

**ANNUAL REPORT AND
ACCOUNTS FOR THE SCOTTISH
POLICE AUTHORITY
FOR THE YEAR TO
31 MARCH 2016**

CONTENTS

Chair's Foreword		3
Performance Report		
	Chief Executive's Statement	5
	Purpose and Activities of the Organisation	7
	Performance Analysis	10
Accountability Report		
	<i>Corporate Governance Report</i>	
	Directors' Report	20
	Statement of Accountable Officer's responsibilities	22
	Governance Statement	23
	<i>Remuneration and Staff Report</i>	
	Remuneration Report	34
	Staff Report	37
	<i>Parliamentary Accountability and Audit Report</i>	
	Statement of Resource Outturn	42
	Independent Auditor's Report	48
Financial Statements		
	Statement of Comprehensive Net Expenditure	50
	Statement of Financial Position	51
	Statement of Cash Flows	52
	Statement of Changes in Taxpayers' Equity	53
	Notes to the Accounts	54
Direction by Scottish Ministers		94

CHAIR'S FOREWORD

The Annual Report and Accounts for the year ended 31 March 2016 covers the operational and financial performance of the Police Service of Scotland (Police Scotland) and the Scottish Police Authority (SPA) during the course of its third full year since being established in 2013. The period also spans my first six months as Chair of the SPA and also saw the appointment of a new Chief Constable.

Phil Gormley took up the Chief Constable role at the start of 2016 and I believe his work to date has been encouraging for both officers and staff within Police Scotland and for the wider community.

It is the SPA's overall assessment that Police Scotland delivered quality and consistency in policing across Scotland and the organisation continues to make progress on the journey to create a more sustainable service for the future. Clearly, there have been some real challenges throughout the reporting year such as the M9 tragedy, the development of i6 and the Interception of Communications Commissioner's Office (IOCCO) ruling against Police Scotland's Counter Corruption Unit, and we will ensure that all the learnings from those will be addressed.

The statistics for 2015/16 demonstrate that the public can take confidence from the knowledge that crime continues to reduce across most categories and that when crime occurs, most victims will have the satisfaction of seeing the crime solved. But this is just part of the story. Among the challenges ahead is ensuring all crimes are reported to the police, particularly around race hate incidents or sexual abuse.

Demands on the police service continued to grow and evolve during 2015/16. Significant resources were required to deal with increases in online and digital crime as well as the police response to severe flooding over the winter months. The ability of the police service to respond swiftly with access to, and the co-ordination of, national resources continues to bring real benefits to communities when they needed it most. That is why we must ensure that policing continues to evolve to meet the changing needs of the public it strives to keep safe.

Policing, like most public sector organisations, was again required to reduce its overall running costs during 2015/16. I can report that significant savings have again been achieved by reducing duplication and increasing efficiency. We also remain on target for meeting the savings target expected from the creation of the single national Force by 2026.

It was during the 2015/16 accounting period an audit of the 2014/15 accounts highlighted weaknesses in our financial processes and controls. The SPA Board took immediate action to address the concerns identified within the auditor's report by appointing an interim chief financial officer to oversee improvements and address concerns. The most immediate concerns identified last year are being addressed and a programme of work is underway to improve the full range of financial controls.

Measures to strengthen the management and governance of policing in Scotland were announced in spring 2016 following my Review of Police Governance. Work is underway to address the 30 recommendations arising out of the Review which included the need to ensure representatives of local communities feel sufficiently listened to regarding local policing, are able to input effectively into the development of national policy issues, and have a way of recording their 'voice' on the quality and effectiveness of Police Scotland's engagement with them.

The SPA also has a statutory requirement to deliver both Forensic Services and the Independent Custody Visiting Scheme for Scotland. The importance of Forensic Science to the criminal justice system continues to grow with advances in technology proving vital, particularly in solving cold cases. During 2015/16, some £6 million was invested in DNA 24 technology to give Scotland the most advanced DNA profiling system in Europe.

The Forensic Services team also achieved UKAS ISO 17025 accreditation which places the service at the same accreditation level as the science-based elements of Forensic Services. It is the first fingerprint service in the UK to achieve this accreditation.

Whilst operationally successful, it has also been a very challenging year financially for Forensic Services, partly due to increased demand, particularly for urgent analysis in drug and biology functions.

Reflecting on the journey of first three years of Police Scotland it has been a time of consolidation and great change for our people. Looking forward we are now at a stage where we need to transform to ensure that policing in Scotland is best equipped for the challenges of the future, and can operate sustainably. As a result, Policing 2026, a joint strategy between the SPA and Police Scotland is currently being developed and will form a sound foundation for the organisation to build on in the coming years.

A handwritten signature in black ink, reading "Andrew Flanagan". The signature is written in a cursive, flowing style with a long horizontal line extending from the end.

Andrew Flanagan
Chair
15 December 2016

PERFORMANCE REPORT

OVERVIEW

Chief Executive's Statement

As the Chief Executive and Accountable Officer for the Scottish Police Authority (SPA) I would wish to begin by paying tribute to the commitment of our hard-working officers and staff. Since the creation of the new single Force there has been continual change, and I recognise that this can be challenging for our workforce, and I appreciate their efforts in this regard.

During the 2015/16 financial year, there were a number of significant changes in the leadership of the organisation. The Chief Constable, Sir Stephen House, retired and was replaced by Phil Gormley in January 2016. In addition, Vic Emery's term as Chair of the SPA came to an end in September 2015, and he was replaced by Andrew Flanagan. We also saw a number of changes in the membership of the SPA Board with Brian Barbour, Jeanne Freeman, Morag McLaughlin and Paul Rooney all leaving during the year, and we welcomed the arrival of George Graham, Nicola Marchant and Elaine Wilkinson as new SPA Board Members. I would like to take this opportunity to thank those who have left us for their respective contributions to Police Scotland and the SPA.

With such changes in personnel during the year, it presented an opportunity to pause and take stock of where we are as an organisation, and indeed, where we want to go in the future.

A great deal of progress has taken place over the past 3 years. Bringing 8 territorial police forces together along with the Scottish Police Services Authority and Scottish Crime and Drug Enforcement Agency was a significant challenge, yet despite this, overall crime levels have continued to fall over the period. We are now seeing real benefits from the single organisation, such as the ability to deploy specialist resources across Scotland, into communities that did not benefit from such capabilities under legacy arrangements. However, we do recognise that improvement is still required. This was very sadly highlighted during the year by the M9 tragedy. In addition, the cancellation of the i6 ICT project and the Interception of Communications Commissioner's Office (IOCCO) ruling against Police Scotland's Counter Corruption Unit have also provided learning points for the organisation, which are currently being addressed.

Looking ahead, as the Chair of the SPA reflected in his Foreword, despite falling crime, the demand on policing is rising. This means that the service must change to manage these demands. This is a complex area. Our understanding of the nature of demand and its impact is not yet complete. During the next ten years, policing will need to revise its current approach to incident attendance, crime recording, crime investigation, evidence collection and presentation at court. Before we do that, we need to be confident we have captured all the demands on the service, and anticipate future demands in the most accurate way possible.

It is not possible to anticipate every issue that will face the service in the future, nor can the future shape of Scottish society, population and economy be predicted with an absolute degree of certainty. We can, however, research, study, and survey the horizon to establish the likely trends and scenarios that will impact policing in Scotland.

The work on forecasting future demand levels, and the type of demands on the service will feed into our *Policing 2026* strategy which will shape the nature of policing in Scotland for the next decade. It is our intention that it would provide a platform on which to build a service that will be relevant, meet the needs of Scotland into the future, within a financially sustainable operating model.

The 2015/16 year has also been financially challenging. Whilst the overall position is a cash overspend of £1.176m, which represents just over a tenth of one percent of the available resources, it is important to note that there was a £20.546m overspend on revenue (2%), which is the ongoing day to day spending of the organisation.

In order to move forward and ensure that the organisation is on a financially sustainable footing into the future, a Long Term Financial Strategy has been developed and approved by the SPA. This strategy is currently being refreshed to ensure that it supports the delivery of the Policing 2026 Strategy.

As well as finance, the SPA is committed to delivering continuous improvement in relation to the governance of policing in Scotland. Much activity is planned in this respect for 2016/17 and I shall be issuing regular progress reports during the course of the year, as the outputs of the governance review continue to be implemented.

Finally, our partnerships are critical to making sure that where policing requires the support of other services, those relationships can deliver real benefits to communities. Local, regional and national-level partnerships will continue to play a vital part in policing in the coming years. We recognise that only together, with communities and other agencies, will we deliver the best possible outcomes.

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

John Foley
Chief Executive and Accountable Officer
15 December 2016

Purpose and Activities of the Organisation

The Police and Fire Reform (Scotland) Act 2012 (The 2012 Act) sets out the framework within which the SPA, Police Scotland, the PIRC and HMICS will operate to provide policing for the people of Scotland. The SPA is the governance body for Police Scotland and is a statutory body established under the 2012 Act.

The main purpose of policing is to improve the safety and wellbeing of people, places and communities in Scotland; and 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, promoting measures to prevent crime, harm and disorder. Our focus is on *Keeping People Safe*.

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

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

Alongside the local policing divisions, there are a number of national specialist divisions. The Specialist Crime Division (SCD) provides specialist investigative and intelligence functions such as Major Crime Investigation, Public Protection, Organised Crime, Counter Terrorism, Intelligence and Safer Communities. These functions may not be required frequently but when a serious crime takes place, or public safety is under threat from criminals, the most professional response is available, regardless of where you live. The Operational Support Division provides specialist support functions such as Road Policing and Air Support.

The primary focus of any policing organisation is to provide an effective and efficient service to protect those at risk. A key benefit of the creation of Police Scotland was the ability to match the level of response needed with appropriately skilled and trained resources anywhere in Scotland and to respond to changing demands more swiftly than previous legacy arrangements.

To understand the current and future demands, Police Scotland conducts an annual strategic assessment which is used to ensure that the resource mix is best deployed to meet local demands and more specialist requirements.

We are committed to protecting the public and focussing on those crimes that victimise the most vulnerable within our communities. We relentlessly pursue offenders, working in partnership to develop innovative techniques to both protect victims and target those responsible. In terms of sexual crime, we prevent and investigate while working with partners to provide support to victims and build their confidence to report sexual crimes.

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

The abuse and neglect of children has devastating, often lifelong, consequences for victims, their families and communities. We work collaboratively with partners to effectively prevent and investigate the abuse or neglect of children. Child abuse often takes place online, however, cybercrime takes on a number of additional guises from cyberbullying to cyberattacks on businesses. This growth in Cybercrime is likely to continue over the coming decade. The nature of cybercrime means its

prevention, investigation and detection produces evolving difficulties. We work in partnership to prevent online abuse and attacks by employing victim risk reduction techniques and targeting potential perpetrators whether physically present or over an internet connection.

The threat of terrorism looms large in the current climate and we are fully prepared to mitigate the impact of any terrorist incident on our communities. We collaborate with our national and local partners in pursuit of those who are intent on committing acts of terrorism while supporting vulnerable individuals who may be susceptible to radicalisation. We also deliver a coordinated programme of protective security advice and support to key stakeholders, businesses and the public.

Serious and organised crime has an insidious effect in our communities and often benefits from human trafficking, cybercrime and terrorism. We are dedicated to preventing the threat it poses, diverting people from becoming involved in serious organised crime and using its products, deterring Serious Organised Crime Groups (SOCGs) by supporting private, public and third sector organisations to protect themselves and identifying, detecting and prosecuting those involved. We disrupt SOCGs in any way that we can.

Vulnerability is multi-faceted, and the needs of individuals or communities are not always immediately apparent. The growing pressure from mental ill health is one that requires ever greater collaboration and it is essential that earlier and more effective intervention from all key agencies is seen as a joint priority; tackling need while ensuring the most effective use of scarce specialist resources.

Our response to natural disasters or other traumatic non-crime events is both mandated by law and required by our communities. Our ability to act in a locality with a national response has never been greater. To maintain this national infrastructure with a local delivery capability is key in our relationships with other statutory and third sector partners who all come together to deliver these emergency responses to events.

Key Issues and Risks facing the SPA and Police Scotland

Going Concern – The Statement of Financial Position reports that the SPA had net liabilities of £12.457bn at 31 March 2016. This position is driven by the fact that the organisation has estimated pension liabilities totalling £12.844bn. Over 95% of the pension liability relates to the Police Officers pension scheme, with the remainder relating to Police Staff who are in Local Government Pension Schemes.

The SPA and Police Scotland anticipates that 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 Scottish Government. Whilst the liability is large, as a result of future Scottish Government funding, the SPA considers it appropriate to adopt a going concern basis for the preparation of these financial statements.

Reliance on non-recurring Reform funding – The SPA and Police Scotland Resource Budget has included an element of non-recurring Reform funding in the first 3 years of the new organisations being in place. This funding has been used to support projects and initiatives to integrate the organisations and bring down recurring costs. In the 2015/16 financial year a total of £50.3m of Revenue Reform funding was utilised, with further detail on this in the financial performance section of this report. However, whilst the funding has been used on change and modernisation initiatives, they have, to a large extent, been delivered by existing officers and staff who form part of the recurring cost base. Another large element of the Reform funding has been used to bear the costs of VAT which cannot be recovered by the SPA (approximately £25m per year between revenue and capital spending). The SPA is working on the basis that Scottish Government will continue to fund the VAT costs, but it will still result in the revenue budget gap widening in future years.

Financial Sustainability – The SPA and Police Scotland Resource Budget for the 2016/17 financial year was approved by Scottish Government. The Scottish Government also announced additional funding for Policing of £100m over the term of the current Parliament. The organisation has been working to identify ways of driving cost reductions primarily through non-pay budget lines. There is also an employee ER/VR scheme in place. We continue to adhere to the no compulsory redundancy

policy. Work is underway to develop a 3-year financial plan that will deliver financial sustainability and this will also be reflected within the Policing 2026 Strategy.

Pay Harmonisation – There is an ongoing Staff Pay and Reward Modernisation Project, which is reviewing pay, terms and conditions and benefits for all the SPA staff. It will deliver a set of products that will ensure fairness and equity in relation to terms and conditions of employment including a standard working week, standard leave, public holidays and a standard approach to pay and grading roles.

The challenges of implementing a single pay and grading structure are complex and require a strong employee relations and engagement strategy, dedicated and technically proficient resourcing, and it is to be progressed at a time of wider ongoing organisational change. In addition, following the pay modelling exercise and other associated project activity due in 2017 it has the potential to require additional funding from Scottish Government to support future implementation.

i6 Project – After a robust options appraisal exercise lead by the CEO and involving Police Scotland and the directors of Accenture, the SPA reached an agreement with Accenture in July 2016 to bring the i6 ICT project to an end. The efficiency gains that were expected to be achieved from the project will now not be realised within the envisaged timescales. Work is well underway to determine how we will implement alternative ICT solutions to derive, and if possible exceed, the benefits which i6 set out to achieve.

Financial Management Arrangements – It is clear that there are weaknesses in the financial management arrangements within Police Scotland. Both Internal and External Auditors identified control weaknesses throughout our financial processes and systems. The Governance Statement in this report sets out the main issues with regard to their findings in 2015/16. Work continues to address all of the issues and systematic methodology will be applied to ensure improvement and compliance.

Discharging matters will be subject to regular reporting to each Audit Committee of the SPA. Follow-up Audits will be undertaken by Scott Moncrieff, who will submit reports to the Accountable Officer and Audit Committee. All such reports will be shared with Audit Scotland, who have a standing invitation to attend SPA Audit Committees.

