

SCOTTISH POLICE AUTHORITY



Annual Report and Accounts for
the Scottish Police Authority for
the year to 31 March 2014

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FOREWORD

In presenting the Scottish Police Authority's Annual Report & Accounts for its first full year of operation, my assessment is that policing has made good progress in its first year and that the foundations for more long-lasting reform have been laid.

As citizens, we rightly cannot allow a vital public service like policing to take 'time out' to develop strategies, reforms and a programme of change. They must all happen in parallel with the day job of keeping people safe. That is why, in assessing how far we have come in changing policing, we must not exclude from that overall assessment the continuity of service the public has received.

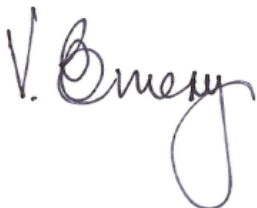
There have been events throughout the year which have served to remind us that policing is an active service, responsive every minute of every day of the year. Great consideration has been paid to this during the process of transformation. Our assessment of this first phase is that it has worked well for the people of Scotland and that a significant initial contribution has been made to the improvement and efficiency of public services.

This first year has involved an operational, financial and legal merger while also maintaining essential services to the public. The Scottish Police Authority (SPA) believes that this initial merger has been successfully achieved and strong foundations laid for meaningful police reform. Police Scotland has developed plans to ward level and has continued to respond to local needs. Crime in Scotland has continued its long-term downward trend. There is clear evidence that specialist assets, from homicide detectives to horses, are supporting policing in all parts of Scotland.

Confidence in policing is high, which is testament to the many thousands of police officers and staff who have worked tirelessly, many with some degree of personal uncertainty, to maintain services to the public and keep people safe. Together with our local authority partners, more elected councillors than ever before are involved in scrutinising policing. We have strengthened relationships, clarified roles, and mobilised around a future direction and purpose. The Chief Constable has also been held to account in twice as many public Authority meetings than would have been experienced under legacy arrangements.

Financially, the required £64 million saving required in the first year has been achieved. The strong foundations already laid allow us to project, with some degree of confidence that an excellent police service can continue to be delivered alongside the forecast realisation of £1.1 billion financial saving by 2026.

Looking ahead, the SPA believes that there are further opportunities for collaboration and prevention than have been embraced so far, such as the sharing of facilities and use of common technology. I have no doubt that as a national organisation working without boundaries with broader partnerships, we will deliver improved public safety and improved outcomes for generations to come. Those are the long-term objectives we will keep in sight as we move into the next phase of police reform.



Vic Emery
Chair
30 October 2014

ANNUAL REPORT

INTRODUCTION

The Members of the SPA present its Annual Report & Accounts for the year to 31 March 2014 for the SPA, incorporating both the SPA and Police Scotland.

The accounts have been prepared in a form to comply with the accounting and disclosure requirements in the Scottish Public Finance Manual (SPFM) and the Government Financial Reporting Manual (FReM).

Statutory Background

The SPA was established as an Other Significant Public Body under the Police and Fire Reform (Scotland) Act 2012. The role of the SPA is to maintain policing, promote policing principles and continuous improvement of policing, and to hold the Chief Constable to account.

Corporate Governance

The Governance Statement provides a summary of the way that the SPA has managed Governance and Internal Control. The SPA has applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances.

BOARD LEADERSHIP AND GOVERNANCE

Board

The Board met twelve times during the year. Members of the Board appointed were:

Name	Status
Vic Emery OBE	Chair
Moi Ali	Independent Member
Brian Barbour	Independent Member
Jeane Freeman OBE	Independent Member
Graham Houston	Independent Member
David Hume	Independent Member
Morag McLaughlin	Independent Member
Paul Rooney	Independent Member
Ian Ross OBE	Independent Member
Lisa Tennant	Independent Member
Iain Whyte	Independent Member
Robert Wilson	Independent Member (resigned 31 December 2013)
Douglas Yates	Independent Member

Sub-Committees of Board

The Board of the SPA established sub-committees of the Board as follows:

1. Audit & Risk Committee
2. Complaints & Conduct Committee
3. Finance & Investment Committee
4. Human Resources & Remuneration Committee

Details of each sub-committee are provided overleaf:

Audit & Risk Committee

In line with the standards of the Chartered Institute of Internal Auditors, Public Sector Internal Audit Standards, and the Internal Audit and Audit Committee sections of the Scottish Public Finance Manual, the Audit & Risk Committee was established to support the Authority's responsibilities in respect of providing scrutiny, oversight and assurance in respect of risk, control and governance.

Members appointed were:

Name	Status
Brian Barbour	Independent Member (Chair)
Moi Ali	Independent Member
David Hume	Independent Member
Morag McLaughlin	Independent Member
Iain Whyte	Independent Member
Robert Wilson	Independent Member (resigned 31 December 2013)

The Committee met five times during the year.

Complaints & Conduct Committee

During the year, members appointed were:

Name	Status
Ian Ross	Independent Member (Chair)
Moi Ali	Independent Member
Brian Barbour	Independent Member
Morag McLaughlin	Independent Member
Paul Rooney	Independent Member
Douglas Yates	Independent Member

The Authority requires that a Committee be established to oversee matters relating to complaints and misconduct in order to carry out, on behalf of the Authority, the functions outlined above and set out in Section 60 of the Police and Fire Reform (Scotland) Act 2012. In doing so the Authority requires that the Committee take into account and comply with any other relevant rules and legislation – including, for example, The Police Service of Scotland (Senior Officers) (Conduct) Regulations 2013 and The Police Service of Scotland (Performance) Regulations 2013, Part 6. The Committee met six times during the year.

Finance & Investment Committee

The Authority has established a Finance & Investment Committee to provide an objective overview of the Authority's financial position and to take decisions concerning financial matters delegated to it by the Authority. The Committee is distinct and separate from the Audit & Risk Committee and it is intended that any areas of possible overlap are minimised.

During the year, members appointed were:

Name	Status
Paul Rooney	Independent Member (Chair)
Jeane Freeman	Independent Member
Graham Houston	Independent Member
David Hume	Independent Member
Lisa Tennant	Independent Member
Iain Whyte	Independent Member

The Committee met seven times during the year.

Human Resources & Remuneration Committee

The Authority has established a Human Resources & Remuneration Committee to provide an objective overview of the Authority's strategic human resources position and to take decisions concerning people and remuneration matters delegated to it by the Authority.

During the year, members appointed were:

Name	Status
Jeane Freeman	Independent Member (Chair)
Graham Houston	Independent Member
Morag McLaughlin	Independent Member
Paul Rooney	Independent Member
Ian Ross	Independent Member
Douglas Yates	Independent Member

The Committee met seven times during the year.

INTERNAL GOVERNANCE AND MANAGEMENT

Chief Executive and Accountable Officer

Name	Status
John Foley	Chief Executive Officer (from 10 February 2014)
John Foley	Interim Chief Executive Officer (from 3 September 2013 to 9 February 2014)
Andrea Quinn	Interim Chief Executive Officer (to 3 September 2013)

Senior Management Group of the SPA

Name	Status
John McCroskie	Director of Communications & Relationships (from 17 Feb 2014) Head of Corporate Communications (to 16 February 2014)
Tom Nelson	Director of Forensic Services (from 1 April 2013)
James Hobson	Interim Director of Finance (from 1 Oct 2013 to 31 March 2014)
Jim Maguire	Interim Director of Finance (from 26 July 2013 to 30 Sept 2013)
Eamon Hegarty	Interim Director of Finance (to 26 July 2013)
Gillian Campbell	Interim Director of Human Resources (to 6 December 2013)
Alistair Crerar	Interim Director of Strategy & Governance (from 5 August 2013 to 30 April 2014)
Jo Brigham	Interim Director of Strategy & Performance (to 31 May 2013)
John Fox-Davies	Interim Director of Development (to 19 July 2013)

Police Scotland Executive Team

Name	Status
Sir Stephen House QPM	Chief Constable
Neil Richardson OBE QPM	Deputy Chief Constable, Designated Deputy to the Chief Constable
Rose Fitzpatrick QPM	Deputy Chief Constable, Local Policing
Iain Livingstone	Deputy Chief Constable, Crime & Operational Support
Stephen Allen	Deputy Chief Constable, Commonwealth Games & Events
John Gillies	Director of People & Development (from 24 February 2014) Interim Director of Director of Human Resources (from 1 April 2013 to 24 February 2014)
Janet Murray	Director of Financial Services (from 14 March 2014)
Allan MacLeod	Interim Director of Finance and Resources (from 1 April 2013 to 14 March 2014)
Martin Leven	Director of ICT (from 1 April 2013)
Susan Mitchell	Director of Corporate Services (from 27 February 2014) Executive Lead for Transformation (from 1 April 2013 to 27 February 2014)
Lucy Adamson	Interim Director of Corporate Communications (from 15 July 2013)

SPA MANAGEMENT COMMENTARY

STRATEGIC REPORT

The Role of the SPA

On 1 April 2013 a new era of policing commenced with the establishment of a single Police Service for Scotland. The Police and Fire Reform (Scotland) Act 2012 (The Act) set out the framework within which the new service operates to provide policing for the people of Scotland.

This is a substantive change to the control and management of policing arrangements within Scotland from the previous unitary authorities which existed prior to this.

The SPA is charged by the Scottish Ministers with maintaining a police service and holding the Chief Constable to account for the policing of Scotland.

The SPA carries out its functions in a way which is proportionate, accountable and transparent and which is consistent with principals of good governance which constitute best practice.

The Police Plan

The SPA is committed to building a powerful collaboration with the Police Service of Scotland (Police Service) that responds to the ongoing economic challenges through delivering the best, practical and evidence-based solutions possible. The Plan establishes a clear direction for both the Police Service and the SPA and describes the measurement of progress against the Strategic Police Priorities set out by Ministers. The plan can be viewed at www.spa.police.uk/assets/128635/strategic-police-plan-web

The plan is a journey of improvement and better ways of working. The SPA strongly believes that police reform provides the best opportunity to not only deliver the efficiencies necessary in the current economic climate but also to improve the delivery of policing in Scotland through having a single Police Service. At a national level there are opportunities to share specialists and support services and deliver harmonised approaches and economies of scale. At a local authority level the new links forged through Local Commanders provides a fresh way of shaping how police can serve local communities and meet local needs. Policing remains an integral part of our wider civic landscape and the SPA pledges to work in partnership across the public, private and third sectors with all those involved in delivering greater integration of public services.

Police reform involves the largest restructuring of Scottish policing in a generation. The Act not only creates a single Police Service, maintained by the SPA, but also replaces the stated role of the Police Service from the former "guard, patrol and watch" of the Police (Scotland) Act 1967 to the following new policing principles:

- The main purpose of policing is to improve the safety and well-being 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.

These changes to policing take place at the forefront of wider reforms to public services and present opportunities for increased partnership working across the Justice Sector.

Policing continues to face even more complex demands, including violence reduction, hate crime and cyber-crime and major events such as the 2014 Commonwealth Games and Ryder Cup. Against this backdrop and in parallel with the inevitable cuts across public expenditure, the SPA recognises that reform presents the best opportunity to maintain and improve outcomes, by driving out duplication, enhancing consistency and rationalising systems and structures to target expertise, capability and budgets pooled at a national level towards local needs.

The Scottish Government has made clear the aims of police reform are:

- 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 where and when they are needed
- To strengthen the connection between police services and communities.

In overall terms the SPA is responsible for maintaining policing, promoting the policing principals, delivering continuous improvement of policing and holding the Chief Constable to account.

The SPA is governed by a Board made up of members appointed by Scottish Ministers. Day to day responsibility for the delivery of services required to maintain Scottish policing has been delegated by the Board to the Chief Executive who provides support and advice to the Board on decisions regarding issues such as strategic policy, finance and human resources. The Chief Executive also oversees the management of forensic services in Scotland, independent custody visiting, complaints handling and other services required to support operational policing.

Priorities, Objectives and Performance

Section 33 of The Act provides for the Scottish Ministers to determine the strategic priorities for the SPA. The strategic objectives for policing were determined by the SPA and developed in partnership with the Police Service. These objectives outline what requires to be done and collectively drew on the full range of professional knowledge and expertise which exists in the Police Service framed against the wider vision and outcomes set out in the Justice Strategy. The strategic objectives were then quality assured by the Chief Constable and SPA Members and can be seen within the section Strategic Priorities which details the priority, expectations and activity. Key performance indicators are used to monitor and evaluate performance and progress against the strategic objectives and can be viewed at www.spa.police.uk/performancepages/206629/.

SPA Performance Framework

The Framework is underpinned by the four Strategic Policing Priorities set out by Scottish Ministers and the seven SPA Strategic Objectives within the SPA's Strategic Plan which was published in March 2013. As such, it supports reporting against the Priorities and the underlying Strategic Objectives. The four Policing Priorities are:

- Making Communities Safer
- Readiness to Respond to Natural Hazards and Major Events
- Delivering an Efficient and Effective Service, including Reform Benefits
- Increasing Public Confidence and Reducing the Fear of Crime

While performance indicators are used to gather information about levels and quality of service and public perception, it is unlikely, however, that on their own they would be able to provide the full picture

on performance across policing in Scotland. As such, while a key part of the Framework is a set of performance indicators, it is not the sole element.

The Framework is made up of the following elements:

- Performance on a Page with its suite of high-level strategic indicators
- A set of corporate support service indicators to monitor the delivery of functions such as HR, Forensic Services and Finance
- A self-assessment module for the SPA to assess its own delivery of its functions
- Reports on progress against the Policing Principles, the Scottish Government's Policing Priorities and the SPA's Strategic Objectives.

The Police Scotland key performance indicators are available to view at

www.scotland.police.uk/assets/pdf/138327/232757/management-information-year-end-2013-14

SPA Governance – year 1 progress

In the first full year of operation the focus for the SPA was to put in place arrangements for policing, reporting, governance and scrutiny. The Authority established governance structures and committees to scrutinise policing, with a permanent structure for the Authority, and the introduction of a performance framework to ensure regular public scrutiny of police performance.

Outlined are some of the key achievements in 2013/14:

- Approved the budget for the next two years and identified recurring savings that provide confidence long-term £1.1 billion savings target by 2026 will be achieved
- Published a Governance Accountability Framework, organisational principles, and suite of supporting guidance and policies
- Overseeing the recruitment of permanent leadership teams for both Police Scotland and the SPA
- Carried out consultations on the Strategic Policing Plan and Forward Scrutiny Programme
- In depth scrutiny review on stop and search tactics published with 12 recommendations for improvement
- Established a national Custody Visitors Scheme to put human rights' obligations at the heart of Scotland's approach
- SPA Forensics has collaborated with Police Scotland and the Crown Office Procurator Fiscal Service to develop the national forensic science gateway to ensure the quality and prioritisation of forensic casework; and introduced a cold case review team.

At the conclusion of reporting year 2013/14, the SPA approved a set of key plans that set out the operational, corporate and financial priorities for policing in Scotland in the year ahead, and beyond.

Those documents show:

- how police officers and staff will keep people safe in the next 12 months (Police Scotland's Annual Plan 2014/15)
- the programme of organisational reform that over the next two years will support the service to deliver its priorities (Police Scotland Corporate Plan)

- how policing will manage its finances in the remainder of this public-sector spending cycle and meet the long-term efficiencies anticipated by police reform (SPA Revenue Budget Proposals).

This delivered on Police Scotland and the SPA's joint commitment to produce both a corporate strategy and an underpinning financial plan by the end of March 2014. These were commitments made in respective responses and subsequent Parliamentary evidence sessions to last year's Audit Scotland report on police reform (November 2013).

Sources of Finance

The SPA has been funded by Ministers through the Scottish Government's Justice Portfolio. The total Resource Budget for the period was £1,228,262,000 Grant in Aid, which comprised:

- Resource funding from the original Departmental Expenditure Limit (DEL) which consists of two separate budgets controlled through DEL, represented by:
 - net resource spending (resource DEL)
 - net capital expenditure (capital DEL)
- Outside DEL expenditure (ODEL) which represents a sum allocated against loan charges by HM Treasury for borrowings agreed and held by councils prior to 2005
- Ring-fenced DEL which comprises non-cash expenditure such as depreciation
- Annual Managed Expenditure (AME) which is a separate budget covering expenditure such as pension adjustments, and some provisions and impairments, which cannot be fully controlled

Note 26 shows a tabular numerical budget breakdown. A breakdown and comparison of summary resource outturn against the sources of finance is included within the Financial Review.

Going Concern

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

Scottish Government has advised that it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements. Accordingly, the accounts have been prepared incorporating the requirements of the accounting standard IAS19 and include an actuarial valuation of the pension scheme liability as explained in notes 23, 24 and 25 to the accounts. The pension deficit will not be met from the SPA's sources of income, but will be met by future Grant in Aid from the SPA's sponsor department with Scottish Government, the Justice Department. This is due to the normal conventions applying to parliamentary control over income and expenditure; such grants may not be paid in advance of need.

