced to implement the new model on 1 April 2019

Equality & diversity

Policing is one of our most important public services and plays a major part in supporting and enabling all the people of Scotland to go about their life and work safely and with confidence.

As the public body responsible for maintaining, overseeing and holding Police Scotland to account, the Scottish Police Authority (SPA) has a fundamental role to play in ensuring the safety and wellbeing of people, places and communities in Scotland. Ensuring that policing is listening to communities, is focussed on the right priorities, and has the right skills and capabilities is central to delivering on our general equality duty. The increasing focus on developing strategies and plans to address vulnerability, improve engagement and develop partnerships with diverse communities and through a diverse workforce goes hand in hand with our equality outcomes.

The SPA and Police Scotland published their respective Equality & Diversity Mainstreaming and Outcomes Progress Reports in April 2019 demonstrating progress towards integrating equality and diversity into all functions.

These documents can be accessed at: [SPA](#) and [Police Scotland](#) websites:

These reports demonstrate the key progress made in ensuring equality considerations are increasingly embedded into the way we work. It demonstrates a focus on continuous improvement to people, polices and processes that proactively deliver the general equality duty for policing in Scotland.

The policing arrangements in Scotland, and organisations like the Authority, are still relatively young. There is much more to do and more tangible progress to make but we are confident we are on a journey of improvement that will make policing ever more responsive, reflective, and representative of the people it serves.

Health & safety

The reorganisation of the Police Scotland Health & Safety team and the associated infrastructure, continued in 2018/19 with the start of a review of the Health & Safety Management System. This work will take at least a further 12 months to complete and involves a comprehensive review of all health & safety guidance and generic risk assessments.

Work continues in terms of fire safety with all SPA premises now having an up to date fire risk assessment in place.

This year, the Health and Safety team started to proactively tackle the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). RIDDOR accidents are the more serious incidents and any accident where there has been an absence of seven days or more. The RIDDOR figures for 2017/18 at 172, were in fact very low for an organisation of SPA's size and taking into account the nature of the work. This further reduced by 17 to 155 in 2018/19.

Over the last two years safety advisors have visited every Police Scotland office across the country. This is the first time that this has ever been carried out and also the first time that many offices will have been formally visited by a member of the Health & Safety team. This work was carried out in conjunction with representative bodies.

Safety advisors continue to provide specialist support at a wide range of crime scenes and events with team members attending a number of complex scenes over the last 12 months.

Below are the accident statistics for the period 2018/19.

Accident type	2018/19	2017/18	% Increase / (Decrease)
Injuries due to assault	1,685	1,711	(2%)
Injuries during arrest	759	604	26%
Manual handling	75	62	21%
Slips, trips and falls	229	301	(24%)
Training accidents	109	91	20%
RTC injuries	108	129	(16%)
Other incidents	586	538	9%
Near-miss reports	1,106	1,171	(6%)
Total	4,657	4,607	1%
RIDDOR reports (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995)	155	172	(10%)

Health & wellbeing

As with Health and Safety, regular wellbeing reports are now routinely reported into the SPA Board.

Over the year, wellbeing issues tackled across policing included:

A focus on the recording of working time;

Line manager training;

The launch of a mobile wellbeing unit for use at large incidents and resource intensive operations, providing officers and staff with a rest space and access to power and hot water;

A Wellbeing Champions' Conference and new Wellbeing Library resources;

The flu vaccination programme with a 68% increase in uptake when compared with 2017;

Two new occupational health initiatives piloted, the first offering support for colleagues with neurodiverse conditions such as dyslexia, and autism spectrum disorder (ASD) and the second widening access to psychological screening.

Utilisation of the SPA's occupational health and employee assistance programme is shown below and has been reported to the SPA throughout 2018/19:

Accident type	2018/19	2017/18	% Increase / (Decrease)
Occupational Health Referrals	3,727	3,697	1%
Employee Assistant Programme (EAP)	1,407	1,180	19%

The EAP utilisation has seen a significant increase in 2018/19 when compared with the same period in 2017/18. The number of cases supported increased from 1,180 to 1,407. This increase in utilisation has been actively encouraged and is a positive indicator.

Referrals to Occupational Health have seen a very slight increase but remain in line with predicted volumes. 2016/17 and 2017/18 had seen reductions in referral numbers, however this is now beginning to stabilise.

Part 3

Parliamentary Accountability and Audit Report



Overview

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

The organisation's spending and use of resources are examined by our external auditor, Audit Scotland.

The SPA has developed their financial monitoring reports throughout the financial year. This has improved the transparency of performance reporting 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 Statement of Resource Outturn below and associated Reconciliation of Statement of Resource Outturn to Statement of Comprehensive Net Expenditure, and Statements of Non-Cash and Annually Managed Expenditure (AME) funding overleaf are presented in order to provide transparency to the people of Scotland, demonstrating that public money is spent properly, and in accordance with the principles of best value.



Statement of Resource Outturn

	2018/19			2017/18		
	Funding £'000	Outturn £'000	Funding vs Outturn £'000	Funding £'000	Outturn £'000	Funding vs Outturn £'000
Revenue resource ¹	1,080,056	1,115,511	(35,455)	1,022,732	1,060,683	(37,951)
Revenue reform	25,000	25,011	(11)	40,148	36,049	4,099
Total resource DEL²	1,105,056	1,140,522	(35,466)	1,062,880	1,096,732	(33,852)
Working capital (cash only) ³	35,854	-	35,854	-	-	-
Capital resource ¹	23,940	24,039	(99)	20,000	21,543	(1,543)
Capital reform	4,600	4,600	-	9,480	8,423	1,057
Capital grant income	179	-	179			
Total capital DEL	28,719	28,639	80	29,480	29,966	(486)
Capital receipts	12,044	6,538	5,506	5,741	3,680	2,061
Resource under/ (over) spend	1,181,673	1,175,699	5,974	1,098,101	1,130,378	(32,277)
ODEL Funding – pre 2004/05 loan interest	6,430	6,407	23	5,404	4,190	1,214
Resource under/ (over) spend including ODEL	1,188,103	1,182,106	5,997	1,103,505	1,134,568	(31,063)

¹ Resource funding provided through periodic Grant in aid payments. See also Note 26 to the Financial Statements.

² Departmental Expenditure Limit

³ Cash funding related to the deficit position (as noted in the Financial Performance section of the SPA Corporate Performance report and Note 26 to the Financial Statements).

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 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.

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

	2018/19 £'000	2017/18 £'000
Net comprehensive expenditure	2,316,207	1,628,498
Non-cash costs		
Depreciation & amortisation	(35,748)	(31,885)
AME funded impairments / revaluations	(6,725)	(10,328)
Impairment of bad debt	537	-
Capital grant Income	179	-
Pension fund interest	(425,721)	(463,608)
IAS19 pension adjustment	(697,872)	(22,186)
Provisions (non-cash)	(10,335)	(3,759)
Total non-cash costs	(1,175,685)	(531,766)
Net comprehensive expenditure attributed to revenue budgets	1,140,522	1,096,732

Total resource funding (including ODEL and reform funding) for the year to 31 March 2019 was £1.188 billion (2017/18: £1.104 bn) representing a rise in resources of £84m (7.6%), partly due to additional working capital cash funding of £35.9m. This compares to a rise of £24m (2.2%) received in the 2017/18 financial year.

Other operating income (see note 3), relates to income raised by Police Scotland to offset against expenditure.

Scottish Government agreed an annual recurring cost of £941,250 (2017/18: £941,250) for the cost of SPPA's role as Scheme Manager of the Police Officers' Pension Scheme. This amount was deducted from the SPA baseline budget in respect of the costs due 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

Annually Managed Expenditure (AME) which is a separate budget covering expenditure such as pension adjustments, and some provisions and impairments, which cannot be fully controlled.