As we approached the end of the 2015/16 financial year we took decisive action for improvement of financial management matters moving forward. Firstly we appointed highly experienced and well regarded interim Chief Financial Officer within the SPA to produce a long term financial strategy and oversee the discharge of many financial actions which were outstanding.

We re-organised the finance function. The Director of Finance in Police Scotland left the organisation in June, and the post of Director of Financial Accountability within the SPA is subject to consideration and consultation in relation to the post potentially becoming redundant. We created a new post to head up the finance function within Police Scotland which we filled temporarily via an interim secondment from PWC. This new post now has a reporting line into the Accountable Officer whilst also reporting to a newly created staff post of Deputy Chief Officer and Director of Corporate Services, Strategy and Change within Police Scotland. We requested that Scott Moncrieff completed all internal audit work for 2015/16 prior to commencement of the 2015/16 external audit which they achieved.

Performance Analysis

Our performance framework is currently informed annually by the control strategy priorities identified in our Force Strategic Assessment and articulated in our Annual Police Plan.

Local strategic assessments in all police divisions support operational activity together with partners to address local issues of concern and deliver on Local Outcome Improvement Plans.

We have a well-resourced team of analysts who provide Police Scotland's Senior Managers with performance indicators in order to determine how effective that the organisation is at delivering against the priorities.

Our priorities for 2015/16 were:

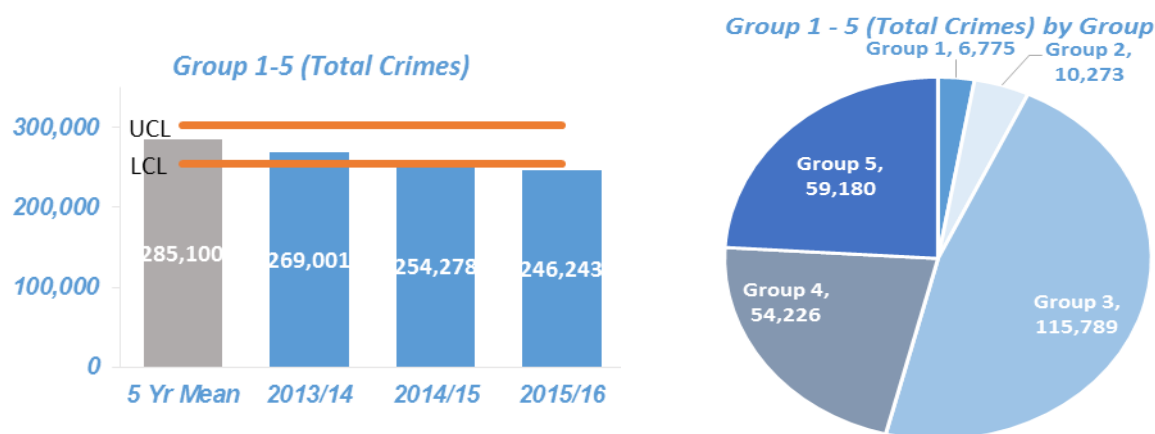
1. Violence, Disorder and Antisocial Behaviour
2. Serious Organised Crime
3. Terrorism and Domestic Extremism
4. Public Protection
5. Road Safety and Road Crime

Performance Summary

The main performance measures for Police Scotland relate to the level of crime. The figures for 2015/16 have been summarised below. A more detailed analysis of performance, both operational and corporate has been presented in the next section of this report.

Total Crime Summary

Per below chart, UCL and LCL represents to upper and lower confidence limits respectively. These are the upper and lower boundaries of where crime is expected to be base on the previous five years and current year. This is referred to as 'expected range.'



Overall Group 1-5 (Total Crimes) have decreased 3.2% (8,035 crimes) compared to 2014/15 and is 13.6% (38,857) below the 5 year average. This is also below the expected range. A summary of the results is shown below:

- Group 1 (Crimes of Violence) are up 5.3% to 6,775 from previous year (341 more)
- Group 2 (Sexual Crimes) are up 6.2% to 10,273 (602 more). This is above the expected range.
- Group 4 (Fire-raising, Malicious Mischief etc) are up 4.4% to 54,226 (2,300 more)
- Group 3 (Crimes of Dishonesty) are down 7.8% to 115,789 (9,827 fewer). This is below the expected range.

- Group 5 (Other Crimes) are down 2.4% to 59,180 (1,451 fewer). This is below the expected range.

The main drivers for reductions in total crime is the reduction in crimes of dishonesty, which make up almost half (47%) of total crime.

The next section sets out how Police Scotland performed against each of the priorities for 2015/16.

1(a) Violence, Disorder and Anti-Social Behaviour

Group 1 (Crimes of Violence) have increased by 5.3% (341 more crimes) to 6,775 compared to the end of quarter four in 2014/15, with key statistics as follows:

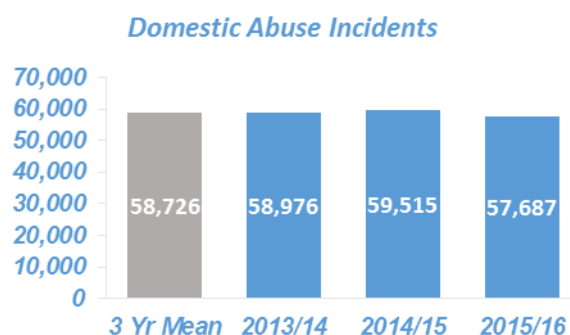
- Serious Assaults are up 24.2% to 3,716 (723 more)
- Attempted Murders are up 10.2% to 293 (27 more)
- E, U and Q Divisions are showing below expected range. All other divisions are within expected range.
- Incidents of anti-social behaviour down 1.8% (5,825 fewer)
- Complaints regarding disorder down 7.3% (19,398 fewer)
- Murders - down 10.9% to 49 (6 fewer) - below the expected range
- Robberies - down 11.4% 1,327 (171 fewer) - below the expected range.

The violent crime figures include Murder, Culpable Homicide, Attempted Murder, Serious Assault, Robbery and Common Assault.

Although violence has increased slightly since 2014/15, levels remain significantly below the five-year average and at the lower end of expected levels. Therefore, despite the recent increase, the long-term trend for crimes of violence remains positive. Since 2011/12 there have been significant reductions in public space violence but private space violence has remained relatively static. This is challenging for policing and efforts have been made to address this with a particular focus on domestic violence.

Although serious assaults are up 24.2% compared to last year, the rise in purely statistical terms is not statistically significant and would need to have increased by over 43% for it to be so. That said, Police Scotland recognises these statistics represent individuals, their families and local communities, and we are determined to tackle this challenge. Crime forecasts indicate that violence will continue to increase, driven mainly by a forecast increase in Serious Assault and Common Assault.

1 (b) Domestic Abuse



The number of reported Domestic Abuse incidents in 2015/16 in Scotland was 57,687. This is a decrease of 3.1% or 1,828 incidents compared to 2014/15.

Comparatively, the number of reported Domestic Abuse incidents had increased in the previous two years.

Domestic abuse-related crime accounted for 26% of all violent crime, and 11% of all sexual crime.

Domestic abuse cuts across a range of incident and crime types. Research shows that victims do not always report abuse following the first incident, and furthermore, reports can often consist of historical abuse and repeat episodes. Violent crime accounted for 39% of Domestic abuse-related crimes.

The focus on Domestic Abuse over the past three years has resulted in an increase in reporting which has been evident in the longer term incident trend with incident levels peaking in 2014/15. As such it would be expected that this increase would slow to a level with a good balance between proactively impacting on the issue and encouraged reporting. All Divisions with exception of N, C, and L Divisions saw a fall in recorded domestic abuse incidents last year.

However, the current downward trend across the areas of recording (down 3.1%) and proportion of incidents that result in a crime report (down 2.2 percentage points to 54.6%) requires further investigation to determine if this is as a result of an expected slow-down or for any other reason.

Police Scotland will work with partner agencies where possible to understand if the reduction in reporting is in line with their experiences. This will provide an assessment of whether the reporting gap is closing or not.

2. Serious Organised Crime

As at the end of 2015/16, there were 176 Serious Organised Crime Groups (SOCGs) under investigation by Police Scotland. A further 37 SOCGs are subject to National Crime Agency (NCA), HM Revenue and Customs (HMRC), Home Office Immigration and Enforcement (HOIE) and British Transport Police (BTP) investigation. During 2015/16, the number of SOCGs under investigation by Police Scotland fell after successful operational disruption.

The estimated financial worth has been estimated for illustrative purposes for 104 SOCGs. Seven groups are reported to have assets estimated in excess of £10m, with a further £79.8 million identified for restraint under Proceeds of Crime Act 2002 (POCA) legislation. Project JACKAL identifies vulnerabilities in SOCG business structures and processes, and SOCGs have been deprived of access to a possible £191.75 million-worth of business.

Operational activity directed towards SOCGs is having an impact, and reducing the threat levels. Significant activity has been taken in seizing POCA monies. From April 2016, POCA activity is being more focussed towards known SOCGs on the SOCG map. Work continues to tackle knowledge gaps around areas such as cyber-crime. Police Scotland will continue to work in partnership to monitor global trends in relation to SOCGs to assist the identification of unknown groups impacting on or trying to gain a foot-hold in Scotland.

3. Counter Terrorism

The threat level from international terrorism remains at SEVERE meaning an attack is highly likely. The threat level from Northern Ireland related terrorism (NIRT) has been raised to SUBSTANTIAL meaning an attack is a strong possibility.

Several significant terrorist related incidents occurred during 2015/16, including the Tunisia attacks in June, Paris attacks in November and notably in quarter four, the terror attacks in Belgium in March.

Regular meetings were held to review Police Scotland's state of preparedness and a number of key recommendations and actions were identified and implemented.

'Darting Dolphins' counter terrorism (CT) exercises took place at Braehead Shopping Centre Glasgow and at Dalkeith Police Station to simulate the reality of a Marauding Terrorist Firearms Attack (MTFA) incident. The Braehead exercise included over 500 volunteers from Police, Fire, Ambulance and Crown Office and Procurator Fiscal Service (COPFS). The exercise reinforced the current established and tested processes in place within Police Scotland, resulting in the implementation of an effective and proportionate operational response. Recommendations around IT connectivity, communications and operational management were made. Some improvements to the plan have already been implemented, with subsequent improvements due which will further enhance Police Scotland's CT operational capability. Significantly, the Stay Safe briefing proved to be crucial in a volunteer's chance of surviving the MTFA incident, with survivor accounts emphasising the success of this approach.

Exercise Wishart Arch tested the response of three emergency service control rooms in Dundee. It tested how well staff were able to identify a potential MTFA incident, apply the relevant planned procedures and mobilise joint resources. In addition, the exercise provided a robust assessment of the police Initial Tactical Firearms Commander and Tactical Firearms Commander responses. The lessons learned from these and similar exercises are captured to shape future CT plans.

4. Protecting People at Risk

The number of sexual crimes at the end of quarter four increased from 9,671 in 2014/15 to 10,273 in 2015/16, an increase of 6.2%. Seven of the 13 divisions saw an increase in sexual crimes reported. The reasons for the increase have been well documented with encouraged reporting and increased media focus. This is the greatest number of recorded sexual crimes in a period since 2010/11, and is above the expected range. All divisions with the exception of P, U and L Divisions are above the expected range for sexual crimes.

Indecent/Sexual assault is up 14.8% to 5,319 (687 more), which is above the expected range. The number of Indecent/Sexual Assault crimes have risen year-on-year since 2010/11. All divisions with the exception of P, U and L Divisions are above the expected range for Indecent/Sexual Assault. These three divisions were within the expected range. Nine of the 13 divisions saw an increase in indecent/sexual assault. Other group 2 crimes up 5.4% to 2,911 (148 more).

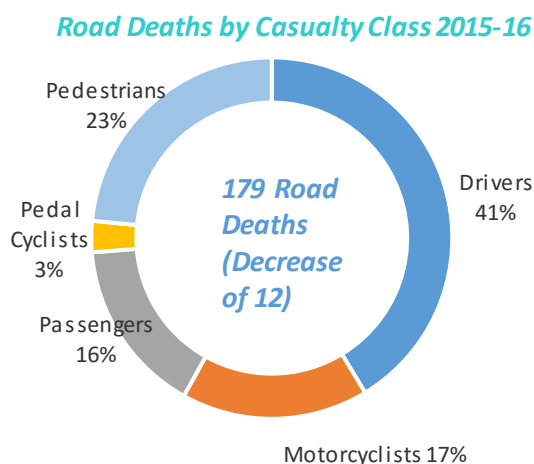
Sexual crimes is an area where increasing trends can also be a positive sign of improved reporting. For example, almost 40% of rapes reported are non-recent and just over 40% are related to domestic incidents.

The 2014/15 Scottish Crime and Justice Survey (SCJS) Sexual Victimisation and Stalking report highlights only 16.8% of respondents saying police were informed of the most recent or only incident of forced sexual intercourse since age 16 (down from 23% in 2010/11).

There are wider considerations within this area, particularly in relation to better understanding of the picture of issues such as Child Sexual Exploitation, Child Trafficking, Male Rape, Prostitution and Young Persons Engaged in the Sharing of Intimate Images. Work around these areas continues by Police Scotland.

5. Road Safety and Road Crime

The Force has seen a decrease of 12 (-6.3% to 179) people killed on the roads compared to the same period last year. The Force has seen a reduction of 101 (-6.0% to 1,590) people seriously injured at the end of quarter four compared to the same period last year. Whilst the reductions in road casualties are encouraging, further work is required to ensure a continuing downward trend in all casualty statistics. Road Policing will work towards achieving these reductions via the three key areas identified via the Scottish Government's mid-term review of casualty reduction namely;



- Speed and Motorcyclists
- Pre-drivers, Driver aged 17-25 and Older drivers
- Cyclists and Pedestrians

The number of people killed and seriously injured on the roads continues to decrease. Police Scotland remains on track to meet Scottish Road Safety targets for 2020 and will continue to work with partner agencies to keep reducing the number of people seriously injured and killed on the roads.

The number of motor vehicle offences continues to fall.

Crimes of Dishonesty

Group 3 crime - down 7.8% to 115,789 (9,827 fewer crimes) compared to last year.
Housebreaking (incl. attempts) total - down 14.2% to 17,637 (2,925 fewer crimes).
Domestic Housebreaking – down 7.5% to 8,554 (714 fewer crimes)

Vehicle Crime total - down 12.1% to 16,109 (2,219 fewer crimes).
Housebreaking, Vehicle Crime and overall Group 3 crime are below the expected range.
Group 3 detection rate is up 1.8% to 37.7% compared to last year.
Fraud is up 15.3% (983 more crimes).
Theft by Shoplifting is up 4.0% (1,101 more crimes).

Group 3 crimes of dishonesty continue on a downward trend, with fewer Housebreakings and Vehicle Crimes. Fraud and Shoplifting crimes continue to increase. Links to austerity and Shoplifting have been explored within 'N' Division where increases in foodstuffs stolen were noted. This is difficult to assess due to known issues with under-reporting across the country; however, it should be born in mind if trends continue to increase.

Business Benefits

The Police and Fire Reform (Scotland) Act 2012 describes the main aims of reform as:

- To protect and improve local services
- To create more equal access to specialist support and national capacity
- To strengthen the connection between services and communities

Early in the reform programme work was undertaken by the National Police Reform Team (NPRT), Scottish Government and HMICS to identify and establish the End and Intermediate Benefits of Police Reform and their associated measures. There are 4 End Benefits, 10 Intermediate Benefits and 6 Operational Benefits of Reform. The Intermediate Benefits have 48 associated measures and the Operational Benefits have 45 measures, the measures due for completion are reported quarterly to the SPA.