Leadership

During the course of this first full year of operation the Authority has been working to develop its permanent structure and all the director positions have now been filled.

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

Risk Management

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

Police reform has necessitated a full review of risk management, and the organisation has developed an Assurance Map in order to further develop and improve the process during the year 2014/15. A standard matrix with red, amber, green (RAG) status has been developed and is utilised organisation-wide.

All financial risks are reported to the Finance & Investment Committee, HR Risks are reported to the HR & Remuneration Committee. A minimum of the top ten risks, and all those with a treated score of 15 and above are reported to the Audit & Risk Committee and Board.

Significant risks identified and managed throughout the year and in subsequent years include:

- process and relevant employment legislation is not followed
- target savings will not be achieved
- change will not be managed effectively.

All risks were monitored on an ongoing basis, with update reports provided monthly through the Senior Management Group and Executive Team to the relevant Committees and Board as detailed in the Governance Statement.

Stakeholder Engagement

Each Authority Member has a lead responsibility for engaging with one or more local authority scrutiny bodies and the respective local police commanders. This engagement involves regular dialogue through informal meetings and telephone exchanges between board members and local scrutiny chairs, attendance at local authority scrutiny meetings and specific engagement around major reform initiatives such as C3 (Contact, Command and Control) and the development of local police plans.

The SPA has also established a Community Accountability Working Group involving Police Scotland, Scottish Government, the Improvement Service and Convention of Scottish Local Authorities (COSLA) to assess issues relating to local police and plans.

The Chair has contributed to the National Community Planning Group, and board members and officers continue to be involved in the work of the Building Safer Communities Programme.

Sustainability Report

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

The Legacy Police Forces, Scottish Police Services Authority (SPSA) and Scottish Crime & Drug Enforcement Agency (SCDEA) began their Carbon Management (CM) Programmes in 2009 and 2010, producing individual Carbon Management Plans. In 2011/12 the energy used by the Police Scotland in buildings and fleet fuel was 73,296 tonnes of carbon emissions.

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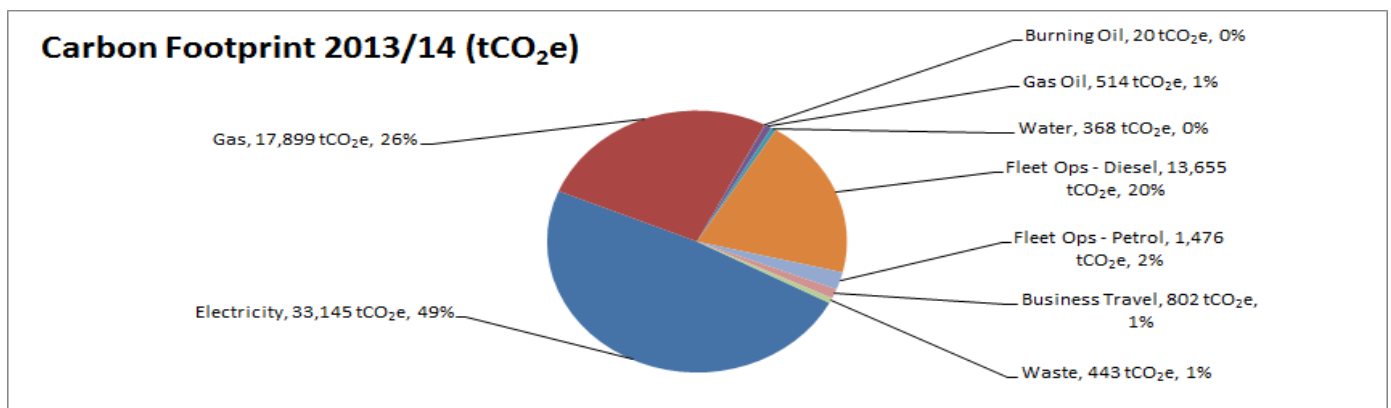
Against a background of reduced funding, police reform provides the opportunity for the single organisation to re-examine areas of environmental best practice and apply them throughout Scotland to reduce its Corporate CO₂ emissions, reduce cost and to lead by example. Tackling inefficient use of energy will help save money that can be re-invested into operational policing. It is recognised that in the SPA's Strategic Plan, a key objective is to deliver the benefit of reform effectively and efficiently to support the National Outcome to reduce the local and global impact of our consumption and production.

During 2013/14, the Carbon Management projects which were undertaken included:-

- Replacing energy inefficient windows at the Divisional Headquarters at West Bell Street, Dundee
- Upgrading the Chiller Units to provide systems cooling at the Control Room at Bilston Glen
- Boiler plant upgrading works at a number of locations
- Capital investment in vehicles to provide a more efficient fleet.

Allocated revenue funding also enabled investment to replace inefficient lighting in buildings. It is estimated that the cost of this lighting work was £165,000. This has resulted in a reduction in emission of approximately 130 tonnes of CO₂ per annum.

Below is the carbon footprint of the organisation for the 2013/14 financial year.



A review of the previous Legacy CM plans is currently being undertaken with the support of Resource Efficient Scotland (RES).

RES is providing two types of support to the SPA:

- Working with the organisation to provide support in the finalisation, launch and implementation of a single revised Carbon Management Plan (CMP) in 2014; and
- Providing a range of specialist technical support/feasibility studies for specific energy use projects.

The following aspects will be incorporated into the revised CMP:

- Developing a Carbon Management Strategy this will set out the context and drivers for carbon management for the SPA/Police Scotland, including the organisation's own vision, strategic themes and an overall target for reduction by a certain period.
- Re-establishing a carbon emission baseline for CO₂ emissions used in 2013/14

- Identifying the carbon reduction projects currently being implemented and planned future projects, and evaluating likely success in achieving targets set out in this revised plan.
- Carbon Management Plan Financing will relate the proposed projects to SPA available funding.
- Management and Delivery of the CM Plan will define the management structure that will be put in place to ensure the Plan's success.

Learning and Development

2013/14 was a year of change, with the Scottish Police College merging with the local training departments to form the Training, Leadership and Development function. This function itself is a subset of the wider People and Development business area across Police Scotland. Whilst these organisational changes were ongoing, training continued to be delivered to meet the priority needs of police officers and police staff. Over 15,000 training courses were delivered across Scotland, with 90,000 training spaces utilised and 74,000 e-learning packages completed.

In November 2013 the Scottish Police College underwent a rigorous period review by the Scottish Credit and Qualifications Framework (SCQF) and in recognition of the quality of the processes in place the Scottish Police College was confirmed with SCQF Credit Rating Body (CRB) status for a further four years, a unique position within the public sector, and outwith mainstream Higher Education/Further Education institutions.

One area of continued growth was on the international front where training was delivered in Sri Lanka, Abu Dhabi, Malawi, South Sudan and Dubai. These initiatives delivered positive change and received favourable comments from various agencies, including UK government departments, e.g. Foreign & Commonwealth Office, enhancing Police Scotland's reputation overseas.

Social and Community Issues

Local policing is the foundation on which the new arrangements are built and the SPA made the assessment of Police Scotland's engagement with local communities a priority in the first year. The Authority endorses the format of local plans and, through its Community Accountability working group, has engaged with Police Scotland on the scope and format of engagement work to underpin local plans.

In addition the SPA has held more public board meetings than under legacy arrangements, with 13 full meetings in 12 months. The Authority has adopted an all-Scotland approach to board meetings and has visited 16 areas. In October 2013 the Authority started to live stream the meetings which are available on the SPA website.

Equality & Diversity

The SPA and Police Scotland are an employer which values its different communities, fosters respect for diversity, challenges prejudice, discrimination and supports justice and equality for all.

The SPA is committed to mainstreaming equality across policing in Scotland, by merging equality and diversity into all our functions and ensuring that the equality implications of our day to day decision making support the overall purpose of 'keeping people safe'.

It is important that our diverse communities across Scotland feel safe and have confidence that Police Scotland can provide a responsive and equitable service.

Our workforce is key in what we do and this year regular conversations have taken place between the SPA, Police Scotland and our internal staff associations to explore ways of working. Two very successful staff conferences were held with a common focus on under-representation and how to make improvements for women, black and minority ethnic staff and lesbian, gay, bi-sexual and transgender staff. A review is about to conclude which has explored the different ways of working across the associations and we are confident that this will give us a sound foundation to build on this dialogue into next year.

Police Scotland has executive oversight of equality and diversity in terms of operational service delivery matters including work on hate crime; public protection (human trafficking) and domestic abuse. The People & Development equality function has a focus on employment monitoring, workforce under-representation and equality impact assessment.

Over the past 12 months Police Scotland and the SPA have begun to shape a new service, redefine purpose and focus, and to the impact not only on how we will do business but also the behaviours and cultures within our organisation. Our commitment to mainstreaming is enhanced by our values, code of ethics, commitment to human rights and strategic equality and diversity outcomes.

Equality Outcomes

The role of the SPA, in terms of the 2012 Act is to maintain, promote and keep under review the policing of Scotland and the safety and wellbeing of individuals, localities and communities across Scotland. In collaboration with Police Scotland the SPA will deliver its role in ways which are accessible and engaging to local communities and which promote measures to prevent crime, harm and disorder. The vision and long term ambition being:

“To provide the people of Scotland with the very best police service possible and to strive for excellence in everything that we do”

The SPA intends to be an employer which values its different communities, fosters respect for diversity, challenges prejudice and discrimination and supports justice and equality.

We are committed to mainstreaming equality across policing in Scotland by merging equality thinking into our approach to business planning and ensuring that the equality implications of our day to day decision making are considered.

The SPA Equality Outcomes (2013-2017) paper sets out our commitment and activities to not only comply with the equality legislation but to ensure that the implementation of our equality actions positively contribute to a more equal society through advancing equality and good relations in all that we do.

Gender

The 12 SPA Members at the end of March 2014 composed of 8 male and 4 female members. The senior managers of the organisation totalled 15 of whom 12 were male and 3 female at the year end.

The table below summaries the number of SPA employees by gender as at 31 March 2014.

	Male	Female
Staff	2,379	3,608
Officers	12,428	4,816

Staff

Significant organisational change work has taken place across the organisation in 2013/14 with 523 individuals released under Voluntary Redundancy/Voluntary Early Retirement in 2013/14. Through this period Police Scotland and the SPA embarked on 22 separate restructuring proposals, 15 of those proposals have been delivered with the remainder progressing towards delivery in 2014/15.

Police Scotland introduced specialist national units as part of the overall restructuring exercise which fulfils a significant commitment to provide equal access to specialist services across the country.

The second half of 2013/14 and the first six months of 2014/15 will see the development and emergence of a clearer corporate support structure relative to core disciplines such as Finance, ICT, HR & Training, Procurement, Fleet and Physical Asset management.

Training for both civilian and police officer managers, to assist them in actively managing organisational change, has been carried out throughout 2013/14 with the benefits being realised as those managers progress the delivery of new structures.

The organisational change programme that took effect during 2013/14 led to a significant focus on direct consultation with staff and their representatives in areas where re-organisation was required. To achieve the changes to structures / roles and more streamlined delivery, staff members have been engaged through group and individual consultation.

Employment Policy

There has been considerable engagement with trade union colleagues to agree Change Policy and Procedures and more general employment policies and procedures. This exercise has produced a number of harmonised policies and procedures. These are accessible to all staff and police officers via publication on the organisational intranet. Implementation of the new ways of working has also been supported locally by existing HR teams.

Attendance Management

The SPA recognised the commitment and support of all police staff and officers in achieving success and is committed to promoting a healthy working environment supporting all staff to maximise attendance and minimise ill-health absences.

The absence management figures for both the SPA and Police Scotland combined, shown as a percentage of days available for the year to 31 March 2014, are as follows:

	2013-14
Staff	4.5%
Officers	4.2%

From the Scottish Government 'Scottish Policing Performance Framework 2012-13 Annual Report,' the total comparative figures for the previous year across the legacy police forces were as follows:

	2012-13
Staff	4.6%
Officers	4.2%

Health and Safety Policy

The safety of staff is extremely important to the senior management of Police Scotland and the SPA. Day to day operational Health & Safety is carried out by a dedicated team working within Police

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Scotland, with the SPA having its own Health, Safety & Resilience Specialist providing Governance, Scrutiny and Support oversight.

There was a comprehensive scrutiny programme established in the SPA on behalf of the Authority Members which is now looking at key aspects in the following areas across Police Scotland:

- Health & Safety, Emergency Planning, Business Continuity, Disaster Recovery

The accident statistics for the SPA and Police Scotland are provided below:-

	Totals		Analysis	
	Accidents	Near Misses	Reported to HSE	Involving Vehicles
SPA Corporate Services	6	2	0	2
Operational Policing	2,964	1,332	161	107
ICT	4	2	0	1
Forensic Services	40	32	2	2
Training	11	1	1	4
Total	3,025	1,369	164	116



John Foley
Chief Executive and Accountable Officer
30 October 2014

CHIEF EXECUTIVE REPORT

I am pleased to report that this first full year of a single National Policing Service in Scotland has delivered robust and encouraging financial results. Prior to day one, policing was tasked with delivering £64 million of efficiency savings in the first year of operation. This target was achieved.

Also, in the first full year of a single National Police Service, over £60 million of capital investment in Policing was made. Improvements were made in ICT, Vehicle Fleet and Estates to support quality service delivery moving forward. Investment was made across Scotland, from state of the art forensic facilities at Gartcosh in Lanarkshire, to creating a custom-built custody centre at Kitty Brewster, two kilometres north of Aberdeen city centre.

Management and safeguarding of the SPA Estate to fulfil the policing requirements nationally is an on-going process. The estate strategy is focused on creating an efficient, fit-for-purpose and sustainable estate that delivers value for money and facilitates flexible working. Currently the in use value of the estate is £483m and assets under construction are valued at £42m. The estate was brought together from the eight legacy police authorities, the former SPSA and SCDEA on 1 April 2013. During the year the property portfolio has been rationalised and there will continue to be a period of settlement of the estate over the coming 12 months.

Significant financial investment was also made in training and development opportunities, equality and diversity and a wide range of other people-orientated initiatives. Positive action such as this ensures that we continue to provide excellence in quality service delivery to the Scottish public. Capital expenditure was also provided for carbon efficiency and sustainability initiatives as part of our contribution towards a healthier environment.

The SPA and Police Scotland are committed to future programmes of investment across the board which will improve the quality of policing from both a national perspective, and within Scotland's communities in forthcoming years.

The SPA had to design and implement a permanent structure based on the Governance Accountability Framework agreed in October 2013. Following a widespread recruitment campaign, all director posts – including my own appointment as Chief Executive – have been completed and filling the remaining posts for the wider re-structuring is nearing completion.

The new structure within the SPA facilitates greater partnership-working with Police Scotland and beyond. Relationships have evolved and continue to improve between the SPA and Police Scotland. Partnership-working is at the forefront of our strategic outlook and we engage jointly on a regular basis within the justice community in Scotland. Both organisations have a permanent place on the Scottish Justice Board and are represented by the Chief Constable of Police Scotland and the Chief Executive of the SPA. The SPA and Police Scotland have led in establishing important new initiatives such as the Reform Collaboration Group together with colleagues from the Fire and Rescue and Ambulance Services and a Forensics Forum in partnership with the Crown Office. I am particularly proud of the progress and partnership working that has been carried out within Forensic Services. In addition to the introduction of new scientific services to support Scottish criminal justice partners, Forensic Services worked collaboratively with Police Scotland and The Crown Office and Procurator Fiscal Service (COPFS) to develop the national forensic science gateway to ensure the quality and improved prioritisation of forensic casework.

Throughout the financial year a number of important governance initiatives were successfully completed. These included the implementation of a scheme of administration, a governance assurance map, engagement framework, risk register and appropriate terms of reference for the SPA sub-committees.

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In partnership with Police Scotland, HMICS and Scottish Government, we have established a Performance Steering Group. The purpose of this group is to deliver a robust and co-ordinated approach to the production and publication of policing performance data. We have developed and implemented a performance framework. This will allow the Authority to monitor and evaluate the performance and progress of Police Scotland against the strategic objectives and determine whether the aims and benefits resulting from a single police force in Scotland are being realised.

The SPA also engages in formal scrutiny initiatives in relation to Policing, the subject matters of which are determined by the Authority members. The first major piece of work related to Stop and Search. This comprehensive report by the Scrutiny Taskforce identified 12 key recommendations – 10 for Police Scotland and 2 for the Authority – to ensure that this often controversial but very valuable police practice is implemented fairly across Scotland. It is a ground-breaking piece of work which has been widely praised in the media and by the Justice Sub-Committee for Policing.

The SPA established a national Independent Custody Visitors (ICV) scheme, with some 140 local community volunteers. Our first ICV national conference was held in March 2014.