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

	Note	2018/19 £'000	2017/18 £'000
(Decrease)/ Increase in AME provisions	22	10,335	3,759
IAS 19 pension adjustment in pension Interest for staff	23	4,221	7,708
IAS 19 pension adjustment in staff costs	23	37,672	21,986
AME funded impairments / revaluations	9	6,725	10,328
Total AME expenditure		58,953	43,781
Total AME funding received	26	(38,000)	(33,000)
Total AME over spend		20,953	10,781

Statement of Resource Outturn – non-cash funding

	Note	2018/19 £'000	2017/18 £'000
Depreciation	9-11	35,748	31,885
Impairment loss	9	-	-
Total non-cash expenditure		35,748	31,885
Total non-cash GIA received	26	(50,000)	(50,000)
Total non-cash (under) spend		(14,252)	(18,115)

Fraud

Every two years, the UK Cabinet Office initiates a National Fraud Initiative (NFI), 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 and data matches have been received. All high risk items have been investigated, no incidents of suspected fraud were identified within the exercise. The remaining items were reviewed, compliant with NFI deadlines.

Losses, special payments and write-offs

Following a review of overdue sales invoices during 2018/19, the Board approved to write off 1,870 invoices with a value of £418,461. However, full Scottish Government approval was not received until April 2019. Consequently, this value will be written off in 2019/20 (2017/18: £nil; no invoices).

This review has also resulted in a decrease in the impairment for bad debts within trade receivables to £660,000 (2017/18: £1.2m).

Legal costs 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 costs from 2017/18 to 2018/19 is largely due to the net increase in legal provisions of £8,034,000. This increase is due to an updated assessment of potential liability in a number of cases, but does not represent agreement for settlement for these ongoing legal proceedings.

Payments to individuals who have taken voluntary redundancy are disclosed within the Remuneration Report. During the financial year four financial settlements were entered into with four employees in the £0-£25,000 range (2017/18: two employees). 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 £165,000, and included donations to the Mountain Rescue Service of £98,000 (2017/18: £96,000), the Police Treatment Centre of £38,203 (2017/18: £nil), the Save a life for Scotland Project of £20,000 (2017/18: £nil) and the Dumbarton Open Day of £1,765 (2017/18: £nil). A small number of other donations were made, none of which exceeded £1,000.

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, the SPA's auditors are appointed by the Auditor General. Stephen Boyle, Audit Director at Audit Scotland has a five year appointment from 2016/17. The auditors were remunerated the sum of £210,900 (2017/18: £206,100) in respect of statutory audit services for the financial year.

Audit Scotland did not perform any non-audit services and no additional payments were made.

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.

73% of supplier invoices were paid within the normal trading terms of 30 days (2017/18: 84%). The number of invoices taking longer than 10 working days has increased from 33% in 2017/18 to 74% in 2018/19. The trade creditor level as at 31 March 2019 was 26 days compared to 29 days in the previous year.

James Gray
Interim Accountable Officer
24 September 2019

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

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 2019 under the Police and Fire Reform (Scotland) Act 2012. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is three years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the 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.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](http://www.frc.org.uk/auditorsresponsibilities) 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.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

25 September 2019

Financial Statements of the Scottish Police Authority



Statement of Comprehensive Net Income and Expenditure
Statement of Financial Position
Statement of Cash Flows
Statement of Changes in Taxpayers' Equity
Notes to the Accounts

Direction by the Scottish Ministers

Statement of Comprehensive Net Expenditure Year ended 31 March 2019

	Note	2018/19 £'000	2017/18 £'000
Expenditure			
Staff costs	2	1,726,131	996,189
Other expenditure	4	170,475	170,267
		1,896,606	1,166,456
Depreciation & amortisation	9-11	35,748	31,885
Operating expenditure	2	1,932,354	1,198,341
Income from activities	3	(54,506)	(50,376)
Net Expenditure before interest		1,877,848	1,147,965
Loss on impairment of assets	9	6,725	10,328
Interest payable			
Pension fund interest	23	425,721	463,608
PFI interest		2,109	2,213
Finance lease interest		291	340
Loan and other Interest		3,513	4,044
		431,634	470,205
Net expenditure		2,316,207	1,628,498
Other comprehensive expenditure	Note	2018/19 £'000	2017/18 £'000
These items will not be reclassified to net expenditure			
Net (gain) / loss on revaluation reserve		6,138	(28,963)
Net (gain) / loss on revaluation of investment properties	10	(157)	204
IAS19 actuarial (gain) / loss	23	(863,407)	(353,821)
Total other comprehensive (Gain)		(857,426)	(382,580)
Total Comprehensive Net Expenditure		1,458,781	1,245,918

Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	9	509,031	524,553
Investment properties	10	8,473	8,316
Intangible assets	11	11,269	8,391
Total non-current assets		528,773	541,260
Current assets			
Cash and cash equivalents	13	14,146	24,702
Inventories	14	3,734	3,027
Trade and other receivables	15	44,587	30,058
Assets held for sale	16	5,896	6,377
Total current assets		68,363	64,164
Total assets		597,136	605,424
Current liabilities			
Trade and other payables	17	(131,132)	(127,981)
Total current liabilities		(131,132)	(127,981)
Total assets less net current liabilities		466,004	477,443
Non-current liabilities			
Finance lease liabilities	19	(3,458)	(4,361)
PFI liabilities	20	(15,064)	(16,086)
Long-term loan liabilities	21	(76,182)	(80,122)
Provisions	22	(24,546)	(14,211)
Total non-current liabilities		(119,250)	(114,780)
Total net assets before pension liabilities		346,754	362,663
Pension liabilities	23	(16,955,250)	(16,695,064)
Assets less liabilities		(16,608,496)	(16,332,401)
Taxpayers' equity			
General fund		225,785	235,556
Revaluation reserve		120,969	127,107
Taxpayers' equity before pension liabilities		346,754	362,663
Pension Reserve	23	(16,955,250)	(16,695,064)
Total taxpayers' equity		(16,608,496)	(16,332,401)

James Gray
Chief Financial Officer and Interim Accountable Officer
24 September 2019 and Authorised for issue on
24 September 2019

Statement of Cash Flows - Year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities			
Net deficit from operating activities		(2,316,207)	(1,628,498)
Adjustments for non-cash transactions	8	1,165,046	527,817
Decrease / (increase) in inventories	14	(707)	206
Decrease / (increase) in trade and other receivables	15	(14,529)	2,308
Increase / (decrease) in trade and other payables	17	6,890	12,403
Increase / (decrease) in provisions	22	10,335	3,759
Net cash outflow from operating activities		(1,149,172)	(1,082,005)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(34,423)	(29,985)
Purchase of intangible assets	11	(1,422)	(2,411)
Proceeds of disposal of property, plant, equipment	9	12,045	5,740
Net cash outflow from investing activities		(23,800)	(26,656)
Cash flows from financing activities			
Grant in Aid from the Scottish Government	26	1,175,880	1,097,764
Payments to repay finance leases – interest		(291)	(340)
Payments to repay PFI agreements – interest		(2,109)	(2,213)
Payments to repay long-term loans – interest		(2,110)	(887)
Payments to repay finance leases – capital		(851)	(804)
Payment to repay PFI agreements – capital		(904)	(802)
Payments to repay long-term loans – capital		(7,199)	(3,262)
Net financing		1,162,416	1,089,456
Net decrease in cash and cash equivalents	13	(10,556)	(19,205)
Cash / cash equivalents at the beginning of the year		24,702	43,907
Cash / cash equivalents at the end of the year	13	14,146	24,702

Statement of Changes in Taxpayers' Equity - Year ended 31 March 2019

	Note	General Fund £'000	Pension £'000	Revaluation Reserve £'000	Total £'000
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)
Cash Grant in Aid	26	1,175,880	-	-	1,175,880
Net expenditure for the year		(1,192,614)	(1,123,593)	-	(2,316,207)
Revaluation gains and losses	9, 10 & 23	6,963	863,407	(6,138)	864,232
Other reserves movements including transfers		-	-	-	-
Balance as at 31 March 2019		225,785	(16,955,250)	120,969	(16,608,496)

The notes on pages 85 to 117 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 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 classified as an Other Significant National 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 2019.