In terms of a high level summary of activity: 30 out of a total of 48 Intermediate Benefit measures are now complete with work on target for the remaining 18 benefit measures. 28 of the Operational Benefit measures are now complete with work in progress for the remaining 17 Operational Benefit measures to be achieved.

Public Confidence

User satisfaction with service provided (81.8%) has decreased by 1.6% compared to end of quarter four last year (83.4%)
Public confidence in the police (78.2%) has decreased by 0.9% compared to end of quarter four last year (79.1%).

Confidence levels remain high with 78.2% of people indicating high or very high confidence levels when asked by Police Scotland. That said, the Scottish Crime and Justice Survey showed a slight decrease in public confidence which those living in more deprived areas having less confidence in the police than those in less deprived areas. This is an area that requires further investigation to improve confidence within these communities.

Although results have improved in terms of keeping the public informed of progress of their incident this is still one of the lowest ratings. Consideration of public expectation is key to improving this rating and various suggestions have been considered to address this.

Sustainability

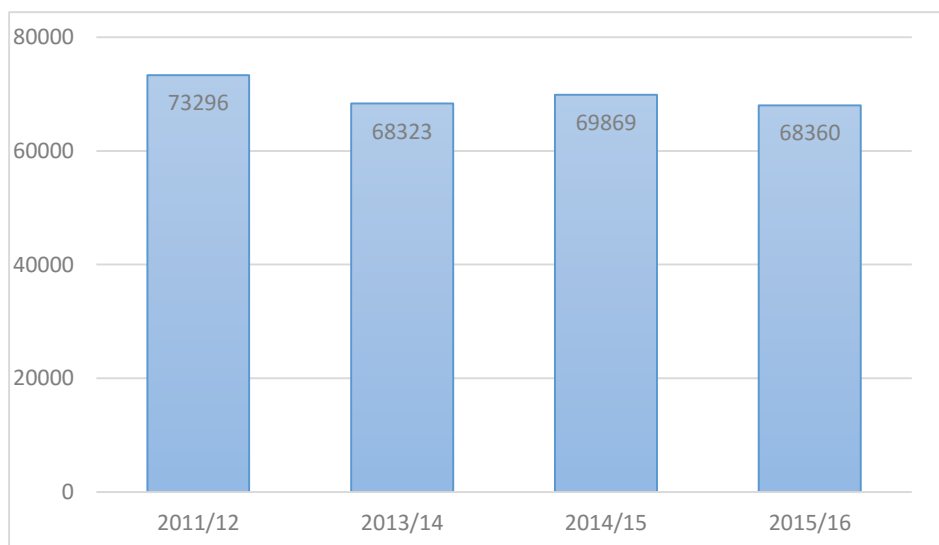
Climate change is one of the most significant challenges facing society. The Climate Change (Scotland) Act 2009 introduced ambitious targets and legislation to reduce CO₂ emissions by 42% by 2020 and 80% by 2050 when compared to 1990 emissions levels.

Police Scotland's first Carbon Management Plan (CMP) to support both the SPA and Police Scotland was approved in October 2014. The CMP sets out the ambitions and a roadmap for progress. By 2020, the

aim is to reduce carbon emissions by 25%*, by 2030 by 50%* and by 2050 will strive to be a carbon neutral police service (* based on 2013/14 levels).

The SPA and Police Scotland will embed carbon management within their strategic planning processes and operational activities to ensure that it becomes and remains integral to all levels of operations.

Carbon Emissions (in tonnes CO₂e) for Financial Years 2011/12 to 2015/16



The CO₂ emissions for the SPA and Police Scotland for 2015/16 have been calculated below:

	Tonnes CO ₂ e (2015/16)	Tonnes CO ₂ e (2014/15)	Tonnes CO ₂ e (2015/16) – using 13/14 conversion factors	Cost (£) 2015/16	Cost (£) 2014/15
Electricity	32,462	35,381	31,378	7,460,038	7,977,797
Gas	17,208	16,683	17,208	3,090,101	3,214,417
Burning Oil	94	57	94	11,409	10,068
Gas Oil	727	682	733	116,440	149,645
Water	282	282	282	1,391,443	1,497,042
Fleet Ops – Diesel	15,556	14,176	15,532	9,711,445	10,795,705
Fleet Ops – Petrol	1,185	1,361	1,192		
Business Travel	551	799	802	1,019,084	375,326
Waste	295	448	620	747,768	698,805
Totals	68,360	69,689	67,841	23,547,728	24,718,805

It can be seen that the CO2 emissions have reduced over the last year from 69,689 tonnes to 68,360 tonnes. Importantly, as it potentially has the most impact on carbon emissions, the emissions from electricity consumption has reduced by 8.2%.

The SPA and Forensic Services Performance

This has been a very challenging year financially for Forensic Services. This has partly been due to increased demand for forensic activity and in particular request for urgent analysis in drug and biology functions. The volume of testing required for psychoactive substances has been considerable.

This is now our second year in the Scottish Crime Campus and we are beginning to see the real benefits of partnership working across all the various partner agencies. There have been a number of high profile cases which have resulted in major investigations and court proceedings over the year.

During 2015/16 Forensic Services continued to develop and implemented improvements in processes for managing workloads as well as utilising innovative new techniques which add undoubted value to criminal investigations.

Forensic Services have also been active in discussions with numerous agencies to maximise the value of sexual assault evidence and intelligence. Standardised sampling kits, sampling guidance, examination facilities and cleaning regimes have been developed with significant input from Forensic Services.

In particular there has been a recent focus on the creation of additional sexual assault referral centres (SARCs) in Scotland to compliment the current Archway facility in Glasgow and assist with Scottish Government's pledge to offer all victims of sexual assault a local non-police facility to attend. The investigation of sexual offences is a high priority for Police Scotland, COPFS and the Scottish Government and Forensic Services have been focussing significant effort and resources to assist with this objective. The implementation of the new GlobalFiler DNA chemistries (DNA-24) in the SCC, Edinburgh, Dundee and Glasgow, has significantly improved the likelihood of achieving valuable profiles from the low levels of DNA often encountered in sexual offence cases. In addition, STRmix software, which assists with the interpretation of complex multi-person DNA mixtures, will be implemented soon. This package will allow valuable information to be extracted from mixed DNA results which have, until now, been uninterpretable.

This year has also seen us gain accreditation across all our sites as well as being the First laboratory to be awarded UKAS 10725 accreditation for Fingerprint examination and comparison, the first in the UK.

Financial Performance

The 2015/16 financial year was another challenging one for SPA and Police Scotland. There was significant pressure on the revenue budget throughout the year as a result of a number of budget assumptions and savings targets failing to materialise. It was therefore anticipated that there would be a revenue overspend in the order of £20.5m. The table below sets out the final audited position against cash funding.

	Funding £m	Actual outturn £m	(Over)/Underspend £m
Revenue (includes Reform)	1,045.3	1,065.8	(20.5)*
Capital (includes Reform)	38.1	18.7	19.4*
ODEL (Debt servicing)	5.4	5.4	0
TOTAL	1,088.8	1,089.9	(1.2)

* These figures are rounded.

The table shows that the capital underspend of £19.4m has offset the revenue overspend to result in a net position of a £1.2m overspend for the year. It had originally been anticipated that the capital budget would be under-spent in the region of £10m (for which Scottish Government approval was

received) and that this could offset the revenue overspend, resulting in a net overspend no greater than £10m. However, as a result of an event after the reporting period, which is set out in Note 32, relating to the cancellation of the i6 project, a capital refund was received from Accenture which has resulted in the increased underspend against capital.

Revenue

When the budget was approved for 2015/16, a savings target of £57m was agreed. Total savings of £34m were successfully delivered during the year. The final overspend of £20.5m on the revenue budget therefore largely relates to the residual savings target which could not be delivered in year. Work continues in 2016/17 to address the shortfall.

The savings delivered in 2015/16 together with a total of £127m of recurring savings achieved between 2012/13 and 2014/15 means that we are confident that the total £1.1 billion of cost savings by 2026 set out in the original business case, will be achieved.

Capital

As a result of the forecast overspend on the revenue budget, a Financial Recovery Plan was developed in the autumn of 2015 which sought to bring the overall cash budget into balance. This included a managed underspend on capital to offset the revenue position.

As part of the Financial Recovery Plan, revisions were made to the Capital Programme to reflect changed priorities and to recognise likely slippage.

The main changes in final outturn from the revised budget as approved by the Board in December 2015 are principally in the areas of ICT projects and the Estates programme. In general across the Capital Programme, there was a planned slowing of expenditure in the final quarter of the financial year to meet the requirements of the Financial Recovery Plan.

£36.3m was spent on capital programmes during the year. Within that, there was expenditure on Building Works of £7.8m, and plant and machinery additions of £1.7m. Principal areas of expenditure within the Estates programme included work on reducing carbon emissions of £1m, and additional expenditure relating to meeting the requirements of Criminal Justice legislation of £1.2m.

Expenditure on fleet for Police Scotland in 2015/16 was £7.2m, down by 10% (£773,000) from the level of expenditure in 2014/15. Expenditure on IT hardware and infrastructure improvements was £14.8m, with additions to IT software of £4.8m. This included the rationalisation of c3 systems of £0.8m, improved facilities on Cybercrime of £1.2m, and additional expenditure rolling out the project to provide a national IT network and common desktop facility for staff.

Reform Funding

The additional Reform Funding of £67.9m (2014/15: £67.5m) was applied during the year to meet costs incurred within both revenue and capital budgets. Whilst a total of £50.3m was applied to revenue reform projects, a significant number of these costs form part of the recurring revenue baseline expenditure. A total of £10m was applied to capital projects, which resulted in a total underspend on the Reform budget of £7.6m for the year. This has then effectively been applied to offset the revenue overspend position recorded for the year.

The remaining balance was not allocated to a specific project.

	2015/16		Description
	Revenue Spend £'000	Capital Spend £'000	
VAT	19,775	5,000	This element of Reform funding was used for unrecoverable VAT costs, both on revenue and capital expenditure
Voluntary redundancy / early retirement costs	1,206	-	This relates to the in-year costs of paying out redundancy and early retirement costs
Investment (ICT development programme)	5,889	5,000	ICT project costs including i6, Cyber, C3 and a firearms asset management system
Police Scotland Modernisation Projects - employee costs	7,772	-	The salary costs for SPA officers and staff who had been working on projects designed to bring about modernisation including police staff pay harmonisation
Gartcosh Crime Campus	4,180	-	This relates to additional costs associated with the new crime campus. There was an element of dual running costs, as well as an increase in the level of rent paid.
Redeployment costs	1,308	-	Costs associated with staff displaced from jobs as a result of organisational re-design
Leasehold dilapidations and estate consolidation costs	2,575	-	These were costs associated with the process of estates rationalisation.
Organisational Change Resources	2,364	-	The costs of running the organisational development department were funded through the Reform budget
Additional Police Officer commitment	1,767	-	In order to maintain the Scottish Government's commitment to a minimum of 17,234 officers, the organisation has to maintain a higher figure to provide flexibility and ensure the minimum target is not breached. The Reform budget funded this additional cost.
Forensics transformation costs	1,439	-	These are the costs associated with the transformation work within Forensics during the year as part of modernisation.
Additional reform costs	1,981	-	A number of smaller costs such as premises moving costs, standardising body armour and various others
Total reform funding allocation	50,256	10,000	

In conclusion, given the £20.5m overspend on the revenue budget, and the use of £50.3m of Reform funding which for the most part met recurring revenue costs, there is a disconnection between the revenue cost base and the funding available.

This is now being reflected in the 2016/17 budget forecasting which again shows a forecast overspend in revenue.

As a result the issue of financial sustainability is set out under the Key Issues and Risks facing the SPA and Police Scotland section of this annual report on pages 8-9.

Statement of financial position

The statement of financial position is dominated by the pension liability which totalled £12,844m. Whilst this would normally present a significant question regarding going concern, the Scottish Government's commitment to meet future liabilities as they fall due mean that the SPA can prepare its accounts on a going concern basis. The risk around going concern is set out more fully on page 8 of this report.

The pension liability reduced by £2.2bn between 2014/15 and 2015/16. This significant reduction arose as a result of changes to the actuarial assumptions primarily for the Police Pension Scheme detailed in note 24 to the Accounts. Financial assumptions for the Police Pension Scheme is the key element which has changed since 31 March 2015, with additional changes also to post-mortality assumptions.

With the exception of the rate of earnings inflation, the financial assumptions adopted for the purposes of Resource Accounting were set out in the HMT paper PES(2015)08, dated 2 December 2015. The assumed rate of salary growth was 4.2% in comparison to 3.8% in 2014/15, the new rate representing 2% above inflation. There was also a significant increase in the Rate of Return (Discount Rate) from last year's rate of 3.3% to 3.6%, resulting in a reduced liability.

Post-mortality assumptions used changed during the year for the Police Pension Scheme were based on the ONS 2014-based population information rather than the previously used S1NFA and S1NMA 'year of birth' tables, resulting in a reduction in average life expectancy. This resulted in shorter estimated average pension drawn and again reduced the liability to the public purse.

Further detail around the calculation and breakdown of the Police Pension Scheme liability is set out in Note 24 to the accounts.

A handwritten signature in black ink, appearing to be 'John Foley', with a large loop at the start and a wavy line at the end.

John Foley
Chief Executive and Accountable Officer
15 December 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Directors' Report

Introduction

The Members of the SPA present its Annual Report & Accounts for the year to 31 March 2016 incorporating the results of both the SPA and Police Scotland.

The SPA was established as an Other Significant Public Body (OSPB) under the 2012 Act.

SPA Board

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

Non-Executive Board Members are generally appointed by Scottish Ministers 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 contracts for the Non-Executive Board Members who were in office during the period are as follows:

Name	Date of current contract	
	From	To
Andrew Flanagan, Chair Vic Emery, OBE, Chair	7 September 2015 31 August 2012	6 September 2019 3 September 2015
Moi Ali	17 October 2012	16 October 2016
George Graham	4 May 2015	3 May 2019
Graham Houston	17 October 2012	16 October 2016
David Hume	17 October 2012	16 October 2016
Nicola Marchant	4 May 2015	3 May 2019
Ian Ross, OBE	17 October 2012	16 October 2016
Lisa Tennant	17 October 2012	16 October 2016
Iain Whyte	17 October 2012	16 October 2016
Elaine Wilkinson	4 May 2015	3 May 2019
Douglas Yates	17 October 2012	16 October 2016
Brian Barbour	17 October 2012	9 September 2015
Jeane Freeman, OBE	17 October 2012	29 January 2016
Morag McLaughlin	17 October 2012	29 February 2016
Paul Rooney	17 October 2012	7 January 2016

Register of Interests

A Register of Interests for the Board and Senior Management of the SPA can be accessed via Executive Support, SPA, 1 Pacific Quay, Glasgow G51 1DZ, with Board Members' biographies being held on the SPA website at <http://www.spa.police.uk/about-us/the-board>.

SPA Senior Management

Name	Status
John Foley	Chief Executive and Accountable Officer
John McCroskie	Director of Communications and Relationships
Amy McDonald	Director of Financial Accountability
Tom McMahon	Director of Strategy and Performance
Lindsey McNeill	Director of Governance and Assurance
Tom Nelson	Director of Forensic Services
Karen Kelly	Interim Chief Financial Officer (from 9 February 2016)

Police Scotland Force Executive

Scottish Ministers approved the appointment of Mr Gormley as Chief Constable of Police Scotland on 5 January 2016 on recommendation by the SPA. His appointment is for a term of three years.