Towards the conclusion of the financial reporting year 2013-14 Police Scotland presented a Corporate Strategy to the SPA for consideration and approval. The strategy set out the operational, corporate and financial priorities for policing in Scotland until March 2016. This delivered on Police Scotland and the SPA's joint commitment to produce both a corporate strategy and an underpinning financial plan by the end of March 2014. The corporate strategy and financial plan were approved by the Board of the SPA.



John Foley
Chief Executive and Accountable Officer
30 October 2014

STRATEGIC PRIORITIES

There are four Strategic Priorities set out for policing by the Scottish Government. Under each priority there are expectations of the SPA and below provides a summary of what activity we have carried out during the year against those expectations.

Strategic Policing Priority 1

Make communities safer and reduce harm by tackling and investigating crime and demonstrating pioneering approaches to prevention and collaboration at a national and local level.

Expectations of the SPA

The Authority will provide appropriate support to Police Scotland in its delivery of services and promote innovative, evidence-based, preventative approaches to policing tailored to local needs.

The Authority will hold the Chief Constable to account for the development and agreement of policing plans based on understanding local needs and covering all 32 local authorities. It will also hold the Chief Constable to account for the effective implementation of these plans through local and national partnership and collaboration between Police Scotland and the public, private and third sectors.

2013/14 SPA Activity

The Members of the SPA worked closely with the Scottish Government, Her Majesty's Inspectorate of Constabulary Scotland (HMICS) and Police Scotland to set out clearly the role the Authority would take in the governance, scrutiny and support of Police Scotland for the delivery of policing. This effort resulted in the publication of a Governance Accountability Framework (June 2013). The Principles and Practice of the SPA 'Steady State' Operations (August 2013) paper provided the detailed description of how the SPA would organise itself to meet the governance, scrutiny and support roles. This was then followed by the creation of the permanent organisational structure (October 2013).

In May 2013, the Authority approved the implementation of interim terms and conditions and an interim pay and grading structure to facilitate recruitment of staff.

The Authority supported the transfer of staff and officers to Police Scotland and the SPA on 1 April 2013 with no disruption to police service.

The SPA Board approved voluntary redundancy/voluntary early retirement terms which were available from 1 April 2013.

SPA Forensic Services provides the end to end criminal justice process in Scotland, from crime scenes to court. This year alone Forensic Services Crime Scene Examination attended over 41,452 scenes across the different crime groups, more than half of which (23,304) were within group 3, crimes of dishonesty.

Forensic Services has also worked collaboratively with Police Scotland and Crown Office and Procurator Fiscal Service (COPFS) to develop the national forensic science gateway to ensure the quality and improved prioritisation of forensic casework.

Forensic Services has led on the development of a Memorandum of Understanding with Police Scotland and COPFS which defines the future forensic provision requirements for Scotland.

Forensic Services works to provide added value through the introduction of new scientific services to support Scottish criminal justice partners. This includes the implementation of upgraded DNA technologies. Forensic Services has a target to process 90% of Criminal Justice DNA samples within 4 days, and has consistently met and exceeded this target in all but one month of the year (with performance ranging from 85.6% to 100%).

The Forensic Gateway is based within the new Scottish Crime Campus (SCC) at Gartcosh. During this year, SPA Forensic Services successfully migrated a significant portion of its scientific disciplines to this new facility without any impact on the provision of intelligence and evidential support for our partners. The Forensic Services portion of the SCC now provides a world-leading facility and incorporates state-of-the-art instrumentation that has been validated to the highest standards and externally certified to a recognised international standard.

Strategic Priority 2

Strengthen Scotland's reputation as a successful and safe country by demonstrating excellence in effectively planning for and responding to major events and threats.

Expectations of the SPA

The Authority will support Police Scotland in its work to prevent the most serious types of crimes from happening in Scotland and ensure that Police Scotland is adequately equipped to effectively deal with major events, emergencies and threats. Where appropriate, this experience and best practice will be shared with others.

The Authority will scrutinise the implementation of local police plans and the use of specialist support services.

2013/14 SPA Activity

The SPA has set out a commitment, through its governance policy statement, of regular and ongoing engagement with Police Scotland to advise and shape the development of the Service's approaches. Authority members engage regularly and informally with Police Scotland in working groups and as 'critical friends'. Examples of this early engagement work included the strategic direction of C3 (Contact, Command and Control).

The SPA also co-ordinated the health, safety and resilience project for the SCC, contributing to the delivery of a fully functioning SCC in December 2013.

SPA Forensic Services has implemented a dedicated Cold Case Review Team using cutting edge technologies to support the investigation of cold cases and bring offenders to justice. Eighteen such cases are currently being progressed.

Strategic Priority 3

Provide an efficient, effective service focused on protecting frontline services, delivering the benefits of police reform and promoting continuous improvement.

Expectations of the SPA

The Authority will develop and implement a performance framework to enable the monitoring and delivery of the Strategic and Annual Police Plans and Authority Business Plan with the Chief Constable.

This will include the adoption of evidence-based standardised approaches to service delivery and the sharing of best practice.

2013/14 SPA Activity

Working closely with Police Scotland senior management and with formal accountability for the policing budget, the SPA has overseen the delivery of encouraging financial results.

Prior to Day One, policing was tasked with delivering £64 million of efficiency savings in the first year of operation. This was in addition to £8.7 million of savings delivered in the previous year. Those challenging savings targets for the first full year were delivered. The Outline Business Case on police reform targeted cumulative savings of £1.1 billion by 2026. The efficiencies delivered in year one have been assessed as recurring, and reports to the SPA estimate this contributes approximately £832 million (76%) of the forecast £1.1 billion over the period to 2026. While these numbers will fluctuate as plans are realised, they provide confidence that the long-term savings can be realised.

The development and presentation of regular performance information and analysis has been challenging in the first year. The SPA has developed and partially implemented a performance framework. This consists of four elements, namely:

- Performance on a Page with its suite of high-level strategic indicators
- A set of corporate support service indicators to monitor the delivery of functions such as HR, Forensic Services and Finance
- A self-assessment module for the SPA to assess its own delivery of its functions
- Reports on progress against the Policing Principles, the Scottish Government's Policing Priorities and the SPA's Strategic Objectives.

Strategic Priority 4

Make communities stronger and improve wellbeing by increasing public confidence and reducing fear of crime, making the new Police Service of Scotland an exemplar of visible, ethical and responsive policing.

Expectations of the SPA

The Authority will have clear understanding of policing issues and challenges from talking to communities, including communities of interest, listening to what they say about how their local policing plans are being implemented, how Police Scotland is performing and by championing a culture where local police are open, visible and accessible.

The Authority will promote this through the development of a culture of continuous improvement and by demonstrating and supporting development of leadership behaviours that reflect this aspiration.

2013/14 SPA Activity

In the period April 2013 to March 2014, the Authority held 13 full meetings – more than double those carried out annually by legacy scrutiny bodies. These meetings considered 156 substantive items, with 126 of those held in public (just over 80%). The SPA took an early decision that as a national oversight body it should not limit its public activities to any one geographical location. By March 2014, the SPA had held public meetings in almost half the local authority areas in Scotland. All meetings are pre-

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publicised on the SPA website and advance notice given to a range of local stakeholders including MSPs, local authority elected members and community councillors. Each formal meeting is also complemented, for those local stakeholders, by an informal 'Meet the Board' session.

Since October 2013, the SPA has been providing live streaming of its public meetings which can be accessed via its website, attracting up to 1,800 viewers. In 2013, the Authority carried out public consultations on both its Strategic Police Plan and its Forward Scrutiny Programme and held a national summit, with the Scottish Fire and Rescue Service Board and COSLA and with the 32 local authorities on the theme of 'Partners in Scrutiny'.

The SPA conducted a Scrutiny Review in 2013/14 into Police Scotland's use of stop and search and identified 12 recommendations for improvements.

As part of the SPA's statutory responsibilities, a national Independent Custody Visitors scheme, with some 140 volunteers, has been established. These members of the local community volunteer to visit police stations unannounced to check on the treatment of detainees, the conditions in which they are being held and that their rights and entitlements are being observed. Volunteers visit all Police Scotland custody centres where people are deprived of their liberty to ensure full compliance with the Optional Protocol to the (United Nations) Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT).



John Foley
Chief Executive and Accountable Officer
30 October 2014

REMUNERATION REPORT

Remuneration Policy

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

Employment and Service Contracts

Appointments have been made in accordance with staff guidelines issued by the Commissioner for Ethical Standards in Public Life in Scotland in the case of members of the SPA's Board. These require appointments to be on merit on the basis of fair and open competition.

Non-Executive Board Members were generally appointed for a fixed term of four years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination there is no contractual provision for compensation.

The duration of contracts for the Non-Executive Board Members who were in office during the period are:

	Date of current contract	Unexpired term at 31 st Mar 2014 (months)
Vic Emery	31 August 2012 – 30 August 2016	29 months
Moi Ali	17 October 2012 – 16 October 2016	30.5 months
Brian Barbour	17 October 2012 – 16 October 2016	30.5 months
Jeane Freeman	17 October 2012 – 16 October 2016	30.5 months
Graham Houston	17 October 2012 – 16 October 2016	30.5 months
David Hume	17 October 2012 – 16 October 2016	30.5 months
Morag McLaughlin	17 October 2012 – 16 October 2016	30.5 months
Paul Rooney	17 October 2012 – 16 October 2016	30.5 months
Ian Ross	17 October 2012 – 16 October 2016	30.5 months
Lisa Tennant	17 October 2012 – 16 October 2016	30.5 months
Iain Whyte	17 October 2012 – 16 October 2016	30.5 months
Robert Wilson	17 October 2012 – 31 December 2013	-
Douglas Yates	17 October 2012 – 16 October 2016	30.5 months

Board Members' Interests

Aside from his previous appointment as Chair and Independent Convenor of Scottish Police Services Authority, Vic Emery OBE is a Director and Shareholder of Nelson Andrews & Associates Ltd, and a Director of UK Project Management International Ltd. He is a Non-Executive Board Member of the Scottish Enterprise Regional Advisory Board.

He was also Chairman of Transport Initiatives Edinburgh and Transport Edinburgh Limited until May 2013 as part of the Tram Project Delivery Group for the City of Edinburgh Council. He is a Trustee of the Scottish Maritime Museum and President of Glasgow Chamber of Commerce.

Moi Ali is an author, columnist and communications consultant. She serves on the Audit Committee for Education Scotland and as a Board member for the Scottish Ambulance Service. She is also Scotland's first Judicial Complaints Reviewer. In a voluntary capacity she is a Governor at Edinburgh Napier University and a Public Appointments Ambassador for the Cabinet Office, which involves encouraging a more diverse range of applicants for public appointments. She is an Independent Council Member of

the Postal Redress Service, a Mentor of the Government Equalities Office, and also provides pro bono support to the Education Law Unit at Govan Law Centre.

Brian Barbour is a Trustee of the Standard Life Staff Pension Scheme.

Jeane Freeman OBE is Director of Freeman Associates, Chair of the National Waiting Times Centre and Golden Jubilee National Hospital and Board Member of Judicial Appointments Board for Scotland. She is also a founding member of Women for Independence and a member of Labour for Independence.

Graham Houston is the Chair of the Scottish Qualifications Authority and SNP Councillor for the Dunblane & Bridge of Allan ward to Stirling Council. Mr Houston is also Director of Craigton Coaching & Consultancy Limited.

David Hume is a Board Member for the Institute for Research and Innovation in Social Services and for the Scottish Urban Regeneration Forum. He is Independent Chair for Knowsley Safeguarding Children Board and an Associate for Solace Enterprises. He is Director of Enlighten: David Hume Consulting Ltd, and has also been involved in Shetland Islands Council, Clackmannanshire Council, Greater Glasgow & Clyde Health Board, and Includem.

Morag McLaughlin is a Member of the Law Society of Scotland, a Legal Member of the Parole Board for Scotland, a Member of the Scotland & Disability Committees of the Equality and Human Rights Commission, and a Member of the National Children's Panel. She is also a Member of the Amicus Charity, and is Chair of the East of Scotland Committee of Crimestoppers.

Paul Rooney is a Member of the Law Society of Scotland and Unite. He has been an elected Scottish Labour Party Member of Glasgow City Council since November 2005. He was also Chair of Glasgow Anniesland Constituency Labour Party until May 2013. He has also been involved in COSLA, Clyde Valley Learning & Development Project Joint Committee, Scotland Excel and other partnerships through his position in Glasgow City Council.

Ian Ross is a Fellow of the Institute of Chartered Foresters, and lectures at Inverness College and the University of Highlands & Islands. He holds a number of Directorships, including 'Voluntary Groups – East Sutherland', Highland Third Sector Interface Ltd, and High Life Highland. He is Chair of Scottish Natural Heritage, and Chair of the Assessment Panel within the Forestry Commission, Scotland. He was also Chair of Caithness, Sutherland and Easter Ross Libdem Executive Committee for part of the year.

Lisa Tennant is a management consultant. She is Non-Executive Director of NHS Ayrshire & Arran, and a Panel Member of the Scottish Solicitors' Disciplinary Tribunal. She is a Non-Executive Director of the Ethical Property Company Limited, and was an Executive Director for Ayrshire Private Partnership Ltd until April 2013.

Iain Whyte is Scottish Conservative Party Councillor for Edinburgh City Council, and was Convenor of Lothian and Borders Police Board until 31 March 2013. He is Chairman of the Edinburgh March Riding Association Ltd, and a Committee Member of the English Speaking Union, Scotland. He is also on the Scotland Excel Joint Committee.

Robert Wilson was a non-executive member director of NHS National Services Scotland and a non-executive director of NHS Lothian. He retired from his position with the SPA Board in December 2013.

Since leaving the police, Douglas Yates served as an elected SNP Member of East Renfrewshire Council until May 2012. He is Board Member of NHS National Services Scotland and Scottish Children's Reporter Administration. He was Director of Douglas Yates Consultants until July 2013. He is also a member of a number of Forums and Associations, is Vice-Chair of Voluntary Action East Renfrewshire

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and East Renfrewshire University of the Third Age, and Non-Executive Director of Levern Property Services.

During the period, apart from their service contracts, no Board Member or key manager has undertaken any material transactions with the SPA.

Salary and Pension Entitlements (this information is subject to audit)

Remuneration of Board Members

During 2012-13 the Board members were only appointed for part of the year. The Non-Executive Board Members received the following remuneration for their services during the period ended 31 March 2014 as follows:

	2013-14 £'000	2012-13 £'000
Vic Emery	90	58
Moi Ali	31	18
Brian Barbour	45	24
Jeane Freeman	57	22
Graham Houston	39	16
David Hume	37	14
Morag McLaughlin	34	18
Paul Rooney	36	23
Ian Ross	36	24
Lisa Tennant	33	25
Iain Whyte	48	23
Robert Wilson	10	13
Douglas Yates	43	26
Total	539	304

This was consistent with the expected time commitment during this initial set-up period of the organisation. During 2012-13, the Board were not in place until October 2012, and there were no sub-committees of the Board during the period before 1 April 2013.

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

Public sector bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

Pre 1st April 2013, only the Command Team of Police Scotland were in place for part of the year. There were no members of staff employed until the transfer took place on that date. As such, no prior year comparatives have been deemed appropriate.

The Median Total Remuneration is the median gross salary of employees and seconded officers on a full year equivalent basis, based on the monthly payroll for the month of March 2014.

	2013-14 £'000
Full-time Equivalent Annual Band of Highest-paid Director or Executive	210-215
Median Total Remuneration excl Highest-paid Director or Executive	33
Ratio	6.4

Remuneration of Senior Management Group of the SPA

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

- The Police Pension Schemes for Police Officers (both pre 2006 and post 2006)
- The Local Government Pension Schemes for Police Staff Employees

Information on these schemes are held within 1.19 of the notes to the accounts, with full disclosure of the pension accounting liabilities for the SPA and Police Scotland summarised within notes 23-25 of the accounts.

The table below shows pension information in respect of the senior member of staff entitled and participating in the Local Government Pension Scheme.

	Accrued Pension/ Lump Sum at 31 March 2013	Accrued Pension/ Lump Sum at 31 March 2014	Real Increase In Pension / Lump Sum	Cash Equivalent Transfer Value at 31 March 2013	Cash Equivalent Transfer Value at 31 March 2014	Real Increase in Cash Equivalent Transfer Value
	(in bands of £2,500)	(in bands of £2,500)	£'000	£'000	£'000	£'000
John Foley	-/-	2.5/-	1/-	-	13	2
Andrea Quinn	7.5/-	7.5/-	1/-	49	60	4
John McCroskie	7.5/2.5	7.5/2.5	1/-	59	73	7
Tom Nelson	40/102.5	42.5/102.5	1/(2)	694	733	18
Jim Maguire	5/-	5/-	1/-	45	64	13
Eamon Hegarty	2.5/-	2.5/-	1/-	4	12	5
Gillian Campbell	5/-	5/-	1/-	30	43	6
Jo Brigham	7.5/2.5	10/2.5	-/-	92	99	3

The salary, allowances and pension entitlements of the members of the SPA Senior Management Group are shown in the table overleaf. There were no bonuses or benefits in kind paid during the year.