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

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 in the monthly budget management reporting are as follows:

SPA Corporate Services

Forensic Services

Reform

Deputy Chief Officer (DCO)

DCC Local Policing

DCC Crime and Operation Support

DCC People and Professionalism

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 main Police Scotland Corporate Service functions including ICT, Finance, Procurement, Fleet and Estates.

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 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 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 when the asset is ready for use, provided that the PPE will yield 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 (exclusive 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 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 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 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 and do not feature on the Statement of Financial Position.

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 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 Expenditure; and
- Where an impairment loss is reversed subsequently, the reversal is credited to the Statement of Comprehensive Net 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 Expenditure.

Capital receipts from the sale of non-current 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.

The gain or loss arising from a change in the fair value of investment property shall be recognised in the Statement of Comprehensive Net 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 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 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 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 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 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 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 Expenditure; and
- payment towards liability – applied to write down the Statement of Financial Position liability to 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 museum's 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 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 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 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 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 taxpayers' equity in other reserves.

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 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 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.

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 SPA becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the Statement of Financial Position 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 Statement of Comprehensive Net Expenditure.

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 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 balance sheet date 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, or the amount of the obligation cannot be reliably measured.

1.19 Pensions

The SPA 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 on 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 scheme assets are measured using market values and the scheme 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 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 Expenditure.

Past service cost

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

Corporation tax

The income from 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 Expenditure. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet 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 balance sheet date.

1.22 Insurance

Expenditure included in the Statement of Comprehensive Net 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

There is one standard not yet effective that will have an impact on SPA's accounts which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position.

IFRS 16: Leases –

It is expected that this standard will be adopted by the FReM with effect from 1 April 2020 (for reporting in 2020/21 Annual Report & Accounts). IFRS 16 removes the distinction between operating and finance leases and introduces a single lessee accounting model. SPA is considering its operating leases commitments currently held and whether these are material to the financial statements, the nature of the assets being leased and their classification. 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.

2. Analysis of net expenditure by segment

2018/19	SPA £'000	Forensic Services £'000	Deputy Chief Officer £'000	DCC Local Policing £'000	DCC Crime & Operation Support £'000	DCC People & Professionalism £'000	Reform £'000	Total £'000
Staff costs	2,834	23,502	56,479	590,673	261,907	76,590	16,274	1,028,259
¹ IAS 19 pension cost	-	-	697,872	-	-	-	-	697,872
²Total staff costs (2a)	2,834	23,502	754,351	590,673	261,907	76,590	16,274	1,726,131
Other expenditure	1,796	7,037	85,894	14,956	26,623	15,097	8,737	160,140
¹ Legal & premises provisions	46	-	2,301	-	-	7,988	-	10,335
Total other expenditure	1,842	7,037	88,195	14,956	26,623	23,085	8,737	170,475
¹ Depreciation/ amortisation	-	-	35,748	-	-	-	-	35,748
Operating expenditure	4,676	30,539	878,294	605,629	288,530	99,675	25,011	1,932,354
Income from activities	(958)	(101)	(13,554)	(11,685)	(24,316)	(3,892)	-	(54,506)
Net expenditure before interest	3,718	30,438	864,740	593,944	264,214	95,783	25,011	1,877,848
¹ Impairment of assets	-	-	6,725	-	-	-	-	6,725
Interest payable	-	-	5,913	-	-	-	-	5,913
¹ IAS 19 pension interest	-	-	425,721	-	-	-	-	425,721
Total interest payable	-	-	431,634	-	-	-	-	431,634
Total expenditure	3,718	30,438	1,303,099	593,944	264,214	95,783	25,011	2,316,207

2017/18 restated ³	SPA £'000	Forensic Services £'000	Deputy Chief Officer £'000	DCC Local Policing £'000	DCC Crime & Operation Support £'000	DCC People & Professionalism £'000	Reform £'000	Total ⁴ £'000
Staff costs	2,756	23,048	40,658	568,280	252,630	75,370	11,260	974,002
¹ IAS 19 pension cost	-	-	22,187	-	-	-	-	22,187
²Total staff cost (2a)	2,756	23,048	62,845	568,280	252,630	75,370	11,260	996,189
Other expenditure	1,756	5,312	99,323	16,108	26,941	11,776	5,291	166,507
¹ Legal & premises provisions	260	-	1,141	-	-	2,359	-	3,760
Total other expenditure	2,016	5,312	100,464	16,108	26,941	14,135	5,291	170,267
¹ Depreciation/amortisation	-	-	31,885	-	-	-	-	31,885
Operating expenditure	4,772	28,360	195,194	584,388	279,571	89,505	16,551	1,198,341
Income from activities	(1,099)	(145)	(11,155)	(11,069)	(23,374)	(3,465)	(69)	(50,376)
Net expenditure before interest	3,673	28,215	184,039	573,319	256,197	86,040	16,482	1,147,965
¹ Impairment of assets	-	-	10,328	-	-	-	-	10,328
Interest payable	-	-	6,597	-	-	-	-	6,597
¹ IAS 19 pension interest	-	-	463,608	-	-	-	-	463,608
Total interest payable	-	-	470,205	-	-	-	-	470,205
Total expenditure	3,673	28,215	664,572	573,319	256,197	86,040	16,482	1,628,498

¹This denotes items of non-cash expenditure.

²Full details of this can be found within Total Staff Costs in the Remuneration Report.

³During 2018/19 Chief Officer portfolios were reviewed to ensure they were structured to effectively deliver our strategic aims and objectives. Previously, income and expenditure was disclosed under the DCC Designate portfolio, but this has now been reallocated to DCC People & Professionalism and Deputy Chief Officer. As a result, the segmental analysis for 2017/18 has been restated taking into account transfers between the portfolios.

⁴ Total expenditure is not altered for 2017/18 as a result of the segmental restatement.

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
2018/19	316	257,503	1,465,897	2,415	1,726,131
2017/18	267	220,839	771,040	4,043	996,189

3. Other operating income

	2018/19 £'000	2017/18 £'000
Fees and charges (detailed below)	30,040	28,395
Grant income received - external to GiA	15,405	16,646
Seconded police officers and staff	2,638	2,959
Insurance	98	72
Donations and sponsorship	42	76
Profit on disposal of assets	5,506	1,560
Interest received	6	2
Other income	771	666
	54,506	50,376

Fees and charges – categories over £1m	2018/19 £'000	2017/18 £'000
Accident report fees	1,154	1,234
Aerials / masts income	4,777	4,090
Disclosure fees	1,365	1,212
i6 compensation	-	*1,852
International development income**	1,138	-
Licences & certificates	1,113	1,542
Rental income	1,926	2,026
Police officer services – Events & concerts	1,287	932
Police officer services – Football matches	1,605	1,665
Police officer services – Airports	4,857	4,605
Police officer services – Abnormal load escorts	1,207	1,035
Police officer services – Operation Ailey	4,251	3,481
Police officer services – European Championship	1,614	-
Police officer services – Other	1,340	815
Training / CPD income	399	1,245
Other	2,007	2,661
	30,040	28,395

*i6 VAT element

**In 2017/18 International development income was categorised within training / CPD income

As required by the fees and charges section of the SPFM, SPA charges market rates wherever applicable. The provision of police goods and services are charged on a full cost recovery basis. Goods and services may be provided for such purposes as the SPA considers to be appropriate and consistent with the proper carrying out of police functions.