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

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

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

Name	Status
Phil Gormley, QPM	Chief Constable (from 5 January 2016)
Neil Richardson, OBE QPM	Interim Chief Constable (from 1 October 2015 – 4 January 2016)
Sir Stephen House, QPM	Chief Constable (to 30 November 2015)
Neil Richardson, OBE QPM	Deputy Chief Constable
Rose Fitzpatrick, QPM	Deputy Chief Constable, Local Policing
Iain Livingstone, QPM	Deputy Chief Constable, Crime and Operational Support
Stephen Allen, QPM	Deputy Chief Constable, Commonwealth Games and Events (to 5 December 2015)
John Gillies	Director of People and Development
Martin Leven	Director of ICT
Susan Mitchell	Director of Corporate Services (to 31 December 2015)
Janet Murray	Director of Financial Services (to 31 May 2016)

Personal Data-related Incidents

There were 16 incidents across Police Scotland and the SPA relating to a loss of a technology asset, and a further 12 incidents of loss of paper documents. No incidents (2014/15: 9) have been reported to the Information Commissioner as a breach of the Data Protection Act 1998, as no incident met the threshold of a significant incident as set out in the Commissioner's guidance.

Statement of Accountable Officer's Responsibilities

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

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the 2015/16 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 2015/16 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 responsibilities of an Accountable Officer are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by Scottish Government and published as part of the SPFM. These include:

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

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



John Foley
Chief Executive and Accountable Officer
15 December 2016

Governance Statement

1. Scope of Responsibility

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

2.1 Governance Framework of the Organisation

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

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

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

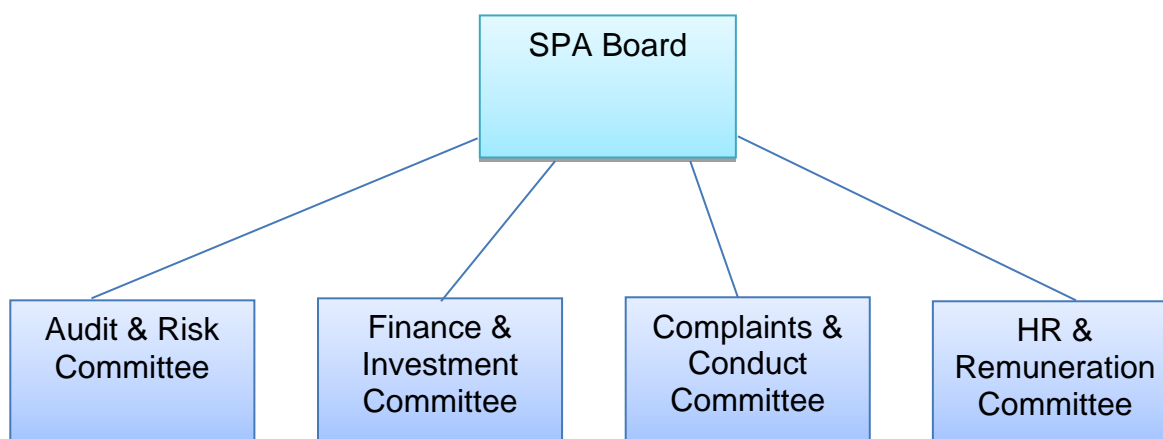
2.2 Governance of the SPA

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

The SPA Board has responsibility for the governance of the SPA. Section 43 of the 2012 Act states that the SPA must prepare a Strategic Police Plan which sets out the main objectives for the SPA and for policing of Scotland. The SPA published its Strategic Police Plan and laid it before Parliament in March 2013.

The Chief Constable retains operational independence and cannot be directed by the SPA Board in respect of either operational matters, or the investigation of criminal enquiries. There is a protocol of early engagement with the SPA on matters of policy and public interest and Police Scotland reports to the SPA Board and Committees both informally and formally through the SPA's governance structure.

The governance structure supporting the SPA Board is detailed on the next page, with meetings being held in public. Provisions also exist for Board and Committees to meet in private as required, as set out in the SPA Standing Orders.



SPA Board

The SPA Board met nine times during 2015/16, including two extraordinary meetings. The SPA Board minutes and papers are published on the SPA website at <http://www.spa.police.uk/meetings-events/board-meetings/>.

The Board has a robust governance approach focused on ensuring public accountability of both the SPA and Police Scotland, assuring integrity, allocating resources, monitoring performance, and reviewing and assisting in managing risk.

The Board is accountable to Scottish Ministers and the Scottish Parliament for the delivery of policing and will ensure that policing contributes to the Scottish Government's National Purpose of creating a more successful country with opportunities for all to flourish through sustainable economic growth.

Board meetings attended by members during 2015/16 are detailed in the following table:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Andrew Flanagan (Chair)	5	5
Vic Emery, OBE (Chair until 3 September 2015)	4	4
Moi Ali	9	8
Brian Barbour	4	4
Jeane Freeman, OBE	7	3
George Graham	8	7
Graham Houston	9	8
David Hume	9	8
Nicola Marchant	8	8
Morag McLaughlin	8	5
Paul Rooney	7	6
Ian Ross, OBE	9	7
Lisa Tennant	8	7
Iain Whyte	9	8
Elaine Wilkinson	8	8
Douglas Yates	9	9

The Scottish Government determines Strategic Police Priorities for the SPA Board, who then in turn determine how best to support the delivery of policing and to drive the SPA and policing in Scotland forward. These objectives then inform the Annual Police Plan and the SPA Annual Plan.



The nine Board meetings held during 2015/16 reviewed and scrutinised the financial position of the SPA, approved the 2014/15 Annual Report and Accounts and approved the SPA 2016/17 budget for the SPA and Police Scotland. The Board also oversaw the work of the supporting Committees of the SPA.

Under review during the year were the Strategic Police Plan, Human Resources, Health, Safety & Well Being, Finance and Forensic Services. The Board also reviewed appropriate items brought forward in the normal course of business.

During the year the Chair conducted a review of Police Governance as announced in the Government's Programme for Scotland 2015/16. The Review of Governance in Policing can be accessed from the following link: <http://www.spa.police.uk/assets/128635/337350/337362>

The review contained 30 recommendations for improvement in the practice of governance arrangements for policing in Scotland. The report's main findings include:

- Ensuring representatives of local communities feel sufficiently listened to regarding local policing, are able to input effectively into the development of national policy issues, and have a way of recording their 'voice' on the quality and effectiveness of Police Scotland's engagement with them.
- Requiring the SPA to strengthen its governance procedures and review with the Scottish Government and Police Scotland how working arrangements and protocols reinforce the positioning and authority of the SPA.
- Clearly defining the SPA's areas of responsibilities and how it conducts its business.
- Reviewing the underlying systems and processes used by Police Scotland to provide information with a view to improving clarity and enhancing the quality of analysis and benchmarking.

The Cabinet Secretary has endorsed the governance review with the expectation that the recommendations are implemented over the coming year.

Committees of Board

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

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

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 SPFM, the Audit & Risk Committee was established to support the SPA's responsibilities in respect of providing scrutiny, oversight and assurance in respect of risk, control and governance. Meetings attended by members during 2015/16 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
David Hume (Chair)	6	6
Brian Barbour (Chair to 9 September 2015)	2	2
Moi Ali	6	6
Morag McLaughlin	5	4
Iain Whyte	6	6
Elaine Wilkinson	5	5

The 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 of recommendations;
- Reviewing the internal audit plan and scope of work;
- Reviewing the effectiveness of the overall risk strategy;
- Recommending the statutory accounts for Board approval.

During 2015/16, the Committee provided oversight on the effectiveness of assurance in relation to the strategic process of risk management across Police Scotland and the SPA, and oversaw the production of the 2014/15 SPA Annual Report & Accounts.

Audit activity included the approval of the internal audit plan and oversight of action to address audit recommendations by both internal and external audit.

Independent scrutiny of both the SPA and policing is provided by organisations such as HMICS, Audit Scotland and PIRC. They support the SPA and Police Scotland throughout the year by undertaking a number of planned reviews, inspections and audits to ensure a continually improving and effective delivery of service.

Complaints & Conduct Committee

Meetings attended by members during 2015/16 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Ian Ross, OBE (Chair)	5	5
Moi Ali	5	5
Brian Barbour	2	2
George Graham	5	5
Morag McLaughlin	4	2
Lisa Tennant	5	5
Douglas Yates	5	4

The SPA requires that a Committee be established to oversee matters relating to complaints and misconduct in order to carry out, on behalf of the SPA, the functions outlined below and set out in Section 60 of the 2012 Act.

In doing so the SPA 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'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.

During 2015/16 the Committee dealt with and closed out a number of complaints and conduct matters including the approval of guidance in relation to the understanding and application of Police Service of Scotland (Senior Officers) (Conduct) Regulations 2013, oversight of a revised Police Scotland complaints performance reporting mechanism, and the introduction of a process which enables the SPA to dip-sample Police Scotland's closed complaints.

The Committee has a responsibility to monitor and scrutinise the manner in which complaints are dealt with by Police Scotland. Accordingly, the Committee, in both public and private sessions, scrutinised numerous matters including the number and type of complaints received by Police Scotland and their subsequent disposals, details regarding officers on restricted duties and those suspended from duty, the number and outcome of misconduct hearings, and PIRC Complaint Handling Reviews into Police Scotland's handling of complaints.

Finance & Investment Committee

The SPA has established a Finance & Investment Committee to provide an objective overview of the SPA's financial position and to take decisions concerning financial matters delegated to it by the SPA. The Committee is distinct and separate from the Audit & Risk Committee.

The Committee's main responsibilities are:

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

During 2015/16 the Committee monitored and scrutinised the budget savings programmes, overseeing the delivery of the revenue, capital and police reform budgets. The Committee supported the rationalisation of surplus estates and oversaw the reinvestment of receipts into an investment programme, ensuring value for money on procurement and investment proposals.

Meetings attended by members during 2015/16 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Elaine Wilkinson (Chair)	6	6
Paul Rooney (Chair to 7 January 2016)	4	3
Jeane Freeman, OBE	4	3
Graham Houston	7	7
David Hume	7	7
Lisa Tennant	5	4
Iain Whyte	7	7

Human Resources & Remuneration Committee

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

Meetings attended by members during 2015/16 are detailed in the table below:

Name of Board Member	Possible Number of Meetings	Number of Meetings Attended
Nicola Marchant (Chair)	6	6
Jeane Freeman, OBE (Chair to 29 January 2016)	6	5
Graham Houston	8	7
Morag McLaughlin	7	5
Paul Rooney	6	4
Ian Ross, OBE	8	4
Douglas Yates	8	8

The Committee's main responsibilities are:

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

During 2015/16 the Committee has approved a significant number of policies, prioritising those most critical to enabling Police Scotland to progress their People & Development Strategy.

The Committee has also overseen the outcomes and actions which have been developed from the 2014/15 staff survey, reviewed and scrutinised a significant number of strategic organisational change proposals, provided strategic direction and guidance to Police Scotland in scoping and developing an effective job harmonisation and modernisation project for civilian employees, and maintained oversight of health and safety matters including the delivery of required improvement actions.

It has initiated and championed significant human resource reform within the People & Development function of Police Scotland and, jointly with the Finance & Investment Committee advised, scrutinised and progressed the voluntary redundancy/early retirement programme.

The formal Committee structure as described is supported by member and executive-led working groups and senior management meetings. The Senior Management Group of the SPA has been in place throughout the financial year, meeting regularly to support the organisation's objectives.

The SPA may also establish additional Committees and Sub-Committees as deemed necessary to meet the needs of the organisation. Membership of such committees will vary depending on the Terms of Reference agreed at Board level, and may comprise Board members, SPA members of staff, Police Scotland officers, members of police staff and other individuals outside the organisation.

During the year the Board and Committees were further supported by an ICT Scrutiny Forum and a Forensic Governance & Partnership Forum which both reported to the Board. Summary Reports of the ICT Scrutiny Forum were presented to the Finance & Investment Committee, and the reports from the Forensic Governance & Partnership Forum were presented to the Audit & Risk Committee to provide additional assurance.

3. Risk and Control Framework

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

The system of internal control has been designed to address 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 seeks 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.

Separate risk registers exist for the SPA and Police Scotland and are based on an established standard matrix and consistent scoring criteria based on likelihood and impact. Each risk has a designated risk owner, the seniority of whom is determined by the severity of the risk. All high and significant risks of the SPA and Police Scotland are reported to the Audit & Risk Committee and the Board. All financial risks are reported to the Finance & Investment Committee, and all HR Risks are reported to the HR & Remuneration Committee.

Significant risks highlighted and managed throughout the year included:

- Delivery of budget savings targets;
- Insufficient investment funds will result in failure to deliver organisational efficiencies;
- Change programme will not be effectively managed to deliver the Strategic Police Plan;
- On-going engagement of staff and officers is affected during organisational change;
- Data is not effectively managed to optimise availability, applicability and security;
- Resources are not effectively managed to achieve best value.

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

4. 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, Audit Scotland, in their management letters and other reports;
- Internal audit reviews and reports conducted throughout the year by HMICS and Scott Moncrieff.

The following is a summary of my review:

The Internal Audit Opinion states that the controls in place within SPA are not yet robust enough to manage the organisation's key risks and provide complete assurance regarding the effective and efficient achievement of objectives. Arrangements in place to promote value for money and deliver best value are adequate with scope for development.

The SPA appointed new internal auditors, Scott-Moncrieff, during 2015/16. Scott-Moncrieff was able to complete the 2015/16 Audit Plan prior to completion of the annual accounts.

The Internal Auditors raised 71 recommended actions overall, including two of very high risk exposure and 24 at high risk exposure. A number of these reflect issues that had previously been raised by Audit Scotland, in relation to the financial control environment. The management teams of both the SPA and Police Scotland are fully aware of these recommendations, have developed plans in place to respond effectively to them, and are committed to taking the action necessary to address improvement opportunities identified through the internal audit work programme. A summary of the findings of each of the 7 completed audits together with a summary of the management response to the key points is set out below.

Organisational Change Management

Internal Audit has recognised that the creation of the SPA and Police Scotland is itself a significant achievement. In the context of challenging times and financial pressures, the organisations have successfully introduced major changes to operational delivery whilst maintaining the quality of service. However, there remain a number of significant challenges in transforming the organisation's corporate functions to effectively support the continuous development of police operations.

The review identified several areas where action is required to support the development of an effective organisational change programme for policing in Scotland and the report made recommendations in relation to two very high risk items. Firstly, the report reflected that priority should be given to appointing an appropriately experienced individual to lead Transformational Change. This position was filled in September 2016. Secondly, the review reported on the need to continue to work jointly on the revised strategic approach to devise a clear evidence-based vision for future policing in Scotland. This, and a number of the other actions raised through the review will be addressed by the Policing 2026 Programme which aims to deliver a single vision, single organisational 10 year strategy and a supporting organisational blueprint for the SPA.

eFinancials and Asset 4000

The review concluded that the IT general controls over the key finance systems are weak and action is required by management to address identified weaknesses. For eFinancials in particular, there is a need to review the processes for management and control of user access as the inherited regional processes are complex and inconsistent. Improvements are also required in the management of the fixed asset ledger system, Asset 4000, although the risk is less significant due to the lower number of users. Since the audit was conducted an action plan has been agreed and is being progressed to address the weaknesses and provide greater confidence in use of the systems.

Core Financial Processes

The audit of Core Financial Controls identified a variety of weaknesses in relation to: documented policies and procedures; segregation of duties; authorisation controls; period-end activities and reconciliations. A number of the weaknesses have since been addressed and a programme of work is in place which should deliver significant improvement in 2016/17.