Figures in brackets denote full year equivalent figures where appropriate. The Total Pension Benefits is calculated as the real increase in pension as per the above table, multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual.

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	2013-14 Salary	2013-14 Total Pension Benefits	2013-14 Total Remuneration	2012-13 Salary	2012-13 Total Pension Benefits	2012-13 Total Remuneration
	£'000	£'000	£'000	£'000	£'000	£'000
John Foley	55-60 (105-110)	9	65-70(115-120)	n/a	n/a	n/a
Andrea Quinn***	50-55 (105-110)	9	60-70(115-120)	n/a	n/a	n/a
John McCroskie	65-70	7	70-75	n/a	n/a	n/a
Tom Nelson	90-95	4	95-100	n/a	n/a	n/a
Alistair Crerar *	60-65 (95-100)	n/a	60-65(95-100)	n/a	n/a	n/a
James Hobson *	90-95 (100-105)	n/a	90-95(100-105)	n/a	n/a	n/a
Jim Maguire***	55-60 (105-110)	9	65-70(115-120)	n/a	n/a	n/a
Eamon Hegarty	30-35 (95-100)	14	45-50(110-115)	n/a	n/a	n/a
Gillian Campbell***	60-65 (95-100)	9	65-70(105-110)	n/a	n/a	n/a
John Fox-Davies **	30-35 (100-105)	n/a	30-35(100-105)	n/a	n/a	n/a
Jo Brigham***	15-20 (100-105)	-3	15-20(100-105)		n/a	n/a

Figures in brackets denote full year equivalent figures where appropriate.

* Alistair Crerar and James Hobson were not employees of the SPA, but were contracted through Scottish Government and NHS respectively. As such, their salary equivalents have been disclosed.

** John Fox-Davies was not an employee of the SPA, but was contracted through an agency. As such, his salary equivalent has been disclosed.

*** As members of one of the legacy organisations' (SPSA's) Executive Team, Andrea Quinn, Jim Maguire, Gillian Campbell and Jo Brigham received payments for loss of office on leaving the organisation. These payments were fully accrued in SPSA's Annual Report & Accounts 2012-13.

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In addition to the above disclosed salary payments, the following SPA Senior Management individuals received Redundancy Payments during the year ended 31st March 2014 which were fully provided for within the previous year Annual Report & Accounts for Scottish Police Services Authority for the year ended 31 March 2013.

	Redundancy £'000
Andrea Quinn	137.50
Jim Maguire	118.75
Gillian Campbell	106.25
Jo Brigham	124.50

Remuneration of Police Scotland Executive Team

The table below shows pension information in respect of the senior member of staff entitled and participating in the Local Government Pension Scheme, the Police Pension Scheme (PPS) or the New Police Pension Scheme (NPPS).

	Accrued Pension/ Lump Sum at 31 March 2013 (in bands of £2,500)	Accrued Pension/ Lump Sum at 31 March 2014 (in bands of £2,500)	Real Increase In Pension / Lump Sum £'000	Cash Equivalent Transfer Value at 31 March 2013 £'000	Cash Equivalent Transfer Value at 31 March 2014 £'000	Real Increase in Cash Equivalent Transfer Value £'000
Sir Stephen House*	30/-	30/-	-/-	30	30	-
Neil Richardson	87.5/-	105/-	16/-	1,844	2,296	398
Rose Fitzpatrick	2.5/-	5/-	3/-	15	64	28
Iain Livingstone	55/-	80/-	23/-	779	1,143	327
Stephen Allen	47.5/-	77.5/-	28/-	1,096	1,786	648
John Gillies	12.5/12.5	12.5/12.5	1/-	116	135	8
Janet Murray	20/45	20/45	1/-1	252	269	8
Allan MacLeod	52.5/135	57.5/142.5	3/4	1,191	1,262	41
Martin Leven	2.5/-	5/-	1/-	17	32	6
Susan Mitchell	12.5/17.5	15/20	1/3	133	158	14
Lucy Adamson	-/-	2.5/-	1/-	-	9	4

* Sir Stephen House has not been an active member of the pension schemes in either the year ended 31 March 2013 or 31 March 2014.

The salary, allowances and pension entitlements of the members of the Police Scotland Executive Team are shown in the tables below. There were no bonuses or benefits in kind paid during the year.

Figures in brackets denote full year equivalent figures where appropriate. The Total Pension Benefits is calculated as the real increase in pension as per the above table, multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual.

In addition to the below disclosed salary payments, the following individual received Redundancy Payments during the year ended 31st March 2014.

	Redundancy £'000
Allan MacLeod	69.7

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	2013-14 Salary	2013-14 Total Pension Benefits	2013-14 Full-year Equivalent including Pension	2012-13 Salary	2012-13 Total Pension Benefits	2012-13 Full-year Equivalent including Pension
	£'000	£'000	£'000	£'000	£'000	£'000
Sir Stephen House	210-215	-	210-215	n/a	n/a	n/a
Neil Richardson	170-175	320	490-495	n/a	n/a	n/a
Rose Fitzpatrick	165-170	60	230-235	n/a	n/a	n/a
Iain Livingstone	170-175	460	630-635	n/a	n/a	n/a
Stephen Allen	170-175	560	735-740	n/a	n/a	n/a
John Gillies	100-105	10	110-115	n/a	n/a	n/a
Janet Murray	65-70	14	80-85	n/a	n/a	n/a
Allan MacLeod**	105-110	50	160-165	n/a	n/a	n/a
Martin Leven	90-95	3	95-100	n/a	n/a	n/a
Susan Mitchell	90-95	13	110-115	n/a	n/a	n/a
Lucy Adamson*	55-60(85-90)	9	65-70(90-95)	n/a	n/a	n/a

* Until her appointment on 15th July, Lucy Adamson was contracted through an agency.

** As a member of one of the legacy organisations' (Strathclyde Joint Police Board's) Executive Team, Allan MacLeod received payment for loss of office on leaving the organisation.



John Foley
Chief Executive and Accountable Officer
30 October 2014

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. 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 of its income and 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 Government 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 FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The Chair of the new SPA appointed Andrea Quinn, the outgoing Chief Executive of SPSA, as Accountable Officer for the SPA. She handed over responsibility to John Foley on his appointment on 3 September 2013.

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



John Foley
Chief Executive and Accountable Officer
30 October 2014

GOVERNANCE STATEMENT

1. Scope of Responsibility

As Accountable Officer for the SPA, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

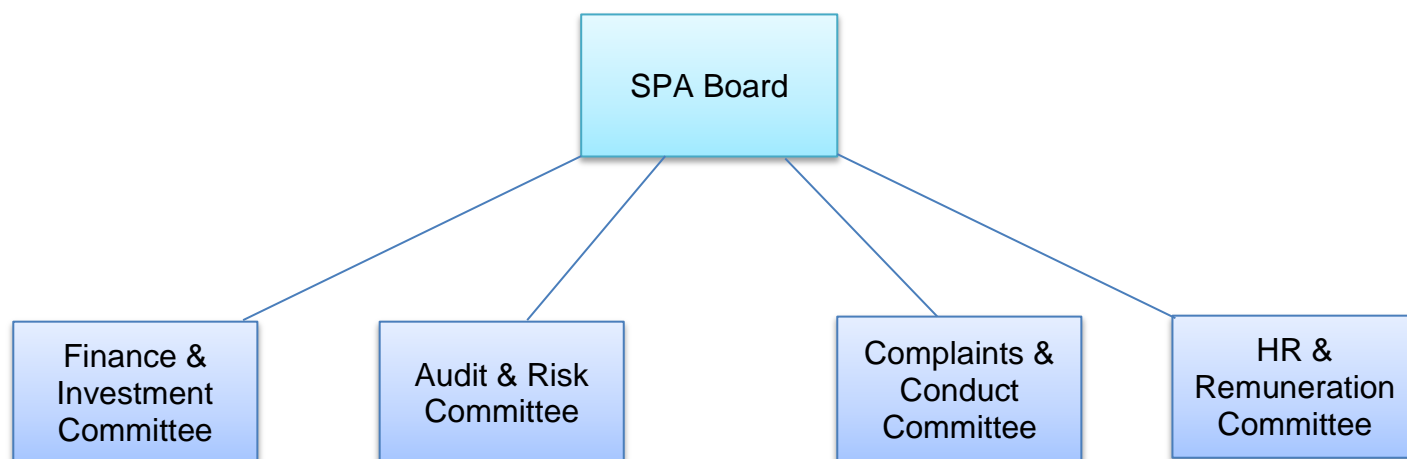
2. Governance Framework of the Organisation

The Scottish Public Finance Manual (SPFM) is issued by Scottish Ministers to provide guidance to 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.

Members of the Authority were appointed by Scottish Ministers under the Police and Fire Reform (Scotland) Act 2012. The Authority's main functions are to maintain the police service, promote the policing principles, promote and support continuous improvement in the policing of Scotland, to keep under review the policing of Scotland and to hold the Chief Constable to account for the policing of Scotland.

The SPA Board has had responsibility for the governance of the SPA. Section 43 of the Act also states that the Authority must prepare a Strategic Police Plan which sets out the main objectives for the Authority and for the policing of Scotland. The Authority published its first plan and laid it before Parliament in March 2013, and the Board met twelve times during the year.

The governance structure supporting the SPA Board is detailed below:



The formal committee structure is supported by member and executive led working groups and monthly Board meetings.

During the 2013/14 financial year the Finance & Investment Committee met seven times, Audit & Risk Committee five times, Complaints & Conduct Committee six times and HR & Remuneration Committee seven times.

The Finance & Investment Committee's main responsibilities are:

- Recommending the revenue and capital budgets to the Board
- Monitoring and scrutinising financial performance against budget
- Approving contract awards, competitive actions within delegated authority limits
- Approving budget virement and civil litigation with delegated authority limits
- Approving finance and finance related policy and strategy

Items exceeding delegated limits are approved by the Board.

The Audit & Risk Committee's main responsibilities are:

- Reviewing the organisational structures and processes designed to ensure a sound system of internal control, including oversight of the Internal Audit function
- Providing an overview of internal and external audit findings and monitoring implementation
- Reviewing the internal audit plan and scope of work
- Reviewing the effectiveness of the overall risk strategy
- Recommending the statutory accounts for Board approval

The Complaints & Conduct Committee's main responsibilities are:

- Approving the strategies for Complaints and Conduct
- Approving civil claims for litigation in line with delegated authority limits
- Reviewing and scrutinising complaints and conduct within the organisation

Items exceeding delegated limits are approved by the Board.

HR and Remuneration Committee's main responsibilities are:

- Approving HR & Remuneration related strategies
- Approving organisational change within delegated limits
- Approving early retirement and voluntary redundancy schemes

Items exceeding delegated limits are approved by the Board.

3. Risk and Control Framework

The system of internal control has been designed to identify the principal risks of the organisation. These are contained within the Risk Registers which are monitored by the Board and the Audit & Risk Committee. The Risk Register looks to assist in the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The risk management process within the organisation has accorded with guidance from the Scottish Ministers provided in the SPFM and has been in place during the financial year.

The key elements of the SPA's risk management approach were as follows:

- separate risk registers for the SPA and Police Scotland are held and are based on an established standard matrix and consistent scoring criteria on a red, amber, green basis
- each risk had a designated risk owner determined by the severity of the risk and seniority of staff member

- risks are reported to the Executive Team at Police Scotland and the Senior Management Group at the SPA both individually and collectively on a monthly basis
- risks with a score of 15 or above were reported quarterly to the SPA Board and Audit & Risk Committee during 2013/14
- since March 2014, this policy has further developed to ensure that there are also a minimum of ten risks being reported quarterly to the SPA Board and Audit & Risk Committee
- since January 2014, all financial risks with a score of 12 and above were reported to the Finance & Investment Committee, with a further annual review of all financial risks regardless of scoring
- Similarly, specific HR Risks with a score of 12 and above have been reported to the HR and Remuneration Committee during the year

4.1 Business Continuity

Plans were put in place by the SPA with Emergency Contact details for key staff and a plan to use facilities at the Scottish Police College as part of the contingency.

There are disaster recovery plans in place for IT systems supporting both the SPA and Police Scotland, and key systems are backed up on a daily basis.

The Business Continuity Management Team based at the Scottish Police College provides training, support, advice, guidance, co-ordination and quality control to Divisions and Departments in the creation of their BCM arrangements.

4.2 Finance and Procurement

The SPA has financial policies and procedures agreed which have been discussed with External Audit and approved by both the Audit & Risk and Finance & Investment Committees.

A full review of all financial policies and procedures will be undertaken as part of an overall review of policies and procedures during the financial year 2014/15.

Regular meetings are held between the SPA/Police Scotland Finance and Scottish Government's Justice Portfolio to discuss all current and future proposals.

A Scheme of Administration and Scheme of Delegation are also in place. These outline relevant procedures and approval processes for the entire organisation.

Delegated authority levels are in place throughout the entire organisation supported by the Scheme of Delegation which has been subject to review during the year.

Assets are physically secured, and a review of capital is produced monthly for the Finance & Investment Committee.

4.3 Human Resource Management

There is an ongoing major change programme underway. Full consultation is, and will continue to take place with employees on a group and one to one basis prior to the implementation of any change – one

to one consultation will include opportunity for employees to review and question any new role profiles, responsibilities and objectives.

At the present time many job descriptions and specifications remain as per legacy organisations, however as each post within the SPA and Police Scotland is processed through reorganisation and the overall change programme develops, these areas will be addressed.

Annual Performance Review meetings for all staff are set to review objectives and these are complemented by regular one to one meetings. The PDR system also allows regular dialogue, setting of objectives and discussions around performance ensuring responsibilities and roles are clear and communication is facilitated.

Significant communication throughout the organisation is via the SPA and Police Scotland Intranet sites. The People and Development section outlines latest announcements, the HR services available and the key messages to be relayed throughout the organisation.

A dedicated phone line 'Safecall' exists for all staff in addition to the established reporting processes through line management in order to allow staff to report outwith their direct reporting lines as necessary.

4.4 ICT

The SPA and Police Scotland rely heavily on the IT infrastructure to conduct day to day operations. Maintenance and development of this area is a key aspect of running operations. There are dedicated resources deployed in this area to ensure IT systems and equipment are fit for use at all times and investment in this area is made to ensure this continues.

'Security Incident Reporting and Management Standard Operating Procedures' document is published on the Police Scotland intranet and is in operation throughout the organisation. The process includes mechanisms for escalating reporting and addressing significant incidents. The SPA conducts an annual penetration test on all IT assets. We also conduct a pen test where significant changes are made to that asset.

We produce a Risk Management and Accreditation of Information Systems (RMADS) for the network and applications, which is reviewed annually. We receive Communications-Electronics Security Group (CESG) threat assessments and using this information and information from our security incident monitoring, we evaluate risks to our assets.

Information Asset Owners and Senior Information Risk Owners (SIROs) have been identified to cover the whole business. Information risks are included currently in the SPA and Police Scotland risk registers that exist, for each area of business and are monitored on a monthly basis.

There is an inherent risk associated with bringing together ten legacy organisations, however there is a strong procedural framework in existence. This is being further developed to add increased assurance to reduce the possible impact of risk in the future. An ICT Scrutiny Forum made up of Board Members, Accountable Officer and senior management reviews the integration of the IT infrastructure, and addresses future efficiencies.

4.5 Health & Safety

There is a Health & Safety executive supporting each level of staff throughout both the SPA and Police Scotland to ensure the correct level of support is given in accordance with each employee's role.

There is a health and safety assurance framework, incorporating a strategy and plan, standard reporting and a committee structure within each business area, reporting to HR & Remuneration Committee and Board.

5. Review of Effectiveness and Significant Issues

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is 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 in their management letters and other reports

As the year ending 31 March 2014 was the first year of operation, the organisation has been and is still going through a period of significant change, including the restructuring of departments.

The Board and Executive Team of Police Scotland have both been in place for most of the year, however, there have been changes to key personnel within the SPA as it has developed and its final Senior Management Group is now in place for the forthcoming year.

During 2014/15 Finance, Procurement and HR departments within Police Scotland will also have new structures finalised. This will bring policies and practices together with additional coherence and make further improvements to controls across the organisation.

The SPA and Police Scotland systems were both reviewed during the period by both PwC and Audit Scotland.

No areas of critical risk were raised Internal Audit reviews, although there were recommendations to improve the segregation of duties once the new structures were finalised and, in turn, enhance the level of review and controls. Whilst external audit found a number of key controls to be incomplete during their interim audit work, they reported that significant improvement was evident by year end. This in itself will increase the assurance that can be placed on the systems and procedures within the organisation.