EU funding was not directly received during the year.

4. Other operating expenditure

	2018/19 £'000	2017/18 £'000
Animal costs	486	519
Bad debts	(619)	373
Catering costs	1,483	1,463
Clothing & uniform	2,429	2,883
Conference / meeting expenses	147	157
Consultancy	6,576	4,272
Equipment costs	22,182	24,314
Legal costs	14,245	5,812
National Crime Agency	5,212	5,212
Other fees & charges	3,295	3,856
Other non-pay costs	3,795	3,515
Premises costs	55,716	59,744
Printing, stationery & postage	2,388	3,015
Prison charges	761	788
Professional fees	608	357
Promotional costs	240	301
Public protection unit	296	284
Recruitment costs	284	67
Securing premises	348	406
Subscriptions	386	231
Supplies and services	4,454	4,021
Telecom and Airwave costs	13,515	17,421
Third party payments	11,337	7,415
Transport costs	20,911	23,841
	170,475	170,267

5. Commitments under operating leases

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

2018/19	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	492	833	21	1,346
Between one and five years	219	1,220	17	1,456
Later than five years	1,346	2,194	-	3,540
	2,057	4,247	38	6,342

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

Operating lease payments made during the year were as follows:

	2018/19 £'000	2017/18 £'000
Minimum lease payments	1,722	1,780
Contingent rents	33	33
Sub-lease payments	-	-
	1,755	1,813

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:

	2018/19 £'000	2017/18 £'000
Within 12 months	598	628
2-5 years	100	172
Later than 5 years	31	52
	729	852

Payments received during the year were as follows:

	2018/19 £'000	2017/18 £'000
Minimum lease payments	658	680
Contingent rents	-	-
	658	680

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.

It is therefore anticipated that for 2018/19, there will be sufficient trading and property losses to offset any chargeable gains and non-trade loan income to reduce the taxable profits to nil in the aggregate. This will ensure that no corporation tax liability arises for SPA. The full analysis and submission to HMRC will be completed in line with required deadlines in early 2020.

8. Adjustments to cash flows for non-cash items

	Note	2018/19 £'000	2017/18 restated ¹ £'000
Depreciation of property, plant & equipment	9	32,993	29,585
Amortisation of intangible assets	11	2,755	2,300
Interest payable – PFI interest	20	2,109	2,213
Interest payable – finance lease	19	291	340
Interest payable – loan and other interest	21	2,086	(1,183)
IAS19 pension adjustment to staff costs	23	697,872	22,186
IAS19 interest on pension scheme obligations	23	425,721	463,608
Asset impairment	9	6,725	10,328
(Profit) on sale of property, plant & equipment	3	(5,506)	(1,560)
Adjustments to non-cash costs		1,165,046	527,817

¹ An error was found in the 2017/18 asset Impairment value and has now been updated to reflect the correction.

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 J & E Shepherd. Valuations were conducted on operational buildings, on the basis of Existing Use Value, except in the circumstances of specialised properties, where Depreciated Replacement Cost Value 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 2019, 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 decrease in the value of PPE of £6.0million (2017/18: an increase of £23.9million), no movement in Assets Held for Sale (2017/18: a decrease of £35,000) per note 16, and a net decrease in intangibles of £15,000 (2017/18: an increase of £nil) per note 11.

The table below shows a summary of the impact of revaluations on the revaluation reserve and statement of comprehensive net expenditure:

	Note	2018/19			2017/18		
		up £'000	down £'000	net £'000	up £'000	down £'000	net £'000
PPE	9	13,082	(19,124)	(6,042)	36,598	(12,716)	23,882
AHFS	16	-	-	-	-	(35)	(35)
Intangibles	11	-	(15)	(15)	-	-	-
		13,082	(19,139)	(6,057)	36,598	(12,751)	23,847
Revaluation reserve increase		13,082	-	13,082	36,598	-	36,598
Revaluation reserve utilised		-	(12,178)	(12,178)	-	(2,415)	(2,415)
Reversal of previous impairments		-	(236)	(236)	-	(8)	(8)
Total revaluations gain		13,082	(12,414)	668	36,598	(2,423)	34,175
AME funded impairments / downward revaluations		-	(6,725)	(6,725)	-	(10,328)	(10,328)
Total revaluations loss		-	(6,725)	(6,725)	-	(10,328)	(10,328)
		13,082	(19,139)	(6,057)	36,598	(12,751)	23,847

A number of the properties with downward revaluations had revaluation reserves and so £12.2m (2017/18: £2.4m) was charged against the revaluation reserve. There were 13 (2017/18: 6) properties where there was a reversal of the previous impairment charge which amounted to £0.2m (2017/18: £0.008m).

The overall remainder of the impact of the revaluation process resulted in a charge of £6.7m (2017/18: £10.3m) to the Annually Managed Expenditure budget (AME).

No properties (2017/18: nil) triggered impairment reviews, due to their presenting condition. Whilst acknowledging that a proportion of the property estate has been assessed as "poor" from recent condition surveys, these assessments do not constitute an impairment from an accounting perspective, which would require a material level of obsolescence or damage to the property. There was therefore no impairment amount (2017/18: nil) charged to the non-cash Departmental Expenditure Limit (DEL).

The net book value of disposals was £6.5m (2017/18: £4.2m) which together with the profit on disposal of assets of £5.5m (2017/18: £1.6m profit) per note 3 results in a total cash proceeds on disposal of property, plant and equipment of £12.0m (2017/18: £5.7m).

Details of the finance leases and PFI contracts, related to assets, as at 31 March 2019 are held within notes 19 and 20 respectively.

There are no properties marked as vacant / surplus (2017/18: 3) within land and buildings as at 31 March. All vacant properties are being actively 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 – 2;

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.

9. Property, plant & equipment – analysis

2018/19	*Land & Buildings	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction	Total £'000
Cost or valuation:								
As at 1 April 2018	488,500	7,061	114,836	48,866	5,887	62,224	8,740	736,114
Additions	3,624	-	5,790	4,543	58	7,038	12,703	33,756
Disposals	(169)	-	(26,218)	(19,181)	(826)	(4,975)	-	(51,369)
Revaluation	(12,629)	7	-	-	-	-	-	(12,622)
Impairment	-	-	-	-	-	-	-	-
Reclassification	(4,280)	(711)	2,320	(193)	-	878	(8,155)	(10,141)
As at 31 March 2019	475,046	6,357	96,728	34,035	5,119	65,165	13,288	695,738
Depreciation:								
As at 1 April 2018	34,138	237	84,579	42,431	3,684	46,492	-	211,561
Charged in year	14,389	212	9,602	1,674	714	6,402	-	32,993
Depreciation on disposals	(65)	-	(26,218)	(19,169)	(826)	(4,945)	-	(51,223)
Depreciation on revaluation	(6,547)	(33)	-	-	-	-	-	(6,580)
Depreciation on impairment	-	-	-	-	-	-	-	-
Depreciation on reclassification	-	-	(15)	(29)	-	-	-	(44)
As at 31 March 2019	41,915	416	67,948	24,907	3,572	47,949	-	186,707
NBV as at 31 March 2019	433,131	5,941	28,780	9,128	1,547	17,216	13,288	509,031

Summary of revaluations and impairments

2018/19	*Land & Buildings	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction	Total £'000
Revaluations:								
Revaluation on cost	(12,629)	7	-	-	-	-	-	(12,622)
Revaluation on depreciation	6,547	33	-	-	-	-	-	6,580
Total revaluation	(6,082)	40	-	-	-	-	-	(6,042)
Depreciation:								
Impairment on cost	-	-	-	-	-	-	-	-
Impairment on depreciation	-	-	-	-	-	-	-	-
Total impairment	-	-	-	-	-	-	-	-
Net impact on NBV as at 31 March 2019	(6,082)	40						(6,042)

*Land and buildings include 1 building financed by PFI with a current NBV £12.8m (2017/18 £13.3m) and 6 buildings utilised via finance leases with a current NBV £2.7m (2017/18: £3.4m).