End Point Security

The review noted good practice in managing security risks and recognised the significant work being undertaken to improve security of the network. The main weaknesses identified were in relation to the management of mobile devices and work is underway to improve this area.

Business Continuity Management

The review highlighted clear governance controls in place within Police Scotland to oversee the delivery of the organisation's business continuity planning programme. The review highlighted that there is no single ICT Disaster Recovery Plan for dealing with disruptive events. However the complexity of the ICT infrastructure means that a single DR Plan would not provide the solutions required to protect and respond to critical ICT incidents. The service has instead put in place a range of resilience systems and procedures to ensure the organisation is protected and is able to respond to disruption in a manner which minimises the impact on service delivery.

HR Management System

The findings of this review are all of moderate risk or lower. It recognises that system controls have improved with the introduction of a single HR SCOPE system but there are still controls which require to be strengthened such as user access and timeliness of recording information.

Data Security Management

The findings of this review are all of moderate risk or lower. It identified a number of areas of good practice including training, management of data security incidents and reporting of incidents to senior management. Improvement actions have been agreed in relation to security awareness raising and keeping policies and procedures up to date.

Internal Audit Management Reviews

As a result of previous weaknesses identified in prior year Annual Report and Accounts, management requested that the Internal Auditors undertake targeted pieces of work to provide assurance over the work undertaken, and highlight any areas of concern. The areas covered were around fixed assets, year-end procedures, and compliance with the Financial Reporting Manual (FRm). This work uncovered two areas where controls were assessed as not being effective.

Within fixed assets, there were 3 risks identified and a number of recommendations raised. The table below sets out the summarised findings and the action taken by management to address these by the time that the audited Annual Report and Accounts were published:

Summarised findings	Management action
The audit work identified that there were inadequate asset descriptions for 21% of motor vehicles and 2% of land and buildings in the fixed asset register. If the fixed asset register lacks sufficient detail to identify a physical asset, management cannot gain assurance over the existence of all assets.	Further detailed review was undertaken into this area, and action taken to strengthen the descriptions on the fixed asset register, working closely with colleagues in Fleet, ICT and Estates to ensure the accurate recording, and existence of the fixed assets recorded in the fixed asset register. Management has now assured itself that this exercise has been sufficient to gain assurance over the existence of the assets recorded in the fixed asset register.
It was identified that management had recognised that a review of asset classifications was required to be undertaken. The internal audit work reported that this action hadn't been taken at the time of reporting and recommended that it be completed in time for the external audit.	A full review of asset classifications has been undertaken, which has resulted in a significant number of asset re-classifications. Management is now assured that asset classifications are fairly stated, and as such the appropriate depreciation rate is being applied to assets.
The review identified that there was a lack of recorded evidence that management had reviewed proposed changes to descriptions and reclassifications of assets. A recommendation was made that any proposed changes should be logged and clearly evidenced as being reviewed by management.	This was a low risk finding, but will be incorporated into the new policies and procedures that are being developed for fixed asset accounting. Management has undertaken a retrospective review of the changes made during 2015-16 and is assured that these are appropriate.

One key issue was identified during the review of year-end procedures was in relation to non-compliance with the FRm. There have been significant changes to the structure and information

requirements for the Annual Report and Accounts for 2015-16 as a result of the changes to the FReM. The internal auditors identified a number of areas for improvement, and where there were omissions. Whilst only some of these points were addressed by the time that the draft accounts were submitted for audit, they have now all been addressed. Following extensive management review and re-working, management is assured that the audited accounts fully comply with the Financial Reporting Manual.

In conclusion, whilst it was regrettable that the findings from these management reviews had not been fully completed by the time that the draft accounts were submitted for audit, it is our view that all material aspects of the findings have been addressed in the audited Annual Report and Accounts.

5. Follow up on prior year significant issues

The 2014/15 accounts were unqualified but contained a paragraph within the audit opinion stating that aspects of our accounting records were considered to be of poor quality in respect of property, plant and equipment. This statement was also reflected in the Section 22 Report from the Auditor General which was considered by the Public Audit Committee of the Scottish Parliament in February 2016. The Section 22 Report highlighted the following issues of significant concern:

- Inadequacy of the arrangements for fixed asset accounting;
- Quality of budget monitoring and accuracy of projections;
- Lack of transparency in relation to spending on Police Reform;
- Lack of a long-term financial strategy.

Work has continued during the last financial year to improve the arrangements for fixed asset accounting. However, we recognise that further work is still required to strengthen the organisation's arrangements for capital accounting.

The quality of budget monitoring and accuracy of projections has improved. The Chair of the Finance and Investment committee is a qualified accountant and as previously stated in this document the finance structure has been re-organised and interim senior appointments are in post.

Transparency in relation to spending on Police reform has also improved and a full breakdown of this expenditure is included within this report. Spending on Police Reform has been reported to the SPA during the year. A long term financial strategy now exists and this will be further refined within the Policing 2026 strategy which will be implemented on 1 April 2017.

The SPA has instructed that there needs to be increased quality within financial monitoring reports. Significant changes to improve the analysis and transparency within financial monitoring have now been implemented.

The long-term financial strategy was presented to the SPA members at the end of March 2016 showing 10 year projections of income and expenditure with high level options for delivering financial balance based on a set of assumptions. The strategy highlighted the importance of tight budget control over the next two years and delivery of savings on a sustainable basis. This will be particularly challenging for the organisation and the Policing 2026 Programme has been established to respond to this. The long-term financial strategy is being developed further as part of the Policing 2026 Programme.

A 3-year financial plan is also in development, and this will set out how the organisation will address the underlying revenue budget gap over the next three financial years, with detailed savings options set out.

As well as these specific actions, the finance service has been developing an improvement plan which seeks to address the concerns raised around financial management. The plan will set out the actions required to address issues such as systems, processes and controls, people and structures and the financial reporting capability. It is anticipated that investment will be required in the finance service in order to address the points that have been raised by both internal and external audit.

6. Good Practice

In accordance with the principles of best value, the Board and supporting Committees of the SPA adopt a culture of continuous improvement. This also follows as part of the management approach followed by the Chief Constable and Directors of Police Scotland who are encouraged to review the use of resources and deliver efficiencies in their areas of responsibility. This work is carried out against the background of the Scottish Government priorities for policing.

Arrangements have been made to secure Best Value for the organisation as set out in the SPFM. This is demonstrated through:

- The scrutiny applied to investment and expenditure decisions through the Finance & Investment Committee;
- Procurement contracts being awarded through competitive tender processes;
- Staff structures reviewed and appraised by the Human Resources & Remuneration Committee;
- A policy of voluntary redundancy and voluntary early retirement in place for Police Staff.

There is a continual challenge on the budget and expenditure of policing to deliver best value. The SPA carries out all of its duties in a way that is proportionate, accountable, transparent and consistent with the principles of good governance.

The SPA is committed to forging effective partnerships with key organisations across the public, private and third sectors to maximise outcomes and minimise public sector costs. The SPA has therefore taken the lead in creating a number of initiatives which have made a positive contribution across the Justice System and beyond. Many of these are ongoing and a summary of activity during 2015/16 is given below:

Reform Collaboration Group - involving senior executives of the SPA, Police Scotland, Scottish Fire and Rescue Service and Scottish Ambulance Service. This group is chaired by the SPA CEO. Its primary purpose is to identify new collaboration initiatives; an example of which is a joint procurement exercise for a new hard facilities maintenance contract by Police Scotland and the Scottish Fire and Rescue Service which is anticipated to save several millions of pounds over the duration of the contract.

Performance Steering Group (PSG) - with participants from the SPA, Police Scotland, HMICS, and Scottish Government sponsor division and chaired by the SPA CEO to provide improved performance reporting from the organisation.

Data Assurance Group - involving the SPA, Police Scotland and Scottish Government sponsor division and chaired by the SPA CEO. This forum is effectively a subsidiary of the PSG established to oversee data integrity matters.

Community Safety Glasgow (CSG) - a partnership arrangement with Police Scotland that ensures service delivery is driven by an intelligence-led approach, allowing us to deliver targeted services to the citizens of Glasgow and enabling us to measure the impact of our services. The SPA is a member in the organisation together with Glasgow City Council and also has representation on the Community Safety Glasgow Board.

Forensic Services Strategic Partnership Forum - involving the SPA, Police Scotland and the Crown Office and chaired by the SPA CEO. This forum is charged with identifying and delivering Forensic Services improvements and supporting forward strategy. Potential for improvements are now emerging which will support forward strategy.

ICT Scrutiny Forum - involving the SPA, Police Scotland and chaired by the SPA CEO. This forum reviewed all aspects of ICT including major projects and significant ICT initiatives.

These initiatives contribute significantly towards best value and improved service delivery of the organisation.



John Foley
Chief Executive and Accountable Officer
15 December 2016

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Non-Executive Board Members

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.

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

Board Members' Interests

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

Salary and Pension Entitlements (audited)

Remuneration of Board Members

The Non-Executive Board Members received the following remuneration for their services during the year ended 31 March 2016 as follows:

	2015/16 £'000	2014/15 £'000
Andrew Flanagan*	38	n/a
Vic Emery*	22	71
Moi Ali	13	28
Brian Barbour*	7	42
Jeane Freeman*	10	38
George Graham*	13	n/a
Graham Houston	13	31
David Hume	16	37
Nicola Marchant*	15	n/a
Morag McLaughlin*	13	28
Paul Rooney*	11	29
Ian Ross	18	28
Lisa Tennant	13	28
Iain Whyte	16	41
Elaine Wilkinson*	18	n/a
Douglas Yates	13	30
Total	249	431

* These Board Members only served for part of the year. Details of their dates of contract are held within the Accountability Report. Overall, Board Members' expenses reduced by 42% year-on-year.

Remuneration of Senior Management Group of the SPA and Police Scotland Force Executive

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

The salary of Directors is set by the SPA. The pay and terms and conditions for staff members is negotiated through the Joint Negotiating and Consultative Committee (JNCC). The pay and terms of conditions for police officers are negotiated through the Police Negotiating Board (PNB). PNB Circulars 2015/02 and 2015/04 set out the salaries for senior officers. Benefits in kind estimates relate to the provision of vehicles, with values to the nearest £100.

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

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 Scheme for Police Staff Employees

Information on these schemes are held within 1.17 of the notes to the accounts, with full disclosure of the pension accounting liabilities for the SPA and Police Scotland summarised within notes 23-26 of the Financial Statements.

Salaries, accrued pensions and lump sums are disclosed in bands of £5,000, and real increases in pensions and lump sums are disclosed in bands of £2,500.

The SPA Senior Management Group

Single Total Remuneration	2015/16				2014/15			
	Salary £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000	Salary £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000
John Foley	115-120	-	39	150-155	110-115	-	31	140-145
John McCroskie	85-90	-	31	115-120	85-90	-	56	140-145
Amy McDonald (from 26 May '14)	95-100	-	31	125-130	80-85	-	13	90-95
Full-year equivalent	n/a	n/a	n/a	n/a	95-100	n/a	13**	105-110
Tom McMahon (from 12 May '14)	85-90	-	28	115-120	75-80	-	14	90-95
Full-year equivalent	n/a	n/a	n/a	n/a	85-90	n/a	14**	100-105
Lindsey McNeill (from 16 Jul '14)	85-90	-	-	85-90	55-60	-	16	70-75
Full-year equivalent	n/a	n/a	n/a	n/a	70-75	n/a	16**	85-90
Tom Nelson	95-100	-	72	170-175	90-95	3,600	34	130-135
Karen Kelly (from 9 Feb '16)	5-10	n/a	n/a	5-10	n/a	n/a	n/a	n/a
Full-year equivalent	90-95	n/a	n/a	90-95	n/a	n/a	n/a	n/a
Alistair Crerar (to 30 Apr '14)	n/a	n/a	n/a	n/a	5-10	n/a	n/a	5-10
Full-year equivalent	n/a	n/a	n/a	n/a	95-100	n/a	n/a	95-100

Pensions	Accrued Pension at 31 March 2016 £'000	Accrued Lump sum at 31 March 2016 £'000	Real Increase in Pension £'000	Real Increase in Lump sum £'000	CETV as at 31 March 2015 £'000	CETV as at 31 March 2016 £'000	Real Increase in CETV £'000
John Foley	5-10	-	0-2.5	-	37	68	19
John McCroskie	10-15	0-5	0-2.5	0-2.5	113	135	14
Amy McDonald (from 26 May 2014)	0-5	-	0-2.5	-	13	31	9
Tom McMahon (from 12 May 2014)	0-5	-	0-2.5	-	12	27	7
Lindsey McNeill (from 16 Jul 2014)	n/a	n/a	n/a	n/a	8	n/a	n/a
Tom Nelson	45-50	105-110	2.5-5	2.5-5	778	861	70

Lindsey McNeill opted out of the pension scheme during the year, receiving a refund for both 2014/15 and 2015/16 contributions made. The comparative disclosure has not been amended, as it was correct at the time of audit of the 2014/15 Annual Report & Accounts.

Both Karen Kelly and Alastair Crerar were paid through a contractor, and as such salary equivalent calculations were quantified for their service. Karen Kelly is a contractor on a part-time basis through a

limited company, Gleniffer Solutions Limited, and Alastair Crerar was a contractor through Scottish Government.

Police Scotland Force Executive

Single Total Remuneration	2015/16				2014/15			
	Salary £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000	Salary £'000	Benefits in Kind £	Pension Benefits £'000	Total £'000
Phil Gormley (from 5 Jan '16)	50-55	-	-	50-55	n/a	n/a	n/a	n/a
Full-year equivalent	210-215	n/a	n/a	210-215	n/a	n/a	n/a	n/a
Sir Stephen House (to 30 Nov '15)	140-145	1,800	-	145-150	210-215	2,400	-	210-215
Full-year equivalent	210-215	n/a	n/a	210-215	n/a	n/a	n/a	n/a
Neil Richardson	185-190	2,100	56	245-250	170-175	2,600	54	230-235
Rose Fitzpatrick	170-175	1,300	26	200-205	185-190	1,000	41	230-235
Iain Livingstone	175-180	4,400	95	275-280	175-180	3,800	54	230-235
Stephen Allen (to 5 Dec '15)	120-125	2,400	58	180-185	175-180	4,300	414	590-595
Full-year equivalent	175-180	n/a	58**	235-240	n/a	n/a	n/a	n/a
Lucy Adamson (to 31 Dec '14)	n/a	n/a	n/a	n/a	75-80	-	13	90-95
John Gillies	110-115	7,200	39	155-160	110-115	6,200	72	185-190
Martin Leven	95-100	4,900	45	150-155	90-95	-	31	120-125
Susan Mitchell (to 31 Dec '15)	80-85	5,500	30	115-120	100-105	4,700	95	200-205
Full-year equivalent	105-110	n/a	30**	150-155	n/a	n/a	n/a	n/a
Janet Murray	100-105	7,300	72	180-185	100-105	6,600	299	405-410

Pensions	Accrued Pension at 31 March 2016 £'000	Accrued Lump sum at 31 March 2016 £'000	Real Increase in Pension £'000	Real Increase in Lump sum £'000	CETV as at 31 March 2015 £'000	CETV as at 31 March 2016 £'000	Real Increase in CETV £'000
Sir Stephen House	25-30	-	-	-	30	30	-
Neil Richardson	110-115	-	2.5-5	-	2,516*	2,649	101
Rose Fitzpatrick	5-10	30-35	0-2.5	7.5-10	95	208	89
Iain Livingstone	75-80	-	5-7.5	-	1,075*	1,181	75
Stephen Allen	110-115	-	2.5-5	-	2,598*	n/a	n/a
Lucy Adamson	n/a	n/a	n/a	n/a	22	n/a	n/a
John Gillies	15-20	10-15	0-2.5	0-2.5	186	217	19
Martin Leven	5-10	-	2.5-5	-	48	75	17
Susan Mitchell	20-25	20-25	0-2.5	0-2.5	220	244	15
Janet Murray	35-40	75-80	2.5-5	2.5-5	475	541	53

Neither Phil Gormley nor Sir Stephen House were active members of the pension schemes in either the year ended 31 March 2016 or 31 March 2015. Sir Stephen House has an accrued pension disclosed due to previous membership of the pension scheme.