Data Loss

There were no reported instances of data loss during 2013-14 which posed an information risk to the organisation.



John Foley
Chief Executive and Accountable Officer
30 October 2014

SPA ANNUAL ACCOUNTS 2013-14

FINANCIAL REVIEW

Statutory Background

The SPA was established as an Other Significant Public Body under the Police and Fire Reform (Scotland) Act 2012. 2012-13 represented the set-up period for the SPA and the Executive Team for Police Scotland, and as such, the figures in this set of accounts do not reflect a full year-on-year comparison.

Basis of Accounts

The accounts are prepared in accordance with the Accounts Direction issued by Scottish Government under provisions of the Police and Fire Reform (Scotland) Act 2012.

The Financial Reporting Manual (FReM) issued by HM Treasury sets out the format of the SPA's Annual Report & Accounts. A reporting requirement of FReM is that Grant in Aid (GIA) is included in the General Fund in the Statement of Financial Position rather than included in the Statement of Comprehensive Net Expenditure for the period. All other income and expenditure is included in the Statement of Comprehensive Net Expenditure. The impact of this is that the Statement of Comprehensive Net Expenditure shows a deficit which is transferred to the General Fund and is funded by GIA held there.

Ministerial Performance Targets

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

Disclosure of Audit Information to the Auditors

As far as the Accountable Officer is aware, there is no relevant audit information of which the SPA's auditors are unaware. The Accountable Officer has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the SPA's auditors are aware of that information.

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, the SPA's auditors are appointed by the Auditor General. Gillian Woolman was appointed as auditor from Audit Scotland for the financial period. The auditors were remunerated the sum of £190,000 (2013 - £18,000) in respect of statutory audit services for the Financial Period. No additional payments were made for non-audit services.

Annual Report & Accounts 2013-14

Summary of Resource Outturn for the year ended 31 March 2014

	2013-14 £'000	2012-13 £'000
Operating Expenditure	1,289,855	9,869
Capital Expenditure	60,617	-
Less: Net book value of disposed asset	(2,177)	-
Less: depreciation	(36,566)	-
	1,311,729	9,869
IAS19 Non-cash adjustment (<i>note 8 & 23(b) to the accounts</i>)	(590,851)	(8,996)
Capital Financing Expenditure:		
Finance lease capital repayments and interest	1,061	-
PFI interest capital repayments and interest	3,014	-
Public Works Loans Board capital repayments and interest	12,292	-
IAS19 charge and interest payable	499,393	93
Total expenditure	1,236,638	966
Income (<i>operating and investment</i>)	(58,875)	-
Total cash expenditure	1,177,763	966
Total cash GIA received (<i>note 26 to the accounts</i>)	(1,178,426)	(1,282)
Total cash underspend	(663)	(316)
Non-cash expenditure		
Depreciation	36,566	-
Impairment loss	5,808	-
Movement in revaluation reserve	3,459	-
Net book value of disposed asset	2,177	-
Total non-cash expenditure	48,010	-
Total non-cash GIA received (<i>note 26 to the accounts</i>)	49,836	-
Total non-cash underspend	(1,826)	-
Total overall underspend for the year	(2,489)	(316)

Losses, Special Payments and Write Offs

There has been a bad debt review and subsequent provision calculated within the accounts. Legal fees have arisen during the normal course of operations and are taken into account within note six within the accounts, and provided for within note 22 of the accounts. Payments to individuals who have taken voluntary redundancy are disclosed under note four of the notes to the accounts.

Supplier Payment Policy

The SPA complies 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 latter.

Under the eFinancials system, a breakdown for 2013-14 indicates that although only 29% of all invoices were paid within 10 working days of invoice date, 88% of invoices were paid within 10 working days of the date of receipt of the invoice.

Further analysis indicates that 75% of invoices were paid within the normal trading terms of 30 days of invoice date, with 93% being paid within 30 days of receipt of the invoice.

The trade creditor level as at 31 March 2014 was 18 days.

Pensions

Information on pensions is contained in the accounting policy note 1.19, and notes 23-25 to the accounts.

Corporate Governance

The SPA has aimed for the highest standards in corporate governance and adhered to relevant guidelines for Public Sector organisations.

A handwritten signature in black ink, appearing to read 'John Foley', with a large, stylized initial 'J' and a trailing flourish.

John Foley
Chief Executive and Accountable Officer
30 October 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SCOTTISH POLICE AUTHORITY, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of the Scottish Police Authority for the year ending 31 March 2014 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 the related notes. 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 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and Auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the 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 2014 and of its net expenditure for the year then ended;

Annual Report & Accounts 2013-14

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 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.

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.

Opinion on other Prescribed Matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly 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 Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

Without qualifying my opinion on the financial statements I have the following to report in respect of these matters. At a time of transition involving the merger of nine different financial systems and a reducing finance team, aspects of the accounting records and access to information and explanations in the areas of property, plant and equipment, bank and cash, and for the computation of certain accruals were of poor quality. In my opinion, therefore, adequate accounting records have not been kept in respect of these areas for the 2013/14 financial year.

I have nothing further to report in respect of other matters.



Gillian Woolman MA FCA
Assistant Director
Audit Scotland
18 George Street
Edinburgh
EH2 2QU
31 October 2014

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Expenditure			
Staff costs	3	1,068,207	9,728
Other expenditure	6	185,082	141
		1,253,289	9,869
Depreciation & amortisation	11&12	36,566	-
Operating Expenditure	2	1,289,855	9,869
Income			
Income from activities	5	58,708	-
Investment income		167	-
		58,875	-
Net Expenditure before interest		1,230,980	9,869
Loss on Impairment of non-current assets	11	5,808	-
Interest payable			
Pension fund interest	23(b)	499,393	93
PFI Interest		2,522	-
Finance lease interest		482	-
Loan and Other Interest		5,931	-
		508,328	93
Net Expenditure after interest	2	1,745,116	9,962
Total Comprehensive Expenditure		1,745,116	9,962

All income and expenditure is derived from continuing operations.

The notes on pages 46 to 102 form part of these accounts.

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	11	578,742	-
Intangible assets	12	4,082	-
Total current assets		582,824	-
Current assets			
Cash and cash equivalents	13	82,898	-
Inventories	14	3,441	-
Trade and other receivables	15	32,481	1,078
Assets held for sale	16	1,655	-
Total current assets		120,475	1,078
Total assets		703,299	1,078
Current liabilities			
Trade and other payables	17	123,135	762
Total current liabilities		123,135	762
Total assets less net current liabilities		580,164	316
Non-current liabilities			
Finance Lease liabilities		7,545	-
PFI Liabilities		19,130	-
Long-term loan liabilities		105,621	-
Provisions	22	7,323	-
Pension liabilities	23(b)	12,453,063	12,350
Total non-current liabilities		12,592,682	12,350
Assets less liabilities		(12,012,518)	(12,034)
Taxpayers' equity			
General fund		335,744	316
Pension reserve		(12,453,063)	(12,350)
Revaluation reserve		104,801	-
Total taxpayers' equity		(12,012,518)	(12,034)



John Foley

Chief Executive and Accountable Officer

30 October 2014 and Authorised for issue on 31 October 2014

The notes on pages 46 to 102 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
Cash flows from operating activities			
Net deficit		(1,745,116)	(9,962)
Non-cash adjustments	8	642,735	8,996
Increase in inventories	14	(3,441)	-
Increase in trade and other receivables	15	(31,403)	(1,078)
Increase in assets held for sale	16	(1,655)	-
Increase in trade and other payables	17	114,575	762
Increase in provisions	22	1,866	-
Working capital balance transfer from legacy organisations	8	60,711	-
Net cash outflow from operating activities		(961,728)	(1,282)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(117,898)	-
Purchase of intangible assets	12	(1,912)	-
Proceeds of disposal of property, plant and equipment	5	2,377	-
Net cash outflow from investing activities		(117,433)	(1,282)
Cash flows from financing activities			
Grant from Scottish Government's Justice Portfolio	26	1,178,426	1,282
Payments to repay finance leases	19	(1,061)	-
Payments to repay PFI agreements	20	(3,014)	-
Payments to repay long-term loans	21	(12,292)	-
Net financing		1,162,059	1,282
Net increase in cash and cash equivalents		82,898	-
Cash/cash equivalents at the beginning of the year		-	-
Cash/cash equivalents at the end of the year	13	82,898	-

The notes on pages 46 to 102 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2014

	Note	General Fund £'000	Pension £'000	Revaluation Reserve £'000	Total £'000
Balance as at 31 March 2013		316	(12,350)	-	(12,034)
Reserves transferred from legacy organisations		270,961	(11,170,654)	88,598	(10,811,095)
Properties transferred from Scottish Government	11	40,306	-	18,887	59,193
Revaluation of Dundee Lab		-	-	(2,093)	(2,093)
Other revaluation movement		-	-	(591)	(591)
Net expenditure for the period	23(b)	(1,154,265)	(590,851)	-	(1,745,116)
IAS19 actuarial loss	23(b)	-	(794,522)	-	(794,522)
Actuarial adjustment to pension reserve	23(b)	-	115,314	-	115,314
Cash Grant in Aid	26	1,178,426	-	-	1,178,426
Balance as at 31 March 2014		335,744	(12,453,063)	104,801	(12,012,518)

Balance as at 31 March 2012		-	-	-	-
Net expenditure for the period	23(b)	(966)	(8,996)	-	(9,962)
IAS19 actuarial loss	23(b)	-	(3,354)	-	(3,354)
Cash Grant in Aid	26	1,282	-	-	1,282
Balance as at 31 March 2013		316	(12,350)	-	(12,034)

The notes on pages 46 to 102 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

In pursuance of the Police and Fire Reform (Scotland) Act 2012, and as approved by Scottish Ministers, these financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the SPA for the purpose of giving a true and fair view has been selected.

The particular policies adopted by the SPA in the preparation of these financial statements are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Going Concern

The Resource Budget for the forthcoming financial year comprising Cash and Non-cash Grant in Aid is considered adequate to enable the organisation to continue for the foreseeable future and therefore it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS19 and include an actuarial valuation of the various pension schemes' liabilities as explained in notes 23, 24 and 25 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, 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.

1.3 Segmental Reporting

The primary format used for segmental reporting since 1 April 2013 is by division, as this reflects the SPA and Police Scotland's internal management structure and reporting. 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.

SPA Corporate Services

Forensic Services

Training

ICT

DCC Local Policing

DCC Crime and Operation Support

DCC Designate

An analysis of Net Expenditure by Segment is provided in note two to the accounts.

1.4 Revenue Recognition

Revenue is recognised net of 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 Scottish Government. Grant in Aid is received throughout the year and is intended to meet the SPA's estimated expenditure. 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 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 Balance Sheet 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 provided that the PPE yields a benefit to the SPA for a period of more than one year and is subject to the application of a de-minimis level of £5,000 (inclusive of VAT).

IT Development Costs

IT projects such as significant capital upgrades and items in development will be included. Costs of such items will include not only purchase price of equipment and direct construction costs, but also

other costs 'directly attributable' in bringing an asset to a condition ready to use. Such costs will include such items as professional fees and salary costs where directly attributable to a project.

Valuation - Properties

Assets are carried in the Statement of Financial Position at fair value, 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.

Revaluation Reserve

Assets included in the Statement of Financial Position at fair value are revalued regularly on either a rolling review or 5-yearly review basis to ensure the carrying value is not materially different from the fair value. Any subsequent increase in valuation is taken to a Revaluation Reserve.

Any decreases in value of assets will be set against any credit balance held in the revaluation reserve until this credit is exhausted and thereafter to net operating cost as an impairment charge in the Statement of Comprehensive Net Expenditure. Assets are valued by appropriately qualified RICS surveyors.

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.

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.

Componentisation of Assets

In accordance with IAS16 a componentisation policy has been adopted where appropriate. The 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 impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down as an impairment charge in the Statement of Comprehensive Net Expenditure.

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, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Statement of Financial Position is written off to the Statement of Comprehensive Net Expenditure as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Statement of Comprehensive Net Expenditure as part of the gain or loss on disposal.

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

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. Asset lives are as follows:

Buildings	over 20 to 60 years
Plant and equipment	over 3 to 20 years
Vehicles	over 3 to 10 years
Fixtures and fittings	over 3 to 10 years
IT Systems	over 3 to 10 years
Radio Masts	over 15 years

1.7 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 note 1.5 above. There is no depreciation on assets held for sale.

Any subsequent increases 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.

1.8 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 commissioned until the asset has been brought into full operational use, and is re-categorised within the classifications in note 1.6 above.

1.9 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
- Finance income – credited to the Comprehensive Statement of 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 derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

1.10 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.

Non-current assets recognised on the Statement of Financial Position are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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 Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Statement of Comprehensive Net Expenditure
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a Finance Lease).

1.11 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.'

1.12 Financial Instruments

Classification

The SPA's financial assets are classified as either trade receivables or cash and cash equivalents.

Financial Assets

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.

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.

Financial Liabilities

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.

Measurement Basis

Financial assets and liabilities are recognised on the date on which the SPA becomes a party to the contractual provisions of the instrument giving rise to the asset or liability.

Financial assets are initially recognised at cost. Any impairment of a financial asset is charged to the Statement of Comprehensive Net Expenditure when incurred. Financial assets are derecognised when the SPA's rights to cash inflows from the asset expire.

Financial liabilities are initially recognised at fair value, and carried at their amortised cost, and will be derecognised when the contractual obligations are discharged, cancelled or expire.

Annual charges for interest payable are recognised in the Statement of Comprehensive Net Expenditure and are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument.

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.

1.13 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.

Uniforms, vehicle parts and equipment are stated at cost using either the latest invoice price or an average cost price.

1.14 Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently restated for any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the SPA will not be able to collect all amounts due according to the original terms of the receivables.

1.15 Cash and Cash Equivalents

The SPA operates as part of Scottish Government banking contract with Government Banking Service (GBS). GBS is a shared banking service for government departments. GBS has developed a 'direct to bank' service which offers the latest internet banking services; streamlined and faster processes; better management information and improved pricing. Most of SPA's transactional services are provided by Citi Bank with corporate banking arrangements held with The Royal Bank of Scotland.

Cash and cash equivalents include cash in hand and deposits held at call with banks repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments maturing in three months or less of the date of the Statement of Financial Position and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Confiscation bank accounts represent monies seized under the Proceeds of Crime Act 2002. Monies are held on behalf of Crown Office Procurator Fiscal Service (COPFS) until the outcome of the relevant court cases are known. Monies are then returned either to COPFS or to the individual from whom the monies were originally seized.

Balances on confiscation 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.

1.16 Trade and Other Payables

Trade payables are recognised initially at cost.

1.17 Provisions

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

1.18 Contingent Liabilities

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

1.19 Pensions

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

- **The Police Pension Schemes for Police Officers (both pre 2006 and post 2006).**

These are unfunded defined benefit final salary schemes. There are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

- **The Local Government Pension Schemes for Police Staff Employees.**

These are defined benefit pension schemes providing benefits based on final pensionable pay, which are contracted out of the State Second Pension. Assets and liabilities of the schemes are held separately from those of the SPA. The schemes' assets are measured using market values and the schemes' liabilities are measured using a projected unit method and discounted at the current rate of return.

Contributions to the schemes are calculated so as to spread the cost of pensions over employees' working lives in the SPA and Police Scotland. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the schemes is recognised in the Statement of Comprehensive Net 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 years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Statement of Comprehensive Net 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.

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

Income tax for the year 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 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.

1.23 Events after the Reporting Period

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

Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period (the latter being disclosed where material).

Events which occur after the date of authorisation for issue are not reflected in these Accounts.

1.24 Effects of future accounting policies

The following is a list of changes to IFRS that have been issued but which were not effective in the reporting period. The SPA is currently assessing the impact of these improvements but, based on preliminary analysis, it is not expected to be material.

- Changes effective for financial periods beginning on or after 1 July 2014
 - Annual improvements to IFRS (including IFRS 13 Fair Value Measurement, IAS16 Property, Plant and Equipment, IAS24 Related Party Disclosures)
- Changes effective for financial periods beginning on or after 1 January 2018
 - IFRS 9 Financial Instruments simplifies the classification and measurement of financial assets previously reported under IAS39 Financial Instruments: Recognition and Measurement. It will affect the disclosure and measurement of the organisations financial assets and liabilities.