**Safety Camera Partnership vans, funded by Transport Scotland, currently have a NBV of £292k (2017/18: £261k). Loaned assets do not form part of the note above, and have a value of £295k (2017/18: £279k).

2017/18	Land & Buildings	*Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Motor Vehicles £'000	Assets Under Construction	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

Summary of revaluations and impairments

2017/18	*Land & Buildings	Dwellings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	**Motor Vehicles £'000	Assets Under Construction	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

10. Investment properties

Investment properties are located across Scotland and so the valuation exercise requires a number of surveyors. All of those involved are 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 2019. 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 2019 £'000	31 March 2018 £'000
Valuation:		
As at 1 April	8,316	8,483
Disposal	-	-
Gain / (loss) from fair value adjustment	157	(204)
Reclassification	-	37
Net Book Value as at 31 March	8,473	8,316

	31 March 2019 £'000	31 March 2018 £'000
Valuation Details		
Upward Revaluation	2,666	493
Downward Revaluation	(2,509)	(697)
Net gain / (loss) on revaluation of Investment Properties	157	(204)

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 it is the only data available to value the asset. There were no transfers between hierarchy levels for intangible assets during the year.

	Software £'000	Licences £'000	Other £'000	2018/19 Total £'000	2017/18 Total £'000
Cost:					
As at 1 April	16,998	2,715	464	20,177	16,380
Disposals	-	-	-	-	-
Additions	708	714	-	1,422	2,411
Reclassification	4,126	144	-	4,270	1,386
Cost as at 31 March	21,832	3,573	464	25,869	20,177
Amortisation:					
As at 1 April	10,246	1,321	219	11,786	9,466
Charged in year	2,288	405	62	2,755	2,300
Disposals	-	-	-	-	-
Revaluations	15	-	-	15	-
Reclassification	-	44	-	44	20
Amortisation as at 31 March	12,549	1,770	281	14,600	11,786
Net book value as at 31 March	9,283	1,803	183	11,269	8,391

	31 March 2019 £'000	31 March 2018 £'000
Valuation Details		
Upward revaluation	-	-
Downward revaluation	(15)	-
Net gain / (loss) on revaluation of intangible assets	(15)	-

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.

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

	2018/19 £'000	2017/18 £'000
Balance as at 1 April	24,702	43,907
Net change in cash and cash equivalent balance	(10,556)	(19,205)
Balance as at 31 March	14,146	24,702

The balances held as at 31 March were held as follows:	2018/19 £'000	2017/18 £'000
Balance within the Government Banking Service	11,364	21,976
Cash at commercial banks and cash in hand	868	1,250
Total cash	12,232	23,226
Cash held within warrant and confiscation accounts*	1,914	1,476
	14,146	24,702

* 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 Position at the lower of cost and net realisable value.

	2018/19 £'000	2017/18 £'000
Balance as at 1 April	3,027	3,233
Increase / (decrease) in inventories and stock during year	707	(206)
Balance as at 31 March	3,734	3,027

15. Trade and other receivables

(a) Analysis by type of receivable is as follows:	2018/19 £'000	2017/18 £'000
Amounts falling due within one year:		
Trade receivables*	9,241	6,676
Other receivables	146	385
Prepayments and accrued income	15,899	22,997
VAT	10,906	-
Pension debtor (note 18)	8,395	-
Total amounts falling due within one year	44,587	30,058

(b) Analysis by category of customer is as follows:	2018/19 £'000	2017/18 £'000
Amounts falling due within one year:		
Balances with other central government bodies	23,869	2,211
Balances with local authorities	2,081	1,790
Balances with NHS bodies	145	491
Intra-governmental balances	26,095	4,492
Balances with bodies external to government	18,492	25,566
Total amounts falling due within one year	44,587	30,058

*Trade receivables of £9.2m (2017/18: £6.6m) are shown net of a provision for bad debts of £0.66m (2017/18: £1.2m).

16. Assets held for sale

	2018/19 £'000	2017/18 £'000
Balance brought forward as at 1 April	6,377	9,584
Reclassifications from property, plant and equipment	5,912	763
Revalued during the year	-	(35)
Reversal of impairments during the year	-	-
Assets sold	(6,393)	(3,935)
Balance as at 31 March	5,896	6,377

	31 March 2019 £'000	31 March 2018 £'000
Valuation details:		
Upward revaluation	-	-
Downward revaluation	-	(35)
Net gain/(loss) on revaluation of intangible assets	-	(35)

Fair Value Hierarchy Level 2 inputs as stated in note 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:	2018/19 £'000	2017/18 £'000
Amounts falling due within one year:		
VAT	-	(847)
Other taxation and social security	23,954	21,755
Trade payables	7,211	16,801
Other payables*	5,122	5,944
Pension (debtor) (note 18)	-	(1,113)
Accruals and deferred Income	88,943	76,426
Sub-total amounts falling due within one year	125,230	118,966
Current component of finance leases	903	851
Current component of PFI agreements	1,023	905
Current component of long-term loans	3,976	7,259
Total amounts falling due within one year	131,132	127,981

	2018/19 £'000	2017/18 £'000
Amounts falling due after more than one year:		
Finance leases	3,458	4,361
PFI agreements	15,064	16,086
Long-term loans	76,182	80,122
Total amounts falling due after more than one year	94,704	100,569

* £1,914k (2017/18: £1,476k) of the balance within other payables represents confiscation and warrant accounts. This is held on behalf of third parties, and has a corresponding entry within note 13.

(b) Analysis by category of supplier is as follows:	2018/19 £'000	2017/18 £'000
Amounts falling due within one year:		
Balances with other central government bodies	40,941	45,702
Balances with local authorities	9,096	15,740
Balances with NHS bodies	13	46
Intra-governmental balances	50,050	61,488
Balances with bodies external to government	81,082	66,493
Total amounts falling due within one year	131,132	127,981

	2018/19 £'000	2017/18 £'000
Amounts falling due after more than one year:		
Balances with other central government bodies	2,418	2,418
Balances with local authorities	73,835	77,777
Intra-governmental balances	76,253	80,195
Balances with bodies external to government	18,451	20,374
Total amounts falling due after more than one year	94,704	100,569

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, which takes into account the funding to meet the cost of the employer contributions.