* Some CETV calculations as at 31 March 2015 for officers above have been recalculated by the Government Actuary's Department to ensure consistency with calculations conducted as at 31 March 2016.

** For these pension benefit disclosures, the full-year equivalent of the pension benefits has been taken as the actual estimated pension benefits for the individuals' term.

Although the departure of Sir Stephen House was 30 November 2015, due to untaken holiday entitlement, DCC Neil Richardson took up the acting role of chief Constable at the beginning of October, and was recompensed for that full period from 1 October to Phil Gormley's appointment on 5 January 2016. As part of Mr Gormley's 6-month relocation package, he was reimbursed for accommodation expenses incurred of £3,355.00 from 5 January 2016, and since 20 February 2016 he has been provided with accommodation within the Police Scotland estate.

Median and Fair Pay

The highest paid member of the organisation was the Chief Constable. His annualised remuneration before pension benefits was £212,280 (2014/15: £210,180). This was 6.1 times (2014/15: 6.3 times) the median remuneration paid to the SPA and Police Scotland's staff and officers, which was in the range £30,000 to £35,000 (2014/15: £30,000 to £35,000). Remuneration ranged from £15,126 to £212,280 (2014/15: £14,976 to £210,180) during the year.

STAFF REPORT

Attendance Management

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

	2015/16	2014/15
Staff	5.0%	4.8%
Officers	4.2%	4.4%

Staff Analysis by Gender

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

	As at 31 March 2016			As at 31 March 2015		
	Male	Female	Total	Male	Female	Total
Board Members	7	4	11	8	4	12
SPA Senior Management Group	4	2	6	4	2	6
Police Scotland Force Executive	5	2	7	6	3	9
Police Scotland Staff	2,120	3,376	5,496	2,199	3,328	5,527
Officers	12,305	5,008	17,313	12,370	4,925	17,295
Special Constables	556	281	837	706	399	1,105
Total	14,997	8,673	23,670	15,293	8,661	23,954

Of those 23,670 (2014/15: 23,954), 235 (2014/15: 235) are either agency or temporary staff.

There were 3 officers (2014/15: 10), 11 staff members (2014/15: 5), and no special constables (2014/15: 1) who died in service during the year. There were also 106 officers (2014/15: 91), and 24 members of staff (2014/15: 10) who retired through ill health.

Staff costs comprise:

2015/16	Board Members £'000	Staff £'000	Officers £'000	Agency Staff £'000	Total £'000
Wages and salaries	249	162,706	658,560	1,560	823,075
Social security costs	22	11,078	55,185	-	66,285
Pension costs	-	29,754	17,414	-	47,168
	271	203,538	731,159	1,560	936,528
IAS19 pension adjustment	-	15,522	37,300	-	52,822
	271	219,060	768,459	1,560	989,350

2014/15	Board Members £'000	Staff £'000	Officers £'000	Agency Staff £'000	Total £'000
Wages and salaries	431	156,658	670,935	3,293	831,317
Social security costs	52	11,339	56,080	-	67,471
Pension costs	-	31,925	16,105	-	48,030
	483	199,922	743,120	3,293	946,818
IAS19 pension adjustment	-	15,031	82,700	-	97,731
	483	214,953	825,820	3,293	1,044,549

Officers' wages and salaries include annual allowances paid to Special Constables of £703,000 (2014/15: £611,000) during the year. Officers' pension costs includes both ill health and injury pensions.

Exit Packages

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

	2015/16 Total Employees	2014/15 Total Employees
£0 - £25,000	51	162
£25,000 - £50,000	48	104
£50,000 - £75,000	16	22
£75,000 - £100,000	5	10
£100,000 - £125,000	4	3
£125,000 - £150,000	2	6
£150,000 - £175,000	-	1
£175,000 - £200,000	-	-
£200,000 - £250,000	1	2
£250,000 - £300,000	-	1
Total number of exit packages	127	311

	£'000	£'000
Total Costs of Agreed Departures during the year	5,617	11,628

Employee Relations

Corporate information for officers and staff of both organisations is available to all and presented through a suite of corporate internal communications channels including The Beat magazine, divisional bulletins, shift briefings, memos, briefing sites, internal marketing campaigns, the SPA and Police Scotland linked intranet for all staff, video messages, posters, booklets and briefings. Detailed communication strategies are developed for specific, large scale and complex projects to ensure information is distributed accurately and effectively to target audiences. This includes identifying stakeholder groups, ensuring relevant key messages and effective and practical time scales.

The SPA and Police Scotland delivered an organisation-wide survey to launch and inform a broader programme of engagement, the results of which were published in early October 2015. This survey will be repeated every two years with the subsequent programme of employee engagement developed in response to the survey results. In addition to the biennial survey further methods to measure levels of engagement and capture officer and staff opinions are used including localised surveys, staff polls, senior management roadshows and Q & A sessions.

The Corporate Communications team works closely with People & Development and Organisational Development to ensure the results of surveys and polls and views of officers and staff are incorporated into both corporate internal and change communication programmes. This includes developing detailed FAQs and briefing sheets to accompany major change programmes that are likely to impact upon officers and staff across the organisation. These are supplemented with additional material including dedicated help lines and email contact points to ensure officer and staff views are incorporated into these change programmes. Officers and staff members are encouraged to participate in the organisations' improvement.

When improvement and performance statistics are presented for external scrutiny they are also distributed internally and accompanied by communication messages for officers and staff. As information is released to the media it is presented for internal audiences either in advance of or simultaneously to the external information release.

The move to the new organisation has delivered significant financial savings over the first years of operation with the need to meet financial challenges continuing over the coming months and years.

The continuing financial pressure means the intensive programme of change that accompanied the creation of the new organisation will continue to impact on staff and officers over the coming months and years. Communication strategies have been developed to encourage awareness of the financial and economic factors that have contributed to the change programme. Staff association and trade union representatives are encouraged to feed into specific programmes and are consulted during the development of large scale change programmes.

Equality & Diversity

The SPA and Police Scotland value different communities, foster respect for diversity, challenge prejudice, discrimination and support justice and equality for all.

The SPA is committed to mainstreaming equality across policing in Scotland, by integrating equality and diversity into all our functions including forward business planning, and ensuring that the equality implications of our day to day decision making are considered and 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.

The SPA and Police Scotland have a number of equality and diversity related policies and practices which support staff from the point of recruitment throughout their employment.

Once recruited, either as a Police Officer, Special Constable or a member of Police Scotland or the SPA staff, individuals will be supported in the workplace regardless of their, or association with, age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion and belief, sex and/or sexual orientation.

Should a Police Officer wish to apply for promotion, their application will be considered against the Police Officer's Promotion SOP which aims to ensure that:

- the promotion process is transparent, open and clear to potential candidates
- all promotion candidates are treated fairly and consistently
- all promotion selection decisions are based on ability, along with the necessary qualities to perform the rank applied and
- the promotion process complies with other SPA and Police Scotland procedures and the Police Service of Scotland (Promotion) Regulations 2013.

If any disability is known, or made known to the organisation, the applicant will be supported through the process through the use of the SPA and Police Scotland Disability in Employment SOP which aims to:

- support and enable disabled people to enter or remain in employment through the provision of reasonable adjustments
- ensure disabled people are treated fairly, sensitively and not victimised, harassed or discriminated against in any aspect of their employment (e.g. recruitment, training and development, promotion, dismissal or retirement)
- ensure disabled people are able to seek support as required
- provide managers with relevant information to help them support disabled officers and staff
- encourage managers and individuals to promote positive attitudes to disability and challenge stereotypical thinking.

Health & Wellbeing

During 2015/16, the Health, Safety and Wellbeing Team have continued to develop the role of the function to support Police Officers and members of staff, and to regularly report on our performance to the SPA Human Resources and Remuneration Committee (HRRRC) and Board meetings.

Significant activities undertaken during 2015/16 included:

- developing a national Fire Management System for all SPA and Police Scotland premises
- ensuring robust procedures are in place to manage the risk of fire within police buildings
- ensuring consistent assessments are conducted.

This work has been supported with advice and assistance from partners in the Scottish Fire and Rescue Service and the SPA, and will continue throughout 2016/17.

To promote safety in the workplace, a programme of 'workplace inspections' have been introduced. Trained Designated Safety Co-ordinators in each of our buildings will ensure regular inspections are undertaken to identify and rectify issues in our premises at an early stage, before they become hazards to officers, staff or visitors.

Moving the wellbeing agenda forward within SPA and Police Scotland has also been a significant priority for the team. 2015/16 saw the successful implementation of new national contracts for both Occupational Health and Employee Assistance programme provision. Following a review of working time practices, a number of recommendations were made to the Force Executive which were subsequently incorporated into the findings of the review of superintending ranks.

Our Health, Safety and Wellbeing performance has been regularly reported to the SPA throughout 2015/16 and a summary of the year's key performance indicators, with revised 2014/15 statistics is as follows:

	2015/16	2014/15
Injuries During Arrest	562	550
Injuries Due to Assault	895	1,034
Manual Handling Injuries	56	56
Slips, Trips and Falls	267	287
Road Traffic Collision Injuries	99	94
Training Accidents	123	115
Other Accidents	420	486
Total Reported Accident and Injuries	2,422	2,622
Near-miss Reports	1,666	1,544
Health & Safety Executive Reports (RIDDOR)	151	125
Accident/Injury Rate per 1,000 officers and/or staff	8.6	9.1
Number of Absence Days Due to Accidents at Work	250	257
Average number working days lost due to Accidents at Work	15	19

Accident statistics in all geographical areas have now been merged onto one system nationwide. As a result, a number of accident results from the 2014/15 financial year have been converted and revised for reporting purposes.

The rise in near-miss reports is once again being viewed positively as it reflects the increased number of reports due to significant efforts that have been made to raise awareness of the benefits of near-miss reporting.

Following the introduction of the new Occupational Health and Employee Assistance Programme, the organisation has recorded a total of 5,226 Occupational Health referrals, and a total of 708 staff interactions with the Employee Assistance Programme. As 2015/16 was the first full year of operation of the new programmes, there are no comparative figures for the 2014/15 year.

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

John Foley
Chief Executive and Accountable Officer
15 December 2016

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

STATEMENT OF RESOURCE OUTTURN

	Funding	2015/16 Outturn	Funding vs Outturn	2014/15 Funding vs Outturn
	£'000	£'000	£'000	£'000
Revenue Grant in Aid	987,405			
Reform-funded Revenue Funding	57,856			
Total Revenue Funding	1,045,261	1,065,807	(20,546)	(4,190)
Capital Grant in Aid	28,100			
Reform-funded Capital Funding	10,000			
Total Capital Funding	38,100	18,730	19,370	(307)
ODEL Funding	5,404	5,404	-	-
Resource under/(over)spend			(1,176)	(4,497)
Total Outturn		1,089,941		1,109,962
Total Funding	1,088,765			1,105,465

Full breakdown is provided overleaf, with full details of the Scottish Government funding disclosed in note 27 to the Accounts.

Reconciliation of Statement of Resource Outturn to Statement of Comprehensive Net (Income)/Expenditure

	2015/16 £'000	2014/15 £'000
Net Comprehensive Expenditure	1,653,491	1,759,941
Non-Cash Costs		
Depreciation & amortisation	(38,082)	(43,983)
Loss on Impairment of assets	(11,933)	(18,903)
Pension fund interest	(482,174)	(536,980)
IAS19 Pension Adjustment	(52,822)	(97,731)
Provisions (non-cash)	(5,257)	(3,700)
Total Non-Cash Costs	(590,268)	(701,297)
Additional Cash Outflow from Financing Activities		
Finance Lease Repayment	758	716
PFI Repayment	628	556
Long-term Loan Repayment	6,602	6,527
	7,988	7,799
Net expenditure attributed to Revenue/ODEL budgets	1,071,211	1,066,443
Net expenditure attributed to the capital budget	18,730	43,519
Total Outturn	1,089,941	1,109,962

Statement of Resource Outturn – Non-Cash and AME

Non-Cash	2015/16 £'000	2014/15 £'000
Depreciation Impairment Loss	38,082 9,220	43,983
Total non-cash expenditure	47,302	43,983
Total non-cash GIA received (note 27)	50,000	46,173
Total non-cash underspend	2,698	2,190

AME	2015/16 £'000	2014/15 £'000
Increase in AME Provisions Impairment Loss	5,257 2,713	3,700 18,903
Total AME expenditure	7,970	22,603
Total AME funding received (note 27)	20,000	20,000
Total AME under/(over)spend	12,030	(2,603)

Statement of Resource Outturn – funding

Cash funding is allocated as follows:

- 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

Non-cash funding is allocated as follows:

- 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

The cash element alone of the funding of DEL and ODEL, including Reform funding for the year to 31 March 2016 was £1,088,765,000 (2014/15: £1,105,465,000), representing a drop in cash resources of £16,700,000 (1.5%) compared to the drop of £72,961,000 (6.2%) received in the 2014/15 financial year.

The summary position for all funding sources during the year is as follows:

Summary Statement of Resource Outturn	2015/16	2014/15
	£'000	£'000
Total Cash overspend in year	(1,176)	(4,497)
Total non-Cash underspend in year	2,698	2,190
Total AME under/(over)spend in year	12,030	(2,603)
Total under/(over)spend in year	13,552	(4,910)

Long-term expenditure trends

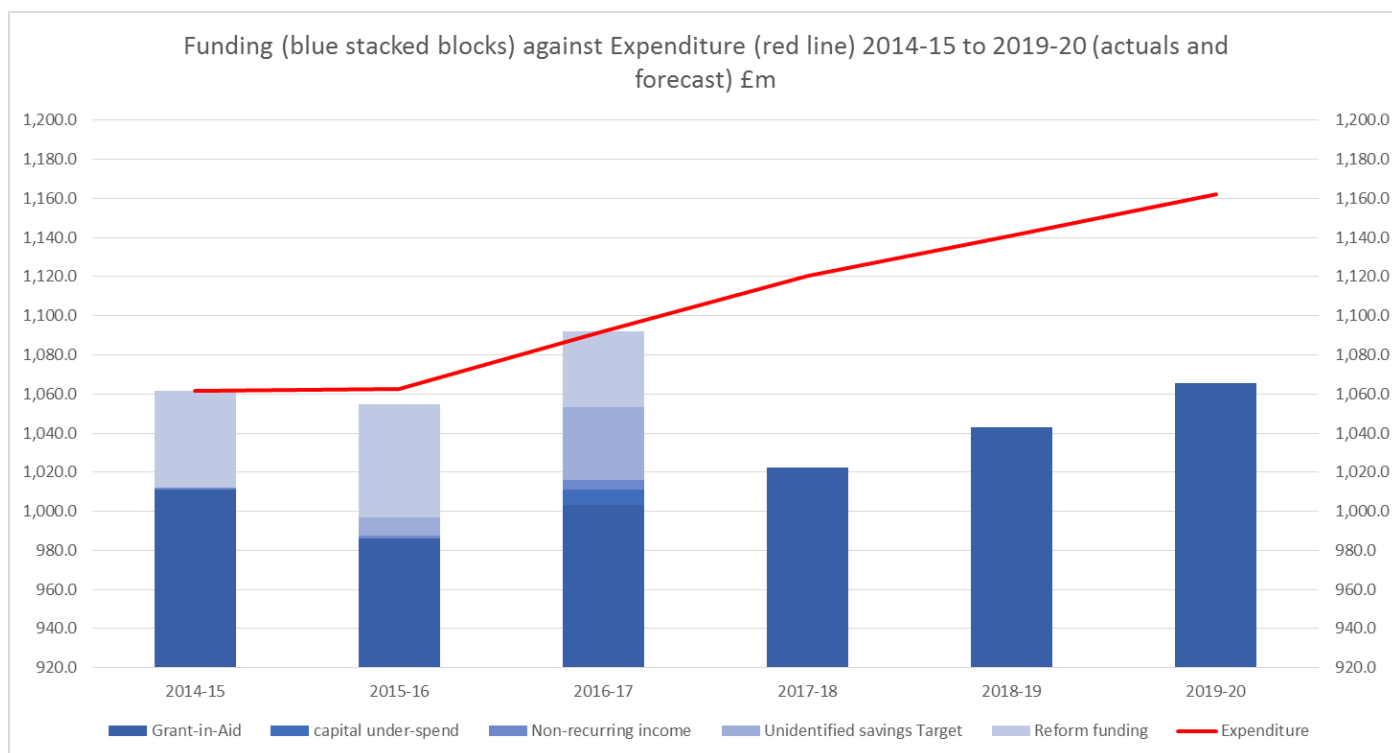
As set out earlier in the report, the 2015/16 financial year resulted in a £20.5m cash revenue overspend, and if Reform funding is lost from 2017/18, it will further extend the gap between revenue expenditure and funding. As a result a 3-year financial plan is under development in order to address the gap by identifying the savings required to bring the revenue budget into recurring balance by 2019/20.