2. Analysis of Net Expenditure by Segment

2013-14	SPA	Forensic Services	DCC Designate	DCC Crime & Operation Support £'000	DCC Local Policing	ICT	Training	Total
	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Staff costs*	3,768	20,424	206,097	164,665	649,118	17,713	6,422	1,068,207
Other expenditure	1,190	5,532	87,243	17,511	37,010	32,768	3,828	185,082
Depreciation & amortisation	-	1,378	34,357	275	-	427	129	36,566
Operating Expenditure	4,958	27,334	327,697	182,451	686,128	50,908	10,379	1,289,855
Loss on Impairment of Dundee lab	-	5,808	-	-	-	-	-	5,808
Income from activities	-	(147)	(27,214)	(14,028)	(14,599)	(916)	(1,804)	(58,708)
Investment income	(167)	-	-	-	-	-	-	(167)
Interest payable	508,328	-	-	-	-	-	-	508,328
Total Comprehensive Expenditure	513,119	32,995	300,483	168,423	671,529	49,992	8,575	1,745,116

*Included within DCC Designate staff costs is the full IAS19 adjustment of £91,458 as disclosed within the staff costs analysis at note three overleaf.

3. Staff Numbers and Related Costs

The number of full-time equivalent persons employed, excluding those on career breaks:

2013-14	*Board Members	Staff	Officers	Special Constables	Total
Permanent	13	5,752	17,244	-	23,009
Special Constables	-	-	-	1,374	1,374
Agency / Temporary Staff	-	235	-	-	235
As at 31 March 2014	13	5,987	17,244	1,374	24,618
As at 31 March 2013	13	2	8	-	23

* No calculation in terms of Full-time equivalent has been performed for Board Members.

There were nine officers, and ten staff members who died in service during the year. There were also 74 officers, and 15 members of staff who retired through ill health.

Staff costs comprise:

2013-14	Board Members £'000	Staff £'000	Officers £'000	Total £'000
Wages and salaries	539	164,864	704,467	869,870
Social security costs	78	12,515	56,591	69,184
Pension costs	-	37,395	300	37,695
IAS19 pension adjustment	617	214,774	761,358	976,749
	-	15,058	76,400	91,458
	617	229,832	837,758	1,068,207

2012-13	Board Members £'000	Staff on Secondment £'000	Officers £'000	Total £'000
Wages and salaries	304	50	363	717
Social security costs	21	4	45	70
Pension costs	-	6	32	38
IAS19 pension adjustment	325	60	440	825
	-	-	8,903	8,903
	325	60	9,343	9,728

4. Exit Packages

During the year, 637 employees agreed terms under a voluntary redundancy scheme, with an additional 277 posts being approved for release.

The values of the individual packages accrued during the year, including pension payments, were as follows:

	2013-14 Total Employees	2012-13 Total Employees
£0 - £25,000	340	-
£25,000 - £50,000	489	-
£50,000 - £75,000	53	-
£75,000 - £100,000	21	-
£100,000 - £125,000	4	-
£125,000 - £150,000	4	-
£150,000 - £175,000	2	-
£175,000 - £200,000	1	-
Total number of exit packages	914	-

	£'000	£'000
Total Costs	30,993	-

5. Income from Activities

	2013-14 £'000	2012-13 £'000
Fees and Charges	30,215	-
Grant income received - external to GIA (per note 26)	23,865	-
Seconded officers and staff	2,955	-
Insurance	160	-
Donations and Sponsorship	324	-
Profit on Disposal of Assets*	200	-
Other Income	989	-
	58,708	-

* The net book value of disposals during the year per note 11 was £2,177,000, which, together with the profit on disposal of assets of £200,000 per above results in a total cash proceeds on disposal of property, plant and equipment of £2,377,000.

6. Other Expenditure

	2013-14 £'000	2012-13 £'000
Other staff costs	2,811	1
Premises costs	59,312	2
Equipment costs	23,878	-
Catering costs	1,436	-
Supplies and services	7,268	19
Promotional costs	242	-
National Crime Agency	5,484	-
Recruitment costs	231	-
Transport costs	27,637	25
Animal costs	606	-
Securing premises	580	-
Public protection unit	227	-
Other fees & charges	13,250	16
Bad debts	787	0
Printing, stationery & postage	4,432	2
Clothing & uniform	2,880	-
Prison charges	1,183	-
Telecom and Airwave costs	19,081	-
Conference / meeting expenses	430	1
Subscriptions	161	-
Third party payments	6,925	-
IT Development / consultants	1,106	14
Professional fees	498	61
Legal fees	4,637	-
	185,082	141

7. Corporation Tax

	Note	2013-14 £'000	2012-13 £'000
Current tax:			
Current tax on profits for the year		-	-
Total current tax		-	-
Tax per the income statement		-	-

No deferred tax asset has been recognised in respect of the tax losses carried forward, as it cannot be stated with certainty that the losses will be utilised in the foreseeable future.

Factors Affecting Total Tax Charge for the Current Period

	Note	2013-14 £'000	2012-13 £'000
The charge for the year can be reconciled to the profit per the income statement as follows:			
Loss for the period – continuing operations		(1,745,116)	-
Tax on loss at standard UK tax rate of 23.00% (2012/13: nil)		(401,377)	-
Effects of:			
Expenses not deductible		401,377	-
Gains		132	-
Losses not recognised		9,672	-
Tax charge for the period		-	-
Income tax reported in the Statement of Comprehensive Net Expenditure		-	-

8. Adjustments to Cash Flows

	Note	2013-14 £'000	2012-13 £'000
Depreciation and amortisation	11&12	36,566	-
Interest payable – PFI interest	20	2,522	-
Interest payable – finance lease	19	482	-
Interest payable – loan and other interest	21	5,931	-
IAS19 pension adjustment to staff costs	23(b)	91,458	8,903
IAS19 interest on pension scheme obligations	23(b)	499,393	93
Asset impairment review	11	5,808	-
Asset revaluation review	11	3,459	-
Movement in revaluation reserve for year		(2,684)	-
Profit on sale of property, plant & equipment	5	(200)	-
Adjustments to non-cash costs		642,735	8,996
Transfers of property, plant and equipment	11	(507,926)	-
Transfers of intangible assets	12	(3,098)	-
Provisions transfer	22	5,457	-
PFI Liabilities transfer	20	20,178	-
Long-term loan liabilities transfer	21	118,509	-
Pension liabilities transfer	23(b)	11,170,654	-
Finance lease liabilities transfer	19	8,839	-
General fund		270,961	-
Pension reserve transfer	23(b)	(11,170,654)	-
Revaluation reserve transfer		88,598	-
Scottish Government property transfer	11	40,306	-
Scottish Government revaluation reserve transfer	11	18,887	-
Working capital transfer from legacy organisations		60,711	-

9. Commitments under Operating Leases

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

2013-14	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	39	2,034	560	2,633
Later than one year and not later than five years	122	3,543	109	3,774
Later than five years	813	3,740	14	4,567
	974	9,317	683	10,974

Operating lease payments made during the year were as follows:

2013-14	Other £'000
Minimum lease payments	4,280
Contingent rents	142
Sublease payments	(30)
	4,392

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.

10. Operating Lease Income

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

2013-14	Buildings £'000	Other £'000	Total £'000
Not later than one year	531	90	622
Later than one year and not later than five years	-	292	292
Later than five years	-	134	134
	531	516	1,048

Payments made during the year were as follows:

2013-14	Other £'000
Minimum lease payments	659
Contingent rents	-
	659

11. Property, Plant & Equipment

2013-14	Land & Buildings £'000	IT £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Motor Vehicles £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation:							
As at 1 April 2013	-	-	-	-	-	-	-
Transferred from legacy organisations	500,550	48,804	70,004	8,469	61,257	14,669	703,753
Additions	10,147	9,559	3,199	2,510	5,877	27,413	58,705
Transferred from Scottish Government	59,193	-	-	-	-	-	59,193
Disposals	(1,863)	-	-	-	(2,105)	-	(3,968)
Revaluation	(3,459)	-	-	-	-	-	(3,459)
As at 31 March 2014	564,568	58,363	73,203	10,979	65,029	42,082	814,224
Depreciation:							
As at 1 April 2013	-	-	-	-	-	-	-
Transferred from legacy organisations	56,241	35,060	60,457	6,381	37,688	-	195,827
Charged in year	19,119	4,899	3,273	596	7,751	-	35,638
Depreciation on disposals	(62)	-	-	-	(1,729)	-	(1,791)
Depreciation on revaluation	-	-	-	-	-	-	-
Impairment	5,808	-	-	-	-	-	5,808
As at 31 March 2014	81,106	39,959	63,730	6,977	43,710	-	235,482
Net Book Value As at 31 March 2014	483,462	18,404	9,473	4,002	21,319	42,082	578,742
Net Book Value As at 31 March 2013	-	-	-	-	-	-	-

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The Scottish Police College and Dundee laboratory were both previously owned by Scottish Government, and used by the former Scottish Police Services Authority for an annual notional rent charge. As at 1 April 2013, both these assets were transferred to the SPA as follows:

	Tulliallan £'000	Dundee Laboratory £'000	Total £'000
Net Book Value transferred	34,942	24,251	59,193
Associated Revaluation Reserve transferred	16,794	2,093	18,887

During the year, a revaluation of the Dundee laboratory resulted in a reduction to the value of £7,901,305. All other assets were transferred from legacy organisations within the Transfer Orders associated with the Police and Fire Reform (Scotland) Act 2012.

12. Intangible Assets

2013-14	Software & Licences £'000
Cost or Valuation:	
As at 1 April 2013	-
Transferred from legacy organisations	11,054
Additions	1,912
Disposals	-
Revaluation	-
Cost or Valuation as at 31 March 2014	12,966
Amortisation:	
As at 1 April 2013	-
Transferred from legacy organisations	7,956
Charged in year	928
Impairment	-
Amortisation as at 31 March 2014	8,884
Net Book Value As at 31 March 2014	4,082
Net Book Value As at 31 March 2013	-

13. Cash and Cash Equivalents

	31 March 2014 £'000	31 March 2013 £'000
Balance as at 1 April 2013	-	-
Net change in cash and cash equivalent balance	82,898	-
Balance as at 31 March 2014	82,898	-

The balances held as at 31 March 2014 were held as follows:

	31 March 2014 £'000	31 March 2013 £'000
Balance within the Government Banking Service	72,751	-
Cash at commercial banks and cash in hand	10,147	-
Balance as at 31 March 2014	82,898	-

14. Inventories

	31 March 2014 £'000	31 March 2013 £'000
Balance as at 1 April 2013	-	-
Inventories and stock	3,441	-
Balance as at 31 March 2014	3,441	-

Inventories include equipment, uniforms and vehicle parts and are included in the Balance Sheets at the lower of cost or net realisable value.

15. Trade and Other Receivables

(a) Analysis by type of receivable is as follows:

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year:		
Trade receivables	13,128	-
Other receivables	5,360	1,078
Prepayments and accrued income	13,993	-
Total amounts falling due within one year	32,481	1,078

(b) Analysis by category of supplier is as follows:

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year:		
Balances with other central government bodies	6,801	1,078
Balances with local authorities	6,813	-
Balances with NHS bodies	95	-
Intra-governmental balances	13,709	1,078
Balances with bodies external to government	18,772	-
Total amounts falling due within one year	32,481	1,078

All trade and other receivables are due within one year.

16. Assets held for Sale

	31 March 2014 £'000	31 March 2013 £'000
Balance outstanding as at 1 April 2013	-	-
Assets transferred from legacy organisations	2,566	-
Assets sold	(911)	-
Balance as at 31 March 2014	1,655	-

17. Trade and Other Payables

(a) Analysis by type of payable is as follows:

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year:		
VAT	1,353	-
Other taxation and social security	763	-
Trade payables	17,549	3
Other payables	4,068	-
Pension creditor	4,892	-
Accruals and Deferred Income	86,712	759
Current part of finance leases	715	-
Current part of PFI agreements	556	-
Current part of long-term loans	6,527	-
Total amounts falling due within one year	123,135	762

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due after more than one year:		
Finance leases	7,545	-
PFI agreements	19,130	-
Long-term loans	105,621	-
Total amounts falling due after more than one year	132,296	-

(b) Analysis by category of supplier is as follows:

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year:		
Balances with other central government bodies	35,833	-
Balances with local authorities	15,261	-
Balances with NHS bodies	1,219	-
Intra-governmental balances	52,313	-
Balances with bodies external to government	70,822	762
Total amounts falling due within one year	123,135	762

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due after more than one year:		
Balances with other central government bodies	31	-
Balances with local authorities	105,895	-
Balances with NHS bodies	-	-
Intra-governmental balances	105,926	-
Balances with bodies external to government	26,370	-
Total amounts falling due after more than one year	132,296	-

18. Pension Account

Scottish Government requires the SPA to maintain a Police Pension Account in respect of its police pension schemes. The requirements are specified in the Police Pension Account (Scotland) Regulations 2010 and the 2013 update to the 2010 Guidance. The regulations specify that a Police Pension

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Account must be maintained to record the payments made and income received in respect of police pensions.

The funding for police pension payments, as determined during a Spending Review, has been taken out of the police element of the Local Government Settlement. A payment is made through a Police Specific Grant paid to the SPA that takes into account the funding to meet the cost of the employer contributions.

	31 March 2014 £'000	31 March 2013 £'000
Receivable:		
Employer Contributions	153,685	-
Officers' Contributions	79,577	-
Other receivables	6,185	-
Transfer values received	1,508	-
Total Receivable	240,955	-
Payable:		
Pensions	(283,222)	-
Refund & Transfer values paid	(3,414)	-
Scheme Sanction Charges	(262)	-
Lump sum payments	(69,949)	-
Total Payable	(356,847)	-
Deficit before funding	(115,892)	-
Transferred in from legacy organisations	14,829	-
Police Pension Grant	105,955	-
Carried forward surplus as at 31 March 2014	4,892	-

19. Commitments under Finance Leases

During the year, the total balance transferred from legacy forces, SPSA and SCDEA was £8,839,000. During the year, interest of £482,000 was paid, and creditor of £579,000 was reimbursed.

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

2013-14	Buildings £'000	Other £'000
Not later than one year	1,191	-
Later than one year and not later than five years	4,635	-
Later than five years	5,087	-
	10,913	-
Less: Interest element	2,653	-
Present Value of Obligations	8,260	-

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

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2013-14	Buildings £'000	Other £'000
Not later than one year	715	-
Later than one year and not later than five years	3,184	-
Later than five years	4,361	-
	8,260	-

20. Assets Recognised under a PFI Arrangement

A 25-year PFI contract was established in 2002 for the construction, maintenance and operation of the Force Training & Recruitment Centre at Jackton. This agreement was transferred to the SPA as at 1 April 2013. The total balance transferred from Strathclyde Joint Police Board as at that date was £20,178,000. During the year, interest of £2,522,000 was paid, and capital of £492,000 was reimbursed.

The estimated future payments in respect of the PFI contract are as follows:

	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000
Within 12 months	556	2,459	1,411	4,426
2-5 years	3,043	9,014	6,080	18,137
6-10 years	6,623	8,449	8,684	23,756
11-15 years	9,464	2,365	4,925	16,754
16-20 years	-	-	-	-
Total remaining commitment	19,686	22,287	21,100	63,073

The asset is recognised on the Balance Sheet and included within the Land and Buildings as follows:

	£'000
Net Book Value Transferred as at 1 April 2013	15,904
Revaluation	-
Depreciation during year	(723)
Net Book Value as at 31 March 2014	15,181

21. Long-term Loans

The loans which were transferred during the year represent loans from the Public Works Loans Board and the debt is managed by the local Councils' Consolidated Loans Funds.

The total balance transferred from legacy forces was £118,509,000. During the year, interest of £5,931,000 was paid, and creditor of £6,361,000 was reimbursed. The estimated future payments in respect of the loans are as follows:

	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000
Within 12 months	6,527	5,893	-	12,420
2-5 years	25,259	20,217	-	45,476
6-15 years	38,368	31,891	-	70,259
16-25 years	29,987	14,774	-	44,761
26-35 years	6,237	4,652	-	10,889
36-45 years	5,283	2,154	-	7,437
46-55 years	487	26	-	513
Total remaining commitment	112,148	79,607	-	191,755

22. Provisions

2013-14	31 March 2014 £'000	31 March 2013 £'000
Transferred from legacy organisations	5,457	-
Movement during year	1,866	-
As at 31 March 2014	7,323	-

23. IAS19 Pension Liability – Reconciliation of Schemes

(a) Actuarial Methods and Assumptions

In order to comply with IAS19, pension calculations were made in respect of the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS), and a number of Scottish Local Government Pension Schemes (LGPS). LGPS is a defined benefit statutory scheme and provides benefits based on final pensionable salary. It is contracted out of the State Second Pension.

The latest formal valuation of the Scottish LGPS funds was at 31 March 2011. In order to assess the value of the SPA's assets and liabilities in the funds as at 31 March 2014 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.

Calculations have been carried out in accordance with the Pensions Technical Actuarial Standard (TAS) adopted by the Financial Reporting Council, which came into effect on 1 January 2013, and other TASs. The valuations were conducted by Hymans Robertson for all except Tayside Pension Fund (note 25H) and North East Scotland Pension Fund (note 25I) which were carried out by Barnett Waddingham and Mercer respectively.