	2018/19 £'000	2017/18 £'000
Receivable:		
Employer contributions	138,645	136,193
Officers' contributions	81,474	80,330
Other receivables	9,008	5,290
Transfer values received	2,666	3,064
Total receivable	231,793	224,877
Payable:		
Pensions	336,776	318,905
Refund & transfer values paid	1,132	2,056
Lump sum payments	94,843	87,617
Total payable	432,751	408,578
Deficit before funding	200,958	183,701
Funding received from the Scottish Government:		
Brought forward (surplus) / deficit	1,113	(460)
Police pension grant	(193,676)	(182,128)
Carried forward deficit funding received	8,395	1,113

19. Commitments under finance leases

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

	2018/19 Buildings £'000	2017/18 Buildings £'000
Within 12 months	1,142	1,142
2-5 years	3,357	3,942
Over 5 years	589	1,145
Future minimum lease payments	5,088	6,229
Less: interest element	(727)	(1,018)
Present value of obligations	4,361	5,211

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

	2018/19 Buildings £'000	2017/18 Buildings £'000
Within 12 months	903	851
2-5 years	2,916	3,313
Over 5 years	542	1,048
	3,458	4,361
	4,361	5,212

The assets held under finance leases are recognised on the Statement of Financial Position and included within the land and buildings as follows:

	2018/19 £'000	2017/18 £'000
Cost brought forward as at 1 April	14,606	14,606
Aggregate depreciation brought forward as at 1 April	(11,251)	(10,643)
Depreciation during year	(606)	(608)
Net book value as at 31 March	2,749	3,355

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:

	2018/19				2017/18
	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000	Total £'000
Within 12 months	1,023	1,992	1,635	4,650	4,602
2-5 years	5,600	6,457	7,049	19,106	18,901
6-10 years	9,464	2,365	4,925	16,754	21,609
Sub total > 1 year	15,064	8,822	11,974	35,860	40,510
	16,087	10,814	13,609	40,510	45,112

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

	2018/19 £'000	2017/18 £'000
Cost brought forward as at 1 April	17,350	17,350
Aggregate depreciation brought forward as at 1 April	(4,077)	(3,556)
Depreciation during year	(520)	(521)
Net book value as at 31 March	12,753	13,273
Revaluation reserve as at 31 March	311	353

21. Long-term loans

	2018/19				2017/18
	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000	Total £'000
Within 12 months	3,976	3,806	21	7,803	11,422
2 - 5 years	17,948	13,281	65	31,294	31,904
6 - 15 years	33,402	20,888	73	54,363	57,178
16 - 25 years	17,581	7,592	17	25,190	28,536
26 - 35 years	3,297	3,396	2	6,695	7,030
36 - 45 years	3,954	692	0	4,646	5,307
Sub total > 1 year	76,182	45,849	157	122,188	129,955
As at 31 March 2019	80,158	49,655	178	129,991	141,377
As at 31 March 2018	87,381	53,796	200	141,377	

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	2018/19 Total £'000	2017/18 Total £'000
Opening balance as at 1 April	11,632	2,579	14,211	10,452
Provision during the year	13,409	4,880	18,289	8,578
Release of prior year provision	(5,375)	(2,579)	(7,954)	(4,819)
As at 31 March	19,666	4,880	24,546	14,211

Legal provisions all relate to specific claims. They comprise of SPA provisions of £1.16m (2017/18: £1.11m) and a provision of £18.51m (2017/18: £10.52m) for Employers' Liability, Public Liability and Third Party Motor Liability within Police Scotland.

Within Other provisions, a revised £4.9m (2017/18: £2.6m) dilapidations provision for obligations under repairing leases has been created. This reflects an improved method of detailed assessment of potential obligations for dilapidations on property leases, whereby a discount factor is applied to liability estimates (using PES (Public Expenditure System) discount rates), along with adjustment for estimated inflation. Lease related dilapidations provisions have variable time periods of typically one to ten years, with a small number beyond this timescale.

23. IAS19 Pension liability – Summary reconciliation of all schemes including PPS, NPPS, Injury and Local Government Pension Schemes

(a) Reconciliation of pension reserve

2018/19 Income and Expenditure analysis					2018/19 Statement of Financial Position	2017/18 Statement of Financial Position
	Ref	Actuarial Gain £'000	Interest on pension scheme obligations £'000	Staff costs £'000	Total £'000	Total £'000
Opening position as at 1 April	A				(16,695,064)	(16,563,091)
Actuarial gain in year	B	863,407	-	-	863,407	353,821
Interest on obligation	C	-	(464,594)	-	(464,594)	(499,669)
Expected return on assets	D	-	38,873	-	38,873	36,061
Total service costs	E	-	-	(1,155,933)	(1,155,933)	(467,753)
Other movements	F	-	-	458,061	458,061	445,567
As at 31 March 2019		863,407	(425,721)	(697,872)	(16,955,250)	(16,695,064)
As at 31 March 2018		353,821	(463,608)	(22,186)		

The full non-cash adjustment for IAS19 disclosed within the Summary of Resource Outturn for the year ended 31 March 2019 is made of the following:

2018/19				2017/18 Restated		
	Police Officers £'000	Staff £'000	Total £'000	Police Officers £'000	Staff £'000	Total £'000
Interest on obligations	421,500	4,221	425,721	455,900	7,708	463,608
Staff costs	660,200	37,672	697,872	200 ¹	21,986 ¹	22,186
As at 31 March	1,081,700	41,893	1,123,593	456,100	29,694	485,794

¹ These two figures were transposed in error in the 2017/18 Annual Report and Accounts.

(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:

2018/19					2017/18		
	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		-	1,433,275	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)
Opening position as at 1 April	A	(16,546,500)	(148,564)	(16,695,064)	(16,277,100)	(285,991)	(16,563,091)
Current service cost		(386,300)	(56,365)	(442,665)	(403,400)	(50,202)	(453,602)
Past service cost (including curtailments)		(700,000)	(13,268)	(713,268)	(11,100)	(3,051)	(14,151)
Total service cost	E	(1,086,300)	(69,633)	(1,155,933)	(414,500)	(53,253)	(467,753)
Interest income on plan assets	D	-	38,873	38,873	-	36,061	36,061
Interest cost on defined benefit obligation	C	(421,500)	(43,094)	(464,594)	(455,900)	(43,769)	(499,669)
Total net interest		(421,500)	(4,221)	(425,721)	(455,900)	(7,708)	(463,608)
Total defined benefit cost		(1,507,800)	(73,854)	(1,581,654)	(870,400)	(60,961)	(931,361)
Employer contributions		-	30,326	30,326	-	29,672	29,672
Net transfers in from other authorities		(2,100)	-	(2,100)	(2,500)	-	(2,500)
Contributions in respect of unfunded benefits		-	1,635	1,635	-	1,595	1,595
Pensions and lump sum expenditure		415,800	-	415,800	405,600	-	405,600
Injury award expenditure		12,400	-	12,400	11,200	-	11,200
Benefits paid		-	-	-	-	-	-
Unfunded benefits paid		-	-	-	-	-	-
Other movements	F	426,100	31,961	458,061	414,300	31,267	445,567
Expected closing position		(17,628,200)	(190,457)	(17,818,657)	(16,733,200)	(315,685)	(17,048,885)
Change in assumptions		1,146,900	-	1,146,900			
Change in demographic assumptions		-	-	-	91,800	(8,826)	82,974
Change in financial assumptions		-	(148,547)	(148,547)	(643,100)	34,591	(608,509)
Other experience		(197,000)	214	(196,786)	262,800	137,659	400,459
Return on assets excluding net interest		-	61,840	61,840	-	3,697	3,697
Change in mortality assumptions		-	-	-	475,200	-	475,200
Total re-measurements	B	949,900	(86,493)	863,407	186,700	167,121	353,821
Fair value of employer assets		-	1,547,016	1,547,016	-	1,433,275	1,433,275
Present value of unfunded liabilities		(16,298,400)	(44,355)	(16,342,755)	(16,175,900)	(41,396)	(16,217,296)
Present value of funded liabilities		-	(1,779,611)	(1,779,611)	-	(1,540,443)	(1,540,443)
Present value of injury liabilities		(379,900)	-	(379,900)	(370,600)	-	(370,600)
Closing position as at 31 March		(16,678,300)	(276,950)	(16,955,250)	(16,546,500)	(148,564)	(16,695,064)

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 31 March 2019 to be assessed, based on the calculated liability as at 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 2019	31 March 2018
2012-13	n/a	n/a
2013-14	n/a	n/a
2014-15	n/a	n/a
2015-16	n/a	n/a
2016-17	1% plus promotional scale	1% plus promotional scale
2017-18	1% plus promotional scale	1% plus promotional scale
2018-19	6.50% plus promotional scale	3.95% plus promotional scale
2019-20	0% plus promotional scale	3.95% plus promotional scale
2020-21	0% plus promotional scale	3.95% plus promotional scale
2021-22	4.10% plus promotional scale	3.95% 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 2019	31 March 2018
Pension increase rate	2.60%	2.45%
Long-term Salary increase rate	4.10%	3.95%
Short-term Salary increase rate	0.0%	3.95%
Discount rate	2.90%	2.55%

Mortality rates

Average future life expectancies at aged 60 are summarised as follows: the assumptions are the same as those adopted for 2017/18 and are in line with the ONS 2016-based population projections. The post-retirement mortality assumptions are based on S2NMA/S2NFA mortality rates with future improvements based on the ONS 2016.