An early analysis has indicated that, on the assumption that Scottish Government continues to fund VAT, then the revenue budget gap will be in order of £60m in each of the 3 financial years 2017/18 to 2019/20, before savings measures are applied. This equates to approximately 6% of the revenue budget, which represents a manageable challenge.

The forecast expenditure trend is for relatively modest cost increases of less than 2% per year, on the basis that 84% of the budget relates to pay, and the current expectation is that the 1% public sector pay policy will hold over this period.

The table on the next page sets out the 2015/16 actual, 2016/17 budgeted, and 2017/18 to 2019/20 forecast expenditure in the blue bars. When the recurring actual and forecast grant-in-aid is overlaid (orange line) it highlights that the funding will not be sufficient to meet the existing recurring cost base. However, as a result of the Scottish Government's commitment to increase the grant-in-aid by £100m over the term of the current Parliament, it means that the revenue gap will remain stable over the period, meaning a one-off reduction in cost base of approximately 6% will bring the organisation into financial balance.

Work is currently underway to determine how best to manage expenditure down over the next 3 years in a manner that minimises the impact on the effect of the policing capability, and this will be incorporated into the 3-year financial plan.



Sources of Income, fees and charges

During 2014/15 there had been an additional £18,311,000 of grant income attributable to the Commonwealth Games and Major Events held during the year which reduced the income received in 2015/16. There were additional reductions in other grant income and fees and charges compared to 2014/15, which resulted in an overall decrease in income of £28,275,000 in the year.

Scottish Government requires the SPA to maintain a Police Pension Account in respect of its police pension schemes. The funding for police pension payments is made through a Police Specific Grant paid to the SPA that takes into account the funding to meet the cost of the employer contributions. A summary of those transactions is held within note 18 to the Accounts.

Losses, Special Payments and Write-offs

A bad debt review has resulted in a provision for bad debts to be held within trade receivables of £1,499,000 (2014/15: £1,176,000). In line with the SPA Governance and Accountability Framework document, the February SPA Finance & Investment Committee agreed to writing off 872 invoices (2014/15: 325) totalling £225,087 (2014/15: £184,571) during the year. The level of stocks which have been written off with stores during the year amounted to £33,619 (2014/15: £87,340).

Legal fees have arisen during the normal course of operations and are taken into account within note 4 of the accounts, with a provision for litigation provided for within note 22 of the accounts. Payments to individuals who have taken voluntary redundancy are disclosed under the Remuneration Report. There have been no additional losses, special payments or write-offs.

Donations

Small donations were made during the year to Poppy Scotland, some volunteering organisations and community safety fund partnerships. Overall these payments amounted to less than £100,000 and included the Scottish Police Memorial Trust £6,000 (2014/15: £5,000), Police Arboretum Memorial Trust £1,000 (2014/15: £1,000), Local Hero Awards £995 (2014/15: £1,140), Protection of Vulnerable Adults £27,597 (2014/15: £27,597) and payments were made to the Mountain Rescue Service of £63,000 (2014/15: £63,000).

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

Remote Contingent Liabilities

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

Supplier Payment Policy

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

Under the eFinancials system, a breakdown for 2015/16 indicates that although only 22% (2014/15: 26%) of all invoices were paid within 10 working days of invoice date, 62% (2014/15: 65%) of invoices were paid within 10 working days of the date of receipt of the invoice.

Further analysis indicates that 70% (2014/15: 73%) of invoices were paid within the normal trading terms of 30 days of invoice date, with 83% (2014/15: 87%) being paid within 30 days of receipt of the invoice. The trade creditor level as at 31 March 2016 was 15 days (31 March 2015: 10 days).

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, the SPA's auditors are appointed by the Auditor General. Gillian Woolman has been appointed as auditor from Audit Scotland for the 2015/16 financial year. The auditors were remunerated the sum of £210,000 (2014/15: £190,000 plus an additional fee of £35,000 in respect of additional audit work) in respect of statutory audit services for the financial year. No additional payments were made to Audit Scotland for non-audit services.



John Foley
Chief Executive and Accountable Officer
15 December 2016

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 ended 31 March 2016 under the Police and Fire Reform (Scotland) Act 2012. The financial statements comprise the Statement of Comprehensive Net (Income)/Expenditure, the Statement of Financial Position, the Statement of Cash Flows and 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 2015/16 Government Financial Reporting Manual (the 2015/16 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 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 and Accounts, 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 2016 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 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 Performance Report 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. Aspects of the accounting records and access to information and explanations in the area of property, plant and equipment were of poor quality. In my opinion, therefore, adequate accounting records have not been kept in respect of these areas for the 2015/16 financial year.

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



Gillian Woolman, MA FCA CPFA
Assistant Director
Audit Scotland
102 Westport
Edinburgh
EH3 9DN

19 December 2016

FINANCIAL STATEMENTS

Statement of Comprehensive Net (Income)/Expenditure Year ended 31 March 2016

	Note	2015/16 £'000	2014/15 '000
Expenditure			
Staff costs	RR* 4	989,350	1,044,549
Other expenditure		173,708	184,883
		1,163,058	1,229,432
Depreciation & amortisation	9&10	38,082	43,983
Operating expenditure	2	1,201,140	1,273,415
Income from activities	3	(49,529)	(77,804)
		(49,529)	(77,804)
Net Expenditure before interest		1,151,611	1,195,611
Loss on impairment of assets	9	11,933	18,903
Interest payable			
Pension fund interest	23	482,174	536,980
PFI interest		2,387	2,459
Finance lease interest		433	475
Loan and other Interest		4,953	5,513
		489,947	545,427
Net Expenditure	2	1,653,491	1,759,941

Other Comprehensive Expenditure	Note	2015/16 £'000	2014/15 £'000
These items will not be reclassified to net expenditure			
Net loss on revaluation reserve		5,425	11,880
Net (gain) on revaluation of Investment Properties		(867)	-
IAS19 actuarial (gain)/loss	23	(2,730,536)	1,951,652
Total Other Comprehensive (Gains)/Losses		(2,725,978)	1,963,532

Total Comprehensive Net (Income)/Expenditure	(1,072,487)	3,723,473
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* Remuneration Report

The notes on pages 54 to 94 form part of these accounts.

Statement of Financial Position As At 31 March 2016

		31 March 2016	31 March 2015
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	9	507,570	543,123
Investment properties	10	8,394	4,391
Intangible assets	11	7,635	4,574
Total non-current assets		523,599	552,088
Current assets			
Cash and cash equivalents	13	62,344	92,916
Inventories	14	3,754	4,361
Trade and other receivables	15	34,302	16,086
Assets held for sale	16	7,035	6,739
Total current assets		107,435	120,102
Total assets		631,034	672,190
Current liabilities			
Trade and other payables	17	(114,847)	(121,476)
Total current liabilities		(114,847)	(121,476)
Total assets less net current liabilities		516,187	550,714
Non-current liabilities			
Finance lease liabilities	19	(6,016)	(6,786)
PFI liabilities	20	(17,793)	(18,502)
Long-term loan liabilities	21	(92,720)	(99,045)
Provisions	22	(12,400)	(12,483)
Pension liabilities	23	(12,843,886)	(15,039,426)
Total non-current liabilities		(12,972,815)	(15,176,242)
Assets Less Liabilities		(12,456,628)	(14,625,528)
Taxpayers' equity			
General fund		299,762	320,977
Pension reserve	23	(12,843,886)	(15,039,426)
Revaluation reserve		87,496	92,921
Total Taxpayers' Equity		(12,456,628)	(14,625,528)



John Foley
Chief Executive and Accountable Officer
15 December 2016 and Authorised for issue on 19 December 2016

The notes on pages 54 to 94 form part of these accounts.

Statement of Cash Flows

Year ended 31 March 2016

		31 March 2016	31 March 2015
	Note	£'000	£'000
Cash flows from operating activities			
Net deficit from operating activities		(1,653,491)	(1,759,941)
Adjustments for non-cash transactions	8	589,493	701,584
Decrease/(increase) in inventories	14	607	(920)
Decrease/(increase) in trade and other receivables	15	(18,216)	16,395
Decrease/(increase) in assets held for sale	16	-	-
Increase/(decrease) in trade and other payables	17	(10,501)	(1,823)
Increase/(decrease) in provisions	22	(83)	5,160
Net cash outflow from operating activities		(1,092,191)	(1,039,545)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(27,469)	(44,065)
Purchase of intangible assets	11	(4,822)	(2,232)
Proceeds of disposal of property, plant, equipment	9	18,405	4,233
Net cash outflow from investing activities		(13,886)	(42,064)
Cash flows from financing activities			
Grant in Aid from Scottish Government	27	1,088,765	1,105,465
Payments to repay finance leases – interest	19	(433)	(475)
Payments to repay PFI agreements – interest	20	(2,387)	(2,459)
Payments to repay long-term loans – interest	21	(4,953)	(5,513)
Payments to repay finance leases – capital	19	(758)	(716)
Payment to repay PFI agreements – capital	20	(628)	(556)
Payments to repay long-term loans – capital	21	(4,101)	(4,119)
Net financing		1,075,505	1,091,627
Net (decrease)/increase in cash and cash equivalents		(30,572)	10,018
Cash/cash equivalents at the beginning of the year		92,916	82,898
Cash/cash equivalents at the end of the year	13	62,344	92,916

The notes on pages 54 to 94 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2016

	Note	General Fund £'000	Pension £'000	Revaluation Reserve £'000	Total £'000
Balance as at 31 March 2015		320,977	(15,039,426)	92,921	(14,625,528)
Revaluations during the year	9	-	-	2,223	2,223
Transfer on reclassification		1,030	-	(1,030)	-
Revaluation reserve on disposals		1,349	-	(1,349)	-
Amortisation of revaluation reserve		4,592	-	(4,592)	-
Revaluation of Investment properties		867	-	-	867
Transfer of Investment property reserve		677	-	(677)	-
Net expenditure for the year		(1,118,495)	(534,996)		(1,653,491)
IAS19 actuarial gain/(loss)	23	-	2,730,536	-	2,730,536
Cash Grant in Aid	27	1,088,765	-	-	1,088,765
Balance as at 31 March 2016		299,762	(12,843,886)	87,496	(12,456,628)

	Note	General Fund £'000	Pension £'000	Revaluation Reserve £'000	Total £'000
Balance as at 31 March 2014		335,744	(12,453,063)	104,801	(12,012,518)
Revaluations during the year	9	-	-	(6,285)	(6,285)
Revaluation reserve on disposals		332	-	(332)	-
Amortisation of revaluation reserve		4,666	-	(4,666)	-
Other revaluation movement		-	-	(597)	(597)
Net expenditure for the year		(1,125,230)	(634,711)		(1,759,941)
IAS19 actuarial loss	23	-	(1,951,652)	-	(1,951,652)
Cash Grant in Aid	27	1,105,465	-	-	1,105,465
Balance as at 31 March 2015		320,977	(15,039,426)	92,921	(14,625,528)

The notes on pages 54 to 94 form part of these accounts.

Notes to the Accounts

1	Statement of Accounting Policies	55
2	Analysis of Net Expenditure by Segment	65
3	Other Operating Income	65
4	Other Operating Expenditure	66
5	Commitments under Operating Leases	66
6	Income from Operating Leases	67
7	Corporation Tax	67
8	Adjustment to Cash Flows for non-cash items	67
9	Property, Plant & Equipment	68
10	Investment Properties	70
11	Intangible Assets	70
12	Valuation of Non-current Assets	70
13	Cash and Cash Equivalents	71
14	Inventories	71
15	Trade and Other Receivables	72
16	Assets Held for Sale	72
17	Trade and Other Payables	73
18	Pension Account	74
19	Commitments under Finance Lease	74
20	Commitments under PFI Arrangement	75
21	Long-term Loans	76
22	Provisions	76
23	IAS 19 Pension Liability - Summary	77
24	IAS 19 Pension Liability – Police Pension and New Police Pension Scheme	80
25	IAS 19 Pension Liability – Local Government Pension Schemes as at 31 March 2016	83
26	IAS 19 Pension Liability – Local Government Pension Schemes as at 31 March 2015	86
27	Scottish Government Funding	90
28	Contingent Liabilities	91
29	Financial Commitments	91
30	Related Party Transactions	91
31	Financial Instruments	92
32	Events after the reporting period	92
33	Direction by Scottish Ministers	94

1. Statement of Accounting Policies

The accounts are prepared in accordance with the Accounts Direction issued by Scottish Government under provisions of the 2012 Act, and in a form directed by Scottish Ministers, in accordance with the Scottish Public Finance Manual (SPFM), the 2015/16 Government Financial Reporting Manual (2015/16 FReM) and applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 SPFM and such other conditions as Scottish Ministers may from time to time impose.

1.1 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.

The accounts have been prepared incorporating the requirements of international accounting standards and include an actuarial valuation of the various pension schemes' liabilities as explained in notes 23-25 to the accounts. These valuations reflect liabilities falling due in future years in respect of pension liabilities arising from the application of IAS19. The actuaries have calculated the liability as at 31 March 2016.

Police Pension Scheme

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

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

The last formal valuation of the Police Pension Scheme was conducted as at 31 March 2012 and the next formal valuation took place on 31 March 2016. The other main assumptions are set out in the notes to the accounts.

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

1.2 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. These divisions are represented as the following:

SPA Corporate Services

Forensic Services

DCC Local Policing

DCC Crime and Operation Support

DCC Designate

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

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

An analysis of Net Expenditure by Segment is provided in note 2 to the accounts.

1.3 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 Statement of Financial Position as creditors.