(b) Reconciliation of Pension Reserve

	Ref	2013-14 Income and Expenditure Analysis			2013-14 Statement of Financial Position	2012-13 Statement of Financial Position
		Actuarial Loss £'000	Interest on Pension Scheme Obligations £'000	Staff Costs £'000	Total £'000	Total £'000
As at 1 April 2013		-	-	-	(12,350)	-
Pension reserve transfer		-	-	-	(11,170,654)	-
Opening position					(11,183,004)	-
Actuarial adjustment to transferred reserves balance					115,314	-
Adjusted opening position	A	-	-	-	(11,067,690)	-
Actuarial loss in year	B	(794,522)	-	-	(794,522)	(3,354)
Interest on obligation	C	-	(538,180)	-	(538,180)	(93)
Expected return on assets	D	-	38,787	-	38,787	-
Contributions by employer	E	-	-	298,544	298,544	(28)
Current service cost	F	-	-	(385,946)	(385,946)	(171)
Past service loss (incl curtailments)	G	-	-	(13,558)	(13,558)	(8,704)
Contributions re unfunded benefits	H	-	-	9,502	9,502	-
As at 31 March 2014		(794,522)	(499,393)	(91,458)*	(12,453,063)	(12,350)

*Made up of total service cost of £399,504,000 less other movements of £308,046,000 per 23(c) overleaf.

(c) 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 the year ended 31 March 2014 for the PPS, the NPPS, and all of the LGPS schemes combined:

2013-14	Ref	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets		851,959	-	851,959
Present value of unfunded liabilities		-	10,572,495	(10,572,495)
Present value of funded liabilities		-	1,018,170	(1,018,170)
Present value of injury liabilities		-	444,298	(444,298)
Opening position		851,959	12,034,963	(11,183,004)
Actuarial adjustment to transferred liability		-	(115,314)	115,314
Adjusted opening position as at 1 April 2013	A	851,959	11,919,649	(11,067,690)
Current service cost	F	(76)	385,870	(385,946)
Past service cost (including curtailments)	G	-	13,558	(13,558)
Effect of settlements		-	-	-
Total service cost*		(76)	399,428	(399,504)
Interest income on plan assets	D	38,787	-	38,787
Interest cost on defined benefit obligation	C	-	538,180	(538,180)
Impact of asset ceiling on net interest		-	-	-
Total net interest		38,787	538,180	(499,393)
Total defined benefit cost		38,711	937,608	(898,897)
Plan participants' contributions		88,165	88,165	-
Employer contributions (excluding injuries)	E	298,544	-	298,544
Transfers in from other authorities		1,100	1,100	-
Transfers out to other authorities		(1,600)	(1,600)	-
Contributions in respect of unfunded benefits	H	1,202	-	1,202
Contributions in respect of injury benefits	H	8,300	-	8,300
Pensions and lump sum expenditure		(341,400)	(341,400)	-
Injury award expenditure		(8,300)	(8,300)	-
Benefits paid		(19,891)	(19,891)	-
Other movements*		26,120	(281,926)	308,046
Expected closing position		916,790	12,575,331	(11,658,541)
Change in demographic assumptions		-	270,153	(270,153)
Change in financial assumptions		-	541,049	(541,049)
Other experience		-	5,036	(5,036)
Return on assets excl amounts included in net interest		21,716	-	21,716
Total remeasurements	B	21,716	816,238	(794,522)
Fair value of employer assets		938,506	-	938,506
Present value of unfunded liabilities		-	11,729,349	(11,729,349)
Present value of funded liabilities		-	1,162,220	(1,162,220)
Present value of injury liabilities		-	500,000	(500,000)
Closing position as at 31 March 2014		938,506	13,391,569	(12,453,063)

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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.

24. Police Pension Scheme (PPS) and New Police Pension Schemes (NPPS)

(a) Financial and Demographic Assumptions in the Valuation

The valuation of the combined schemes have been based on membership data submitted and amended to reflect the data as at 1 April 2013 for the purpose of the full valuation as at 1 April 2013, together with the latest numbers of serving officers, deferred pensioners and pensioners, and employee contributions, benefits and retirements up to the latest available date.

Promotional salary scales have been set in accordance with the published police pay scales. The post-retirement mortality assumptions recommended were the S1NFA and S1NMA 'year of birth' tables with future improvements based on the CMI 2010 model with a long term rate of improvement of 1.25% per annum.

It has been assumed that serving officers in the PPS retire at the earlier of attaining 30 years of service (subject to a minimum age of 50) 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:

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension Increase Rate	2.6%	2.8%	2.9%	2.8%
Salary Increase Rate	3.6%	3.8%	3.9%	3.8%
Discount Rate	4.1%	4.3%	4.3%	4.5%

The Retail Price Inflation (RPI) assumption is derived by considering the difference in yields available on fixed interest and index linked Government bonds and derived from the Bank of England implied inflation curve and set equal to the average rate appropriate for the cashflows of a typical Authority.

The salary increase assumption is CPI plus 1%. The pension increase assumption is in line with the Consumer Prices Index (CPI) at RPI less 0.8%.

An allowance has been made for future injury pensions of 5% of the relevant active liability, both for past service and current service contingent liabilities.

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.1% decrease in real discount rate	2	246,300
1 year increase in member life expectancy	3	366,300
0.5% increase in salary increase rate	2	250,100
0.5% increase in the pensions increase rate (CPI)	8	1,013,600

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out below:

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.1% decrease in real discount rate	5	19,510
1 year increase in member life expectancy	3	11,550
0.5% increase in salary increase rate	8	32,570
0.5% increase in the pensions increase rate (CPI)	13	51,200

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014 for both the PPS and NPPS combined:

2013-14	Assets	Obligations	Net
	£'000	£'000	(liability)/asset
			£'000
Fair value of employer assets	-	-	-
Present value of unfunded liabilities	-	10,557,616	(10,557,616)
Present value of injury liabilities	-	444,298	(444,298)
	-	11,001,914	(11,001,914)
Actuarial adjustment to transferred liability	-	(115,314)	115,314
Adjusted opening position as at 1 April 2013	-	10,886,600	(10,886,600)
Current service cost*	-	346,900	(346,900)
Past service cost (including curtailments)	-	1,300	(1,300)
Effect of settlements	-	-	-
Total service cost	-	348,200	(348,200)
Interest income on plan assets	-	-	-
Interest cost on defined benefit obligation**	-	491,200	(491,200)
Impact of asset ceiling on net interest	-	-	-
Total net interest	-	491,200	(491,200)
Total defined benefit cost	-	839,400	(839,400)
Plan participants' contributions	78,400	78,400	-
Employer contributions (excluding injuries)	263,500	-	263,500
Transfers in from other authorities	1,100	1,100	-
Transfers out to other authorities	(1,600)	(1,600)	-
Contributions in respect of injury benefits	8,300	-	8,300
Pensions and lump sum expenditure	(341,400)	(341,400)	-
Injury award expenditure	(8,300)	(8,300)	-
Other movements	-	(271,800)	271,800
Expected closing position	-	11,454,200	(11,454,200)
Change in demographic assumptions	-	268,100	(268,100)
Change in financial assumptions	-	483,700	(483,700)
Other experience	-	3,000	(3,000)
Total remeasurements	-	754,800	(754,800)
Fair value of employer assets	-	-	-
Present value of unfunded liabilities	-	11,709,000	(11,709,000)
Present value of injury liabilities	-	500,000	(500,000)
Closing position as at 31 March 2014	-	12,209,000	(12,209,000)

* The current service cost does not include an allowance for administration expenses, but includes the cost for both the non-injury and injury benefits. This is split £326.6million for the non-injury benefits and £20.3million for the injury benefits.

** The interest cost on defined benefit obligation shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £472,000,000 for the non-injury benefits and £19,200,000 for the injury benefits.

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*** As in previous years, the employer contribution is calculated as the difference between benefits paid and employee contributions. This may not be equal to the amount paid by the employer.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000	% of pay
Current service cost	-	384,900	(384,900)	(61.8%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	384,900	(384,900)	(61.8%)
Interest income on plan assets	-	-	-	-
Interest cost on defined benefit obligation	-	526,700	(526,700)	(84.6%)
Total net interest cost	-	526,700	(526,700)	(84.6%)
Total included in net expenditure	-	911,600	(911,600)	(146.4%)

25A. Local Government Pension Schemes – Falkirk Council Pension Fund**(a) Financial and Demographic Assumptions in the Valuation**

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.8	2.8
Salary increase rate	5.1	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	23.0 years	25.8 years
Future pensioners	24.9 years	27.7 years

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	4.9%	5.1%	5.2%	5.1%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.1% decrease in real discount rate	12	5,558
1 year increase in member life expectancy	3	1,444
0.5% increase in salary increase rate	4	1,846
0.5% increase in the pensions increase rate (CPI)	7	3,598

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	32,833	-	32,833
Present value of funded liabilities	-	41,970	(41,970)
Present value of unfunded liabilities	-	255	(255)
Adjusted opening position as at 1 April 2013	32,833	42,225	(9,392)
Current service cost*	-	1,684	(1,684)
Past service cost (including curtailments)	-	737	(737)
Effect of settlements	-	-	-
Total service cost	-	2,421	(2,421)
Interest income on plan assets	1,503	-	1,503
Interest cost on defined benefit obligation	-	1,941	(1,941)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,503	1,941	(438)
Total defined benefit cost	1,503	4,362	(2,859)
Plan participants' contributions	389	389	-
Employer contributions	1,640	-	1,640
Contributions in respect of unfunded benefits	99	-	99
Benefits paid	(877)	(877)	-
Unfunded benefits paid	(99)	(99)	-
Other movements	1,152	(587)	1,739
Expected closing position	35,488	46,000	(10,512)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	2,054	(2,054)
Other experience	-	88	(88)
Return on assets excl amounts in net interest	784	-	784
Total remeasurements	784	2,142	(1,358)
Fair value of employer assets	36,272	-	36,272
Present value of funded liabilities	-	47,389	(47,389)
Present value of unfunded liabilities	-	753	(753)
Closing position as at 31 March 2014	36,272	48,142	(11,870)

* The current service cost includes an allowance for administration expenses of 0.2% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	1,796	(1,796)	(29.8%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	1,796	(1,796)	(29.8%)
Interest income on plan assets	1,575	-	1,575	26.1%
Interest cost on defined benefit obligation	-	2,095	(2,095)	(34.7%)
Total net interest cost	1,575	2,095	(520)	(8.6%)
Total included in net expenditure	1,575	3,891	(2,316)	(38.4%)

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25B. Local Government Pension Schemes – Fife Council Pension Fund

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.9	2.8
Salary increase rate	5.2	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	23.0 years	25.8 years
Future pensioners	24.9 years	27.7 years

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	4.9%	5.1%	5.2%	5.1%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	15	5,829
1 year increase in member life expectancy	3	1,171
0.5% increase in salary increase rate	8	3,053
0.5% increase in the pensions increase rate (CPI)	7	2,559

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net
	£'000	£'000	(liability)/asset
			£'000
Fair value of employer assets	17,299	-	17,299
Present value of funded liabilities	-	31,525	(31,525)
Present value of unfunded liabilities	-	-	-
Adjusted opening position as at 1 April 2013	17,299	31,525	(14,226)
Current service cost*	-	2,133	(2,133)
Past service cost (including curtailments)	-	812	(812)
Effect of settlements	-	-	-
Total service cost	-	2,945	(2,945)
Interest income on plan assets	831	-	831
Interest cost on defined benefit obligation	-	1,488	(1,488)
Impact of asset ceiling on net interest	-	-	-
Total net interest	831	1,488	(657)
Total defined benefit cost	831	4,433	(3,602)
Plan participants' contributions	513	513	-
Employer contributions	1,997	-	1,997
Contributions in respect of unfunded benefits	89	-	89
Benefits paid	-	-	-
Unfunded benefits paid	(89)	(89)	-
Other movements	2,510	424	2,086
Expected closing position	20,640	36,382	(15,742)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	3,101	(3,101)
Other experience	-	(455)	(455)
Return on assets excl amounts in net interest	417	-	417
Total remeasurements	417	2,646	(2,229)
Fair value of employer assets	21,057	-	21,057
Present value of funded liabilities	-	39,028	(39,028)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2014	21,057	39,028	(17,971)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	2,472	(2,472)	(29.6%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	2,472	(2,472)	(29.6%)
Interest income on plan assets	952	-	952	11.4%
Interest cost on defined benefit obligation	-	1,738	(1,738)	(20.8%)
Total net interest cost	952	1,738	(786)	(9.4%)
Total included in net expenditure	952	4,210	(3,258)	(39.0%)

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25C. Local Government Pension Schemes – Dumfries & Galloway Council Pension Fund

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.9	2.8
Salary increase rate	5.2	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	23.0 years	25.6 years
Future pensioners	24.9 years	27.7 years

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	4.9%	5.1%	5.2%	5.1%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	14	2,872
1 year increase in member life expectancy	3	599
0.5% increase in salary increase rate	7	1,442
0.5% increase in the pensions increase rate (CPI)	7	1,329

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	9,237	-	9,237
Present value of funded liabilities	-	16,150	(16,150)
Present value of unfunded liabilities	-	-	-
Adjusted opening position as at 1 April 2013	9,237	16,150	(6,913)
Current service cost*	-	1,090	(1,090)
Past service cost (including curtailments)	-	620	(620)
Effect of settlements	-	-	-
Total service cost	-	1,710	(1,710)
Interest income on plan assets	440	-	440
Interest cost on defined benefit obligation	-	768	(768)
Impact of asset ceiling on net interest	-	-	-
Total net interest	440	768	(328)
Total defined benefit cost	440	2,478	(2,038)
Plan participants' contributions	238	238	-
Employer contributions	876	-	876
Contributions in respect of unfunded benefits	80	-	80
Benefits paid	-	-	-
Unfunded benefits paid	(80)	(80)	-
Other movements	1,114	158	956
Expected closing position	10,791	18,786	(7,995)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	1,524	(1,524)
Other experience	-	(330)	330
Return on assets excl amounts in net interest	426	-	426
Total remeasurements	426	1,194	(768)
Fair value of employer assets	11,217	-	11,217
Present value of funded liabilities	-	19,980	(19,980)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2014	11,217	19,980	(8,763)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	1,181	(1,181)	(30.9%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	1,181	(1,181)	(30.9%)
Interest income on plan assets	505	-	505	13.2%
Interest cost on defined benefit obligation	-	887	(887)	(23.2%)
Total net interest cost	505	887	(382)	(10.0%)
Total included in net expenditure	505	2,068	(1,563)	(40.9%)

25D. Local Government Pension Schemes – Lothian Pension Fund**(a) Financial and Demographic Assumptions in the Valuation**

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.8	2.8
Salary increase rate	5.1	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	20.4 years	22.8 years
Future pensioners	22.6 years	25.4 years

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	4.9%	5.1%	5.2%	5.1%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	12	23,677
1 year increase in member life expectancy	3	6,086
0.5% increase in salary increase rate	4	8,389
0.5% increase in the pensions increase rate (CPI)	7	14,751

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	154,611	-	154,611
Present value of funded liabilities	-	178,774	(178,774)
Present value of unfunded liabilities	-	1,313	(1,313)
Adjusted opening position as at 1 April 2013	154,611	180,087	(25,476)
Current service cost*	-	5,796	(5,796)
Past service cost (including curtailments)	-	1,706	(1,706)
Effect of settlements	-	-	-
Total service cost	-	7,502	(7,502)
Interest income on plan assets	7,021	-	7,021
Interest cost on defined benefit obligation	-	8,223	(8,223)
Impact of asset ceiling on net interest	-	-	-
Total net interest	7,021	8,223	(1,202)
Total defined benefit cost	7,021	15,725	(8,704)
Plan participants' contributions	1,474	1,474	-
Employer contributions	4,703	-	4,703
Contributions in respect of unfunded benefits	309	-	309
Benefits paid	(3,335)	(3,335)	-
Unfunded benefits paid	(309)	(309)	-
Other movements	2,842	(2,170)	5,012
Expected closing position	164,474	193,642	(29,168)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	8,751	(8,751)
Other experience	-	477	(477)
Return on assets excl amounts in net interest	2,298	-	2,298
Total remeasurements	2,298	9,228	(6,930)
Fair value of employer assets	166,772	-	166,772
Present value of funded liabilities	-	200,116	(200,116)
Present value of unfunded liabilities	-	2,754	(2,754)
Closing position as at 31 March 2014	166,772	202,870	(36,098)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	6,132	(6,132)	(27.7%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	6,132	(6,132)	(27.7%)
Interest income on plan assets	7,206	-	7,206	32.5%
Interest cost on defined benefit obligation	-	8,805	(8,805)	(39.7%)
Total net interest cost	7,206	8,805	(1,599)	(7.2%)
Total included in net expenditure	7,206	14,937	(7,731)	(34.9%)