	31 March 2019		31 March 2018	
	Males	Females	Males	Females
Current normal health pensioners	26.6 years	28.3 years	26.5 years	28.2 years
Future pensioners	28.6 years	30.2 years	28.0 years	29.7 years

(b) Sensitivity analysis

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

	31 March 2019		31 March 2018	
	Change in Employer Liability %	Approx Monetary amount £'000	Increase to Employer Liability %	Approx Monetary amount £'000
0.5% increase in real discount rate	(10.5)	(1,638,000)	(10.5)	(1,726,000)
1 year increase in member life expectancy	2.5	390,000	2.5	412,000
0.5% increase in salary increase rate	2.0	312,000	2.0	324,000
0.5% increase in the pensions increase rate (CPI)	8.0	1,248,000	8.0	1,320,000

The liability is very sensitive to the assumed discount rate and the pension increase rate. For example, the increase in the nominal discount rate from 2.55% pa to 2.90% pa and the decrease in the assumed short-term rate of pay increase from 3.95% to 0.0%, both reduce the overall liabilities. The increase in the assumed rate of pension increases from 2.45% pa to 2.60% pa, and the increase in the assumed long-term rate of general pay increases from 3.95% pa to 4.10% pa, both of which serve to increase the liabilities and partially offset the reductions 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 future year ending 31 March 2020 is estimated to be 62.2% (67.1% 2018/19) of pensionable salaries, with the injury benefit scheme's equivalent Current Service Cost being estimated at 1.24% (1.34% 2018/19).

(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.

2018/19 Net (liability) / asset				2017/18 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	(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)
Opening position as at 1 April	(16,175,900)	(370,600)	(16,546,500)	(15,787,900)	(489,200)	(16,277,100)
Current service cost	(378,700)	(7,600)	(386,300)	(395,500)	(7,900)	(403,400)
Past service cost (including curtailments)	(700,000)	-	(700,000)	(11,100)		(11,100)
Total service cost	(1,078,700)	(7,600)	(1,086,300)	(406,600)	(7,900)	(414,500)
Interest income on plan assets	-	-	-	-	-	-
Interest cost on defined benefit obligation	(412,000)	(9,500)	(421,500)	(442,200)	(13,700)	(455,900)
Total net interest	(412,000)	(9,500)	(421,500)	(442,200)	(13,700)	(455,900)
Total defined benefit cost	(1,490,700)	(17,100)	(1,507,800)	(848,800)	(21,600)	(870,400)
Net transfers in from other authorities	(2,100)	-	(2,100)	(2,500)	-	(2,500)
Contributions in respect of injury benefits	-	-	-	-	-	-
Pensions and lump sum expenditure	415,800	12,400	428,200	405,600	11,200	416,800
Other movements	413,700	12,400	426,100	403,100	11,200	414,300
Expected closing position	(17,252,900)	(375,300)	(17,628,200)	(16,233,600)	(499,600)	(16,733,200)
Change in assumptions	1,128,500	18,400	1,146,900	-	-	-
Change in demographic assumptions	-	-	-	7,500	84,300	91,800
Change in financial assumptions	-	-	-	(631,500)	(11,600)	(643,100)
Other experience	(174,000)	(23,000)	(197,000)	224,000	38,800	262,800
Change in mortality assumptions	-	-	-	457,700	17,500	475,200
Total re-measurements	954,500	(4,600)	949,900	57,700	129,000	186,700
Fair value of employer assets	-	-	-	-	-	-
Present value of unfunded liabilities	(16,298,400)	-	(16,298,400)	(16,175,900)	-	(16,175,900)
Present value of injury liabilities	-	(379,900)	(379,900)	-	(370,600)	(370,600)
Closing position as at 31 March	(16,298,400)	(379,900)	(16,678,300)	(16,175,900)	(370,600)	(16,546,500)

25. Local Government Pension Schemes

The latest formal valuations of the Scottish LGPS funds were at 31 March 2017. In order to assess the value of the SPA's assets and liabilities in the funds as at 31 March 2019 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 LLP.

(a) Financial and demographic assumptions in the valuation

Financial assumptions are summarised below:

	31 March 2019	31 March 2018
Pension increase rate	2.5%	2.4%
Salary increase rate	3.5%	3.4%
Discount rate	2.4%	2.7%

Average future life expectancies at 65 are summarised as follows:

	31 March 2019		31 March 2018	
	Males	Females	Males	Females
Current pensioners	21.4 years	23.7 years	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years	23.4 years	25.8 years

(b) Sensitivity analysis

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

	31 March 2019		31 March 2018	
	Increase to Employer Liability %	Approx Monetary amount £'000	Increase to Employer Liability %	Approx Monetary amount £'000
0.5% decrease in real discount rate	12	212,636	11	180,782
1 year increase in member life expectancy	3-5	*	3-5	*
0.5% increase in salary increase rate	4	64,647	3	52,850
0.5% increase in the pensions increase rate (CPI)	8	141,737	8	123,472

*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 2020

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Projected current service cost*	-	64,280	(64,280)	(42.7%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	64,280	(64,280)	(42.7%)
Interest income on plan assets	37,269	-	37,269	24.8%
Interest cost on defined benefit obligation	-	44,312	(44,312)	(29.4%)
Total net interest cost	37,269	44,312	(7,043)	(4.6%)
Total included in net expenditure	37,269	108,592	(71,323)	(47.3%)

*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 2020 will be approximately £30.3m.

(d) Split of the fund assets

Period ended 31 March 2019					Period ended 31 March 2018			
	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	121,800	137	121,937	7.9%	137,057	4	137,061	9.6%
Manufacturing	100,303	119	100,422	6.5%	123,493	111	123,604	8.6%
Utilities	41,042	-	41,042	2.7%	47,038	-	47,038	3.3%
Financial Institutions	89,100	-	89,100	5.8%	100,998	1	100,999	7.0%
Healthcare	48,570	196	48,766	3.2%	54,362	4	54,366	3.8%
IT	62,246	6	62,252	4.0%	82,561	15	82,576	5.8%
Other	116,471	-	116,471	7.5%	112,720	-	112,720	7.9%
Debt securities:								
Corporate bonds (investment grade)	38,568	2,168	40,736	2.6%	15,089	3,720	18,809	1.3%
Corporate bonds (non-investment grade)	-	6,329	6,329	0.4%	-	5,580	5,580	0.4%
UK Government	40,498	5,366	45,864	3.0%	39,522	4,909	44,431	3.1%
Other	4,255	19	4,274	0.3%	5,169	30	5,199	0.4%
Private equity:								
All	889	111,750	112,639	7.3%	912	76,831	77,743	5.4%
Real estate:								
UK property	27,984	103,376	131,360	8.5%	18,155	122,645	140,800	9.8%
Overseas property	81	856	937	0.1%	117	498	615	0.0%
Investment funds & unit trusts:								
Equities	305,237	18,643	323,880	20.9%	79,875	219,716	299,591	20.9%
Bonds	57,163	54,559	111,722	7.2%	13,237	42,319	55,556	3.9%
Hedge funds	-	-	-	0.0%	-	-	-	0.0%
Commodities	469	-	469	0.0%	547	-	547	0.0%
Infrastructure	3,017	46,601	49,618	3.2%	1,801	36,021	37,822	2.6%
Other	11,897	13,580	25,477	1.6%	10,865	18,173	29,038	2.0%
Derivatives:								
Inflation	-	-	-	0.0%	-	-	-	0.0%
Interest rate	-	-	-	0.0%	-	-	-	0.0%
Foreign exchange	838	-	838	0.1%	135	94	229	0.0%
Other	22	-	22	0.0%	(98)	-	(98)	0.0%
Cash:								
All	70,463	42,397	112,860	7.3%	53,149	5,900	59,049	4.1%
Total	1,140,913	406,102	1,547,015	100.0%	896,704	536,571	1,433,275	100.0%

(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.