25E. Local Government Pension Schemes – The Highland Council Pension Fund**(a) Financial and Demographic Assumptions in the Valuation**

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.8	2.6
Salary increase rate	5.1	4.8
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	21.3 years	23.6 years
Future pensioners	22.6 years	25.1 years

	Weighted Average Duration			
Period Ended	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	1 April 2013 % pa
Pension increase rate	2.6%	2.8%	2.9%	2.6%
Salary increase rate	4.9%	5.1%	5.2%	4.8%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	11	6,960
1 year increase in member life expectancy	3	1,857
0.5% increase in salary increase rate	4	2,198
0.5% increase in the pensions increase rate (CPI)	8	4,648

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	39,512	-	39,512
Present value of funded liabilities	-	51,389	(51,389)
Present value of unfunded liabilities	-	2,704	(2,704)
Adjusted opening position as at 1 April 2013	39,512	54,093	(14,581)
Current service cost*	-	1,542	(1,542)
Past service cost (including curtailments)	-	238	(238)
Effect of settlements	-	-	-
Total service cost	-	1,780	(1,780)
Interest income on plan assets	1,787	-	1,787
Interest cost on defined benefit obligation	-	2,450	(2,450)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,787	2,450	(663)
Total defined benefit cost	1,787	4,230	(2,443)
Plan participants' contributions	305	305	-
Employer contributions	1,311	-	1,311
Contributions in respect of unfunded benefits	125	-	125
Benefits paid	(1,229)	(1,229)	-
Unfunded benefits paid	(125)	(125)	-
Other movements	387	(1,049)	1,436
Expected closing position	41,686	57,274	(15,588)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	4,528	(4,528)
Other experience	-	88	(88)
Return on assets excl amounts in net interest	1,016	-	1,016
Total remeasurements	1,016	4,616	(3,600)
Fair value of employer assets	42,702	-	42,702
Present value of funded liabilities	-	58,909	(58,909)
Present value of unfunded liabilities	-	2,981	(2,981)
Closing position as at 31 March 2014	42,702	61,890	(19,188)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll. This is a change in approach from previous accounting periods.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	1,674	(1,674)	(33.9%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	1,674	(1,674)	(33.9%)
Interest income on plan assets	1,835	-	1,835	37.2%
Interest cost on defined benefit obligation	-	2,674	(2,674)	(54.2%)
Total net interest cost	1,835	2,674	(839)	(17.0%)
Total included in net expenditure	1,835	4,348	(2,513)	(50.9%)

25F. Local Government Pension Schemes – Various Scottish Local Government Funds – SPSA and SCDEA

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.9	2.8
Salary increase rate	5.2	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

The following table shows the indicative financial assumptions based on market conditions as at 31 December 2013.

	Discount Rate	RPI Inflation (CPI)
Less than 17 years (short)	4.3%	3.6% (2.8%)
Between 17 and 23 years (medium)	4.4%	3.6% (2.8%)
More than 23 years (long)	4.5%	3.7% (2.9%)

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	14	32,873
1 year increase in member life expectancy	3	6,907
0.5% increase in salary increase rate	7	15,278
0.5% increase in the pensions increase rate (CPI)	8	16,470

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	164,860	-	164,860
Present value of funded liabilities	-	192,568	(192,568)
Present value of unfunded liabilities	-	60	(60)
Adjusted opening position as at 1 April 2013	164,860	192,628	(27,768)
Current service cost*	-	9,357	(9,357)
Past service cost (including curtailments)	-	541	(541)
Effect of settlements	-	-	-
Total service cost	-	9,898	(9,898)
Interest income on plan assets	7,609	-	7,609
Interest cost on defined benefit obligation	-	8,907	(8,907)
Impact of asset ceiling on net interest	-	-	-
Total net interest	7,609	8,907	(1,298)
Total defined benefit cost	7,609	18,805	(11,196)
Plan participants' contributions	2,582	2,582	-
Employer contributions	7,710	-	7,710
Contributions in respect of unfunded benefits	19	-	19
Benefits paid	(1,745)	(1,745)	-
Unfunded benefits paid	(19)	(19)	-
Other movements	8,547	818	7,729
Expected closing position	181,016	212,251	(31,235)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	17,567	(17,567)
Other experience	-	408	(408)
Return on assets excl amounts in net interest	4,298	-	4,298
Total remeasurements	4,298	17,975	(13,677)
Fair value of employer assets	185,314	-	185,314
Present value of funded liabilities	-	229,725	(229,725)
Present value of unfunded liabilities	-	501	(501)
Closing position as at 31 March 2014	185,314	230,226	(44,912)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	10,997	(10,997)	(28.9%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	10,997	(10,997)	(28.9%)
Interest income on plan assets	8,148	-	8,148	21.4%
Interest cost on defined benefit obligation	-	10,151	(10,151)	(26.7%)
Total net interest cost	8,148	10,151	(2,003)	(5.3%)
Total included in net expenditure	8,148	21,148	(13,000)	(34.2%)

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25G. Local Government Pension Schemes – Strathclyde Pension Fund

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.8	2.8
Salary increase rate	5.1	5.1
Discount rate	4.3	4.5

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

Period Ended	Weighted Average Duration			1 April 2013 % pa
	Short (< 17 years) 31 March 2014 % pa	Medium (17<23 years) 31 March 2014 %pa	Long (> 23 years) 31 March 2014 % pa	
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	4.9%	5.1%	5.2%	5.1%
Discount rate	4.1%	4.3%	4.3%	4.5%

(b) Sensitivity Analysis

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

	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	12	47,568
1 year increase in member life expectancy	3	12,060
0.5% increase in salary increase rate	4	17,181
0.5% increase in the pensions increase rate (CPI)	7	29,748

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	322,007	-	322,007
Present value of funded liabilities	-	346,880	(346,880)
Present value of unfunded liabilities	-	9,342	(9,342)
Adjusted opening position as at 1 April 2013	322,007	356,222	(34,215)
Current service cost*	-	12,007	(12,007)
Past service cost (including curtailments)	-	2,629	(2,629)
Effect of settlements	-	-	-
Total service cost	-	14,636	(14,636)
Interest income on plan assets	14,659	-	14,659
Interest cost on defined benefit obligation	-	16,274	(16,274)
Impact of asset ceiling on net interest	-	-	-
Total net interest	14,659	16,274	(1,615)
Total defined benefit cost	14,659	30,910	(16,251)
Plan participants' contributions	2,986	2,986	-
Employer contributions	10,763	-	10,763
Contributions in respect of unfunded benefits	481	-	481
Benefits paid	(6,178)	(6,178)	-
Unfunded benefits paid	(481)	(481)	-
Other movements	7,571	(3,673)	11,244
Expected closing position	344,237	383,459	(39,222)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	17,381	(17,381)
Other experience	-	1,579	(1,579)
Return on assets excl amounts in net interest	7,280	-	7,280
Total remeasurements	7,280	18,960	(11,680)
Fair value of employer assets	351,517	-	351,517
Present value of funded liabilities	-	391,179	(391,179)
Present value of unfunded liabilities	-	11,240	(11,240)
Closing position as at 31 March 2014	351,517	402,419	(50,902)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	Assets £'000	Obligations £'000	Net (liability) / asset £'000 % of pay	
Current service cost	-	12,873	(12,873)	(27.5%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total service cost	-	12,873	(12,873)	(27.5%)
Interest income on plan assets	15,237	-	15,237	32.6%
Interest cost on defined benefit obligation	-	17,497	(17,497)	(37.4%)
Total net interest cost	15,237	17,497	(2,260)	(4.8%)
Total included in net expenditure	15,237	30,370	(15,133)	(32.3%)

25H. Local Government Pension Schemes – Tayside Pension Fund**(a) Financial and Demographic Assumptions in the Valuation**

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.9	2.6
Salary increase rate	5.1	4.8
Discount rate	4.6	4.6
CPI increases	2.9	2.6
RPI increases	3.7	3.4

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	21.0 years	23.3 years
Future pensioners	23.2 years	25.6 years

(b) Sensitivity Analysis

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

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	+0.0%	-0.1%
Present value of total obligation	80,933	82,811	84,734
Projected service cost	2,690	2,772	2,857
Adjustment to long term salary increase	+0.1%	+0.0%	-0.1%
Present Value of total obligation	83,863	82,811	81,777
Projected service cost	2,823	2,772	2,722
Adjustment to pension increases and deferred revaluation	+0.1%	+0.0%	-0.1%
Present Value of total obligation	83,712	82,811	81,935
Projected service cost	2,807	2,772	2,739
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	79,784	82,822	85,867
Projected service cost	2,672	2,772	2,873

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	51,442	-	51,442
Present value of funded liabilities	-	69,077	(69,077)
Present value of unfunded liabilities	-	-	-
Adjusted opening position as at 1 April 2013	51,442	69,077	(17,635)
Current service cost*	(28)	2,479	(2,507)
Past service cost (including curtailments)	-	1,222	(1,222)
Effect of settlements	-	-	-
Total service cost	(28)	3,701	(3,729)
Interest income on plan assets	2,383	-	2,383
Interest cost on defined benefit obligation	-	3,162	(3,162)
Impact of asset ceiling on net interest	-	-	-
Total net interest	2,383	3,162	(779)
Total defined benefit cost	2,355	6,863	(4,508)
Plan participants' contributions	552	552	-
Employer contributions	2,336	-	2,336
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(2,176)	(2,054)	(122)
Unfunded benefits paid	-	(122)	122
Other movements	712	(1,624)	2,336
Expected closing position	54,509	74,316	(19,807)
Change in demographic assumptions	-	2,053	(2,053)
Change in financial assumptions	-	6,261	(6,261)
Other experience	-	181	(181)
Return on assets excl amounts in net interest	1,480	-	1,480
Total remeasurements	1,480	8,495	(7,015)
Fair value of employer assets	55,989	-	55,989
Present value of funded liabilities	-	82,811	(82,811)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2014	55,989	82,811	(26,822)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll which, in accordance with the actuarial valuation, has been shown within the asset section of the analysis.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	£'000
Administration expenses	(30)
Employer contribution	1,644
Service cost	2,772

25I. Local Government Pension Schemes – North East Scotland Pension Fund**(a) Financial and Demographic Assumptions in the Valuation**

Financial assumptions are summarised below:

	31 March 2014 %	31 March 2013 %
Pension increase rate	2.4	2.4
Discount rate	4.3	3.7

Average future life expectancies at 65 are summarised as follows:

	Males	Females
Current pensioners	22.4 years	25.4 years
Future pensioners	22.5 years	25.5 years

(b) Sensitivity Analysis

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

	Increase to Employer Liability £'000
0.1% increase in real discount rate	(1,825)
1 year increase in member life expectancy	1,758
0.1% increase in salary increase rate	532
0.1% increase in the pensions increase rate (CPI)	1,866

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

The tables below show the change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year ended 31 March 2014:

2013-14	Assets	Obligations	Net (liability)/asset
	£'000	£'000	£'000
Fair value of employer assets	60,158	-	60,158
Present value of funded liabilities	-	89,837	(89,837)
Present value of unfunded liabilities	-	1,205	(1,205)
Adjusted opening position as at 1 April 2013	60,158	91,042	(30,884)
Current service cost*	(48)	2,882	(2,930)
Past service cost (including curtailments)	-	3,753	(3,753)
Effect of settlements	-	-	-
Total service cost	(48)	6,635	(6,683)
Interest income on plan assets	2,554	-	2,554
Interest cost on defined benefit obligation	-	3,767	(3,767)
Impact of asset ceiling on net interest	-	-	-
Total net interest	2,554	3,767	(1,213)
Total defined benefit cost	2,506	10,402	(7,896)
Plan participants' contributions	726	726	-
Employer contributions	3,708	-	3,708
Contributions in respect of unfunded benefits	-	-	-
Benefits paid	(3,149)	(3,149)	-
Unfunded benefits paid	-	-	-
Other movements	1,285	(2,423)	3,708
Expected closing position	63,949	99,021	(35,072)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	(3,818)	3,818
Other experience	-	-	-
Return on assets excl amounts in net interest	3,717	-	3,717
Total remeasurements	3,717	(3,818)	7,535
Fair value of employer assets	67,666	-	67,666
Present value of funded liabilities	-	93,083	(93,083)
Present value of unfunded liabilities	-	2,120	(2,120)
Closing position as at 31 March 2014	67,666	95,203	(27,537)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll which, in accordance with the actuarial valuation, has been shown within the asset section of the analysis.

(d) Projected Pension Expense for the Year Ended 31 March 2015

	£'000
Administration expenses	48
Implied service cost including interest	2,693
Net interest cost	1,066
Normal contributions	2,311
£ for £ recharge	72

26. Scottish Government Grant in Aid Funding

	2013-14 £'000	2012-13 £'000
Grant in Aid	1,080,535	1,282
Reform Funding drawdown	59,680	-
Resource Grant in Aid	1,140,215	1,282
Capital Grant funding	18,287	-
Additional capital grant funding	14,112	-
	1,172,614	1,282
Additional grant in aid to cover loan charges interest*	5,812	-
Total cash received	1,178,426	1,282
Non-cash GIA received	43,836	-
AME funding**	6,000	-
Total non-cash received	49,836	-
Total Grant in Aid	1,228,262	1,282

* This is cash Grant in Aid received which covers outside DEL expenditure (ODEL) for HM Treasury for borrowings agreed and held by councils prior to 2005.

** Annual Managed Expenditure (AME) covers expenditure for items such as pension adjustments, some provisions and impairments which cannot be fully controlled.

27. Capital Commitments

The SPA had capital commitments as at 31 March 2014 of £2,590,642 (31 March 2013 - £nil).

28. Contingent Liabilities

The SPA had no contingent liabilities as at 31 March 2014 (31 March 2013 - £nil), other than that stated in the IAS 19 pension liability note in the accounts. 5% of the relevant active liability, both for past service and current service pensioners has been incorporated within the actuarial report for injury pensions.

29. Related Party Transactions

The SPA is an Other Significant Public Body sponsored by Scottish Government. Scottish Government is regarded as a related party. During the period, the SPA has had various material transactions with Scottish Government and with other entities for which Scottish Government is regarded as a parent body. 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 period, apart from their service contracts no Board Members or members of senior management or related parties have undertaken any material transactions with SPA. Board Members' interests are detailed within the Remuneration Report. Transactions with bodies in which they hold interests have been examined.

Payments to the pension fund are detailed within notes 23 to 25 of the accounts, and although these are significant, they are not considered to be a related party transaction.

30. Events After the Reporting Period

On 7 August 2014 the SPA formally agreed to purchase a newly constructed property at Riverside East, Dalmarnock, Glasgow for £4.5m, net of VAT and Stamp Duty Land Tax. It is anticipated that the building will be fully occupied in April 2015.

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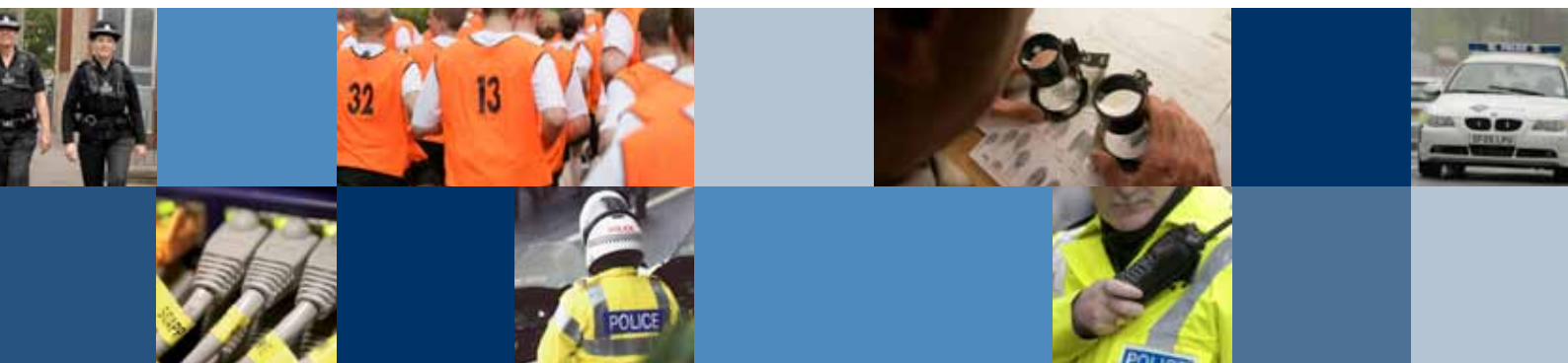
THE SCOTTISH POLICE AUTHORITY
DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 5 (1) of chapter 1 of the Police and Fire Reform (Scotland) Act 2012 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2013, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRm) 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



SCOTTISH POLICE AUTHORITY

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