	2018/19			2017/18		
	Assets £'000	Obligations £'000	Net (liability)/ asset £'000	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
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)
Opening position as at 1 April	1,433,275	1,581,839	(148,564)	1,381,939	1,667,930	(285,991)
Current service cost	-	56,365	(56,365)	-	50,202	(50,202)
Past service cost (including curtailments)	-	13,268	(13,268)	-	3,051	(3,051)
Total service cost	-	69,633	(69,633)	-	53,253	(53,253)
Interest income on plan assets	38,873	-	38,873	36,061	-	36,061
Interest cost on defined benefit obligation	-	43,094	(43,094)	-	43,769	(43,769)
Total net interest	38,873	43,094	(4,221)	36,061	43,769	(7,708)
Total defined benefit cost	38,873	112,727	(73,854)	36,061	97,022	(60,961)
Plan participants' contributions	9,275	9,275	-	8,603	8,603	-
Employer contributions	30,326	-	30,326	29,672	-	29,672
Transfers in from other authorities	-	-	-	-	-	-
Contributions in respect of unfunded benefits	1,635	-	1,635	1,595	-	1,595
Pensions and lump sum expenditure	-	-	-	-	-	-
Benefits paid	(26,573)	(26,573)	-	(26,697)	(26,697)	-
Unfunded benefits paid	(1,635)	(1,635)	-	(1,595)	(1,595)	-
Other movements	13,028	(18,933)	31,961	11,578	(19,689)	31,267
Expected closing position	1,485,176	1,675,633	(190,457)	1,429,578	1,745,263	(315,685)
Change in demographic assumptions	-	-	-	-	8,826	(8,826)
Change in financial assumptions	-	148,547	148,547	-	(34,591)	34,591
Other experience	-	(214)	214	-	(137,659)	137,659
Return on assets excluding net interest	61,840	-	61,840	3,697	-	3,697
Total re-measurements	61,840	148,333	(86,493)	3,697	(163,424)	167,121
Fair value of employer assets	1,547,016	-	1,547,016	1,433,275	-	1,433,275
Present value of unfunded liabilities	-	44,355	(44,355)	-	41,396	(41,396)
Present value of funded liabilities	-	1,779,611	(1,779,611)	-	1,540,443	(1,540,443)
Closing position as at 31 March	1,547,016	1,823,966	(276,950)	1,433,275	1,581,839	(148,564)

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 Accountability Report.

Grant in Aid	2018/19 £'000	2017/18 £'000
Revenue grant funding	1,080,056	1,015,780
Reform funding – revenue	25,000	47,100
Resource funding	1,105,056	1,062,880
Additional ODEL grant to cover loan capital repayments	6,430	5,404
Working capital cash	35,854	-
Resource, ODEL, other Grant in Aid	1,147,340	1,068,284
Capital grant funding	23,940	17,080
Reform funding – capital	4,600	12,400
Capital funding	28,540	29,480
Total cash received	1,175,880	1,097,764
Non-cash GiA	50,000	50,000
Annually Managed Expenditure (AME)	38,000	33,000
Total non-cash received	88,000	83,000
Total Grant in Aid	1,263,880	1,180,764

Other Scottish Government funding is received each year 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.

Other Scottish Government Funding	2018/19 £'000	2017/18 £'000
Annex D and pension funding	331,979	318,148
Safety Camera Partnership	3,451	3,457
Violence Reduction Unit	1,298	1,051
International Development Unit	498	249
Choices for Life	184	125
Other	164	190
Other Scottish Government funding	337,574	323,220

27. Contingent liabilities

There are a number of potential liabilities facing SPA, which are as yet to crystallise and for which estimated amounts (where available) are included below:

Guaranteed Minimum Pension

In January 2018, the UK Government published its response to the indexation and equalisation of Guaranteed Minimum Pension (GMP) in public sector pension schemes. The UK Government has concluded that there should be an extension to the current interim solution so that it applies to those who reach State Pension age on or before 5 April 2021. There remains uncertainty around the long term solution, and in the event that any additional liability arises in due course, it would be expected that this will be treated as a past service cost and included in actuarial assessment of pension scheme liabilities for police and LGPS schemes accordingly.

Legal claims

Provision estimates at Note 22 are based on a best estimate of potential outgoings for a variety of claims. The residual level of claim against the organisation remains a contingent liability, which will be removed, or re-assessed as a future provision in line with further progression of claims and appropriate review. The contingent liability on that basis is estimated in the range £13million to £20million (31 March 2018 not reported).

28. Financial commitments

The SPA had capital commitments as at 31 March 2019 of £2.1m (31 March 2018: £0.2m), and commitments under operating leases are detailed in note 5 to the accounts of £6.3m (31 March 2018: £6.6m).

29. Related party transactions

The SPA is an Other Significant National 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.

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 £128,608 (2017/18: £134,687) and also provided goods and services to CSG with a value of £18,000 (2017/18: £24,225).

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 financial 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 2019 £'000	31 March 2018 £'000
Cash and cash equivalents	13	14,146	24,702
Inventories	14	3,734	3,027
Trade and other receivables within one year	15	44,587	30,058
Assets held for sale*	16	5,896	6,377
Trade and other payables within one year, excluding financing	17	(125,230)	(118,966)
Balance as at 31 March		(56,867)	(54,802)

* This 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 is 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

Age Discrimination – Pensions

The 2017/18 Annual Report and Accounts previously noted this issue as a contingent liability.

Over the past two years, separate Employment Tribunals have been considering claims from groups of judges; and firefighters. These claims relate to alleged age discrimination resulting from pension scheme transitional protection arrangements that were introduced by the Government. These transitional arrangements accompanied the wider reforms to public sector pension schemes introduced at or around 2015, where a key feature of these reforms was the shift to career average earnings as the main determinant of pension benefits (as opposed to final salary).

The Employment Tribunal claims have been challenged by the government, ultimately to the Court of Appeal. However, on 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. Specifically, the Supreme Court found that those too far away from retirement age to qualify for 'transitional protection' have been unfairly discriminated against.

This means that the government has accepted that there will be a potential increase in scheme liabilities, and this will be informed in due course by the Employment Tribunal consideration of remedies. There is an expectation that the effect of this judgement will apply across public sector pension schemes. With respect to this Annual Report and Accounts, The Supreme Court decision is viewed as a post balance sheet event that requires recognition, and appropriate adjustment.

Consequently, as a result of the events outlined, SPA have requested further early actuarial estimates for the potential effect of this ruling, and these have now been included as accounting provisions within the overall pension scheme liabilities, outlined in detail at Notes 23 to 25 to these Financial Statements for 2018/19, covering IAS19 Pension liability.

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 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 qualified Royal Institute of Chartered Surveyors (RICS - both in-house and external), taking account of 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 qualified (RICS) surveyors (both in-house and external), taking account of 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 and services were received before the year-end. These estimates have been made by the finance team in line with best accounting practices.

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.

Direction by the Scottish Ministers



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