Capital Grants

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

Provision of Services

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

Rental Income

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

1.4 Property, plant and equipment (PPE)

Recognition

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

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

Capitalisation

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

IT Development Costs

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

Valuation –Land & Buildings (excepting those under policies 1.6 and 1.7)

Operational assets are carried in the Statement of Financial Position at current value in existing use, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Revaluation Reserve

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

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

Valuation – Plant & Equipment

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

Valuation – Surplus Assets

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5 as either an Investment Property or an Asset Held for Sale per 1.6 and 1.7 below.

Donated Assets

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

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the Statement of Comprehensive Net Expenditure, up to the amount of the original loss.

Disposals

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

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

1.5 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 15 to 50 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

1.6 Investment Properties

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

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

Measurement and Depreciation

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

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

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

De-recognition

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

1.7 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 1.4 above. There is no depreciation on assets held for sale. Any subsequent increases or decreases in fair value are then recognised up to the amount of any previously recognised losses within the Statement of Comprehensive Net Expenditure. Assets which are to be abandoned or scrapped are not classified as Assets Held for Sale.

1.8 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 fully commissioned and brought into full operational use, and is re-categorised within the classifications in 1.5 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 year 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.

PFI assets are recognised on the Statement of Financial Position and revalued and depreciated in the same way as property, plant and equipment owned by the SPA.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year – debited to the relevant service in the Statement of Comprehensive Net Expenditure

- finance cost – an interest charge on the outstanding Statement of Financial Position liability, debited to the Financing and Investment Income and Expenditure line in the Statement of Comprehensive Net Expenditure
- payment towards liability – applied to write down the Statement of Financial Position liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a Finance Lease).

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

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, or cash in hand.

The SPA relies primarily on Grant in Aid from the Scottish Government's Justice Portfolio for its cash requirements and is therefore not exposed to liquidity risks. There is no difference between book value and fair value for the cash and cash equivalents shown in the Statement of Financial Position, and there are no balances held in foreign currencies within the cash and bank balance apart from within confiscation accounts held on behalf of third parties per 1.14.

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.

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.

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.

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

1.14 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. The SPA's transactional services are provided by Citi Bank with corporate banking arrangements held with The Royal Bank of Scotland. During the final quarter of the financial year, the new Government Banking Service with NatWest was initiated, and all transactional services will be centralised through the new service for the year ending 31 March 2017.

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. The SPA holds no such investments.

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

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

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

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

1.15 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.

1.16 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.

1.17 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 funding has to be received to meet actual pension payments as they eventually fall due.

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

These are 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 and Police Scotland, and are held within the individual pension schemes. The schemes' assets are measured using market values and the schemes' liabilities are measured using a projected unit method and discounted at the current rate of return.

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

1.18 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.

1.19 Taxation

VAT

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

Corporation Tax

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

Income tax 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 Statement of Financial Position date.

As there have been no profits, there has been no corporation tax payable since 1 April 2013.

Deferred Tax

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

1.20 Insurance

Expenditure included in the Statement of Comprehensive Net Expenditure relates to premiums paid, policy excesses and settlement of claims. In addition, a provision is made for the self-funded elements

of property, liability and motor claims which remain unsettled at the year-end, in addition to other provisions.

1.21 Events after the Reporting Period

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

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

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

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

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

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

This applies from the Accounting Year 2016/17, and relates to the methods of disposal of assets within the Annual Report & Accounts which will materially affect the SPA Annual Report & Accounts.

IFRS 7 - Financial instruments Disclosure – servicing contracts

This applies from the Accounting Year 2016/17, but is unlikely to change to current reporting due to the very limited nature of the SPA's financial instruments.

IFRS 10/11/12 IAS 27/28 – Sale or contribution of Assets, and Accounting for interests

This applies from the Accounting Year 2016/17, and will impact the reporting should SPA acquire an interest in a joint party.

IAS 1/7 - Disclosure initiatives

This applies from the Accounting Year 2016/17, and aims to improve the use of judgement in preparation of the Annual report & Accounts.

IAS 16/38 - Clarification of acceptable methods of depreciation and amortisation

This applies from the Accounting Year 2016/17, but will not affect the SPA's current methods of depreciation and amortisation within the Annual Report & Accounts.

2. Analysis of Net Expenditure by Segment

2015/16	SPA	Forensic Services	DCC Local Policing	DCC Crime & Operation Support	DCC Designate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	3,252	22,076	618,063	166,377	179,582	989,350
Other expenditure	1,514	5,685	15,956	23,536	127,017	173,708
Depreciation & amortisation	-	-	-	-	38,082	38,082
Operating Expenditure	4,766	27,761	634,019	189,913	344,681	1,201,140
Impairment loss	-	-	-	-	11,933	11,933
Income from activities	(1,097)	(330)	(12,651)	(17,413)	(18,038)	(49,529)
Interest payable	489,733	-	-	-	214	489,947
Total Expenditure	493,402	27,431	621,368	172,500	338,790	1,653,491

2014/15	SPA	Forensic Services	DCC Local Policing	DCC Crime & Operation Support	DCC Designate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	3,399	21,098	631,252	163,130	225,670	1,044,549
Other expenditure	2,382	5,583	26,878	22,585	127,455	184,883
Depreciation & amortisation	-	-	-	-	43,983	43,983
Operating Expenditure	5,781	26,681	658,130	185,715	397,108	1,273,415
Impairment loss	-	-	-	-	18,903	18,903
Income from activities	(1,124)	(188)	(12,861)	(15,315)	(48,316)	(77,804)
Interest payable	545,164	-	-	-	263	545,427
Total Expenditure	549,821	26,493	645,269	170,400	367,958	1,759,941

Included within DCC Designate staff costs is the full IAS19 adjustment of £52,747,000 (2014/15: £97,731,000) as disclosed within the staff costs analysis with the Remuneration Report.

3. Other Operating Income

	2015/16 £'000	2014/15 £'000
Fees and Charges	24,841	32,410
Grant income received - external to GIA	20,316	40,972
Seconded officers and staff	2,579	1,706
Insurance	37	98
Donations and Sponsorship	51	191
Profit on Disposal of Assets	790	1,455
Other Income	915	972
	49,529	77,804

4. Other Operating Expenditure

	2015/16 £'000	2014/15 £'000
Other staff costs	2,580	4,803
Premises costs	61,723	62,782
Equipment costs	28,622	29,468
Catering costs	1,503	2,962
Supplies and services	4,302	4,032
Promotional costs	425	162
National Crime Agency	5,212	5,423
Recruitment costs	230	295
Transport costs	24,889	28,230
Animal costs	538	572
Securing premises	573	621
Public protection unit	263	161
Other fees & charges	4,618	5,183
Bad debts	485	263
Printing, stationery & postage	4,553	3,536
Clothing & uniform	3,651	3,269
Prison charges	1,061	1,008
Telecom and Airwave costs	19,709	18,976
Conference / meeting expenses	304	359
Subscriptions	357	219
Third party payments	6,136	8,069
IT Development / consultants	800	1,145
Professional fees	407	354
Legal fees	767	2,991
	173,708	184,883

5. Commitments under Operating Leases

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

2015/16	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	473	1,215	26	1,714
Later than one year and not later than five years	183	2,022	33	2,238
Later than five years	1,342	2,846	-	4,188
	1,998	6,083	59	8,140

2014/15	Land £'000	Buildings £'000	Other £'000	Total £'000
Not later than one year	472	1,548	91	2,111
Later than one year and not later than five years	192	2,680	41	2,913
Later than five years	1,377	3,382	5	4,764
	2,041	7,610	137	9,788

Operating lease payments made during the year were as follows:

	2015/16 £'000	2014/15 £'000
Minimum lease payments	2,468	2,639
Contingent rents	46	46
Sub-lease payments	(50)	(18)
	2,464	2,667

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

6. Income from Operating Leases

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

2015/16	Buildings £'000	Other £'000	Total £'000
Not later than one year	169	512	681
Later than one year and not later than five years	309	-	309
Later than five years	102	-	102
	580	512	1,092

2014/15	Buildings £'000	Other £'000	Total £'000
Not later than one year	143	512	655
Later than one year and not later than five years	250	-	250
Later than five years	61	-	61
	454	512	966

Payments received during the year were as follows:

	2015/16 £'000	2014/15 £'000
Minimum lease payments	646	660
Contingent rents	-	-
	646	660

7. Corporation Tax

	2015/16 £'000	2014/15 £'000
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.

8. Adjustments to Cash Flows for non-cash items

	Note	2015/16 £'000	2014/15 £'000
Depreciation of property, plant & equipment	9	35,551	42,191
Amortisation of intangible assets	11	2,531	1,792
Interest payable – PFI interest		2,387	2,459
Interest payable – finance lease		433	475
Interest payable – loan and other interest		2,452	3,105
IAS19 pension adjustment to staff costs	23	52,822	97,731
IAS19 interest on pension scheme obligations	23	482,174	536,980
Asset impairment	9	11,933	18,903
Asset revaluation review		-	(597)
Profit on sale of property, plant & equipment	3	(790)	(1,455)
Adjustments to non-cash costs		589,493	701,584

9. Property, Plant & Equipment

During the year, revaluations on a small number of properties were carried out in Edinburgh and the Lothians by the City of Edinburgh Council Estates department in April 2015. This was due to significant changes in market value of nearby comparable sites. In addition to this, properties in Fife were revalued by the Police Scotland internal estates team who is qualified under the Royal Institute of Chartered Surveyors as at 31 March 2016. Valuations were conducted on operational buildings on the basis of Existing Use Value, except in the circumstances of Specialised Properties where Depreciated Replacement Cost Valuation was used. The non-operational properties were valued on the basis of Market Value with vacant possession.

£3,136,000 of land and buildings were reclassified during the year as Investment Properties. These properties are radio masts and stations which provide a source of rental income to the organisation. This resulted in a transfer to the General Fund of the associated revaluation reserve of £677,000 during the year. A further £6,539,000 of land and buildings were reclassified as Assets Held for Sale during the year.

Valuations during the year after reclassification resulted in a net decrease in the value of Property, Plant & Equipment of £461,000 (2014/15: a decrease of £6,492,000), an increase in the value of investment properties of £867,000 (2014/15: a decrease of £308,000) per note 10, and a net decrease in Assets Held for Sale of £26,000 (2014/15: an increase of £74,000) per note 16.

Aside from the derecognition of the i6 project within Assets Under Construction detailed in note 32 to the Accounts, a total of 50 properties, two police boxes and one section of land have been sold during the year, as well as a number of motor vehicles. The net book value of those disposals per notes 9 and 16 was £6,397,000 (2014/15: £2,778,000), which, together with the profit on disposal of assets of £790,000 (2014/15: £1,455,000) per note 3 results in a total cash proceeds on disposal of property, plant and equipment of £7,187,000 (2014/15: £4,233,000).

Details of assets held under Finance Lease and PFI Contract as at 31 March 2016 are held within notes 19 and 20 respectively.

An additional fifteen properties within Land and Buildings have been made vacant as at 31 March 2016, however these have not been recognised as surplus within the organisation. An internal process for declaring assets as surplus will be developed by Police Scotland during 2016/17. These properties have been valued at expected market valuation by the Police Scotland internal estates team at £1,220,000. The Net Book Value in the overleaf table at £1,245,000. It is anticipated that these will be revalued at fair value during the 2016/17 financial year in line with IFRS 13 and transferred to Assets Held for Sale for sale during 2016/17 once the SPA Board have given their authorisation to proceed with the sale.

2015/16	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 2015	503,135	107,009	54,070	11,557	58,057	30,976	764,804
Additions	4,933	11,491	1,329	392	7,235	6,143	31,523
Disposals	(354)	-	(19)	-	(5,195)	(11,219)	(16,787)
Revaluation	(5,389)	-	-	-	-	-	(5,389)
Impairment	-	-	-	-	-	(9,220)	(9,220)
Reclassification	(5,897)	10,244	4,232	(5,620)	6	(13,955)	(10,990)
As at 31 March 2016	496,428	128,744	59,612	6,329	60,103	2,725	753,941
Depreciation:							
As at 1 April 2015	43,680	86,013	44,338	7,382	40,268	-	221,681
Charged in year	12,226	11,082	2,985	773	8,485	-	35,551
Depreciation on disposals	(354)	-	(19)	-	(5,016)	-	(5,389)
Depreciation on revaluation	(4,928)	-	-	-	-	-	(4,928)
Depreciation on impairment	-	-	-	-	-	-	-
Depreciation on reclassification	(478)	1,289	4,012	(5,372)	5	-	(544)
As at 31 March 2016	50,146	98,384	51,316	2,783	43,742	-	246,371
Net Book Value As at 31 March 2016	446,282	30,360	8,296	3,546	16,361	2,725	507,570

2014/15	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 2014	560,618	58,363	73,203	10,979	65,029	42,082	810,274
Additions	6,377	10,636	1,144	1,894	8,008	16,006	44,065
Disposals	-	-	(90)	-	(7,923)	-	(8,013)
Revaluation	(50,958)	-	(200)	-	(5)	-	(51,163)
Impairment	(31,708)	-	-	-	-	-	(31,708)
Reclassification	18,806	38,010	(19,987)	(1,316)	(7,052)	(27,112)	1,349
As at 31 March 2015	503,135	107,009	54,070	11,557	58,057	30,976	764,804
Depreciation:							
As at 1 April 2014	81,106	39,959	63,730	6,977	43,710	-	235,482
Charged in year	17,826	8,792	3,383	947	11,243	-	42,191
Depreciation on disposals	-	-	(90)	-	(7,438)	-	(7,528)
Depreciation on revaluation	(44,451)	-	(117)	-	(3)	-	(44,571)
Depreciation on impairment	(11,816)	-	-	-	-	-	(11,816)
Depreciation on reclassification	1,015	37,262	(22,568)	(542)	(7,244)	-	7,923
	43,680	86,013	44,338	7,382	40,268	-	221,681
Net Book Value As at 31 March 2015	459,455	20,996	9,732	4,175	17,789	30,976	543,123

10. Investment Properties

2015/16	31 March 2016 £'000	31 March 2015 £'000
Cost or Valuation:		
As at 1 April	4,391	3,950
Gain/(losses) from fair value adjustment	138	467
Reclassification	3,865	(26)
Cost or Valuation as at 31 March	8,394	4,391
Depreciation:		
As at 1 April 2014	-	-
(Gain)/losses from fair value adjustment	(729)	(159)
Reclassification	729	159
Depreciation as at 31 March	-	-
Net Book Value As at 31 March	8,394	4,391

11. Intangible Assets

2015/16	31 March 2016 £'000	31 March 2015 £'000
Cost or Valuation:		
As at 1 April	16,835	12,966
Additions	4,822	2,232
Reclassification	770	1,637
Cost or Valuation as at 31 March	22,427	16,835
Amortisation:		
As at 1 April 2014	12,261	8,884
Charged in year	2,531	1,792
Reclassification	-	1,585
Amortisation as at 31 March	14,792	12,261
Net Book Value As at 31 March	7,635	4,574

Intangible non-current assets represent purchased software, licences and assets developed inhouse with a life of more than one year.

12. Valuation of Non-Current Assets

Property, plant and equipment (PPE)

As stated in Note 1.4 to the Accounts, the valuation technique applied in respect of the fair value of Land & Buildings was the current value in existing use using market-based evidence of fair value. Any Land & Buildings of a specialist nature are valued under depreciated replacement cost.

This constitutes Hierarchy Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same of similar locations at or around the valuation date.

Non-property assets are carried at valuation in existing use, using depreciated historical cost as a proxy for current value for assets with short useful economic lives and/or low values.

This constitutes Hierarchy Level 3 inputs in each instance. Level 3 inputs are inputs which are not based on observable market data.

There were no transfers between Hierarchy Levels for Property, plant and equipment during the year.

Investment Properties

As stated in Note 1.6 to the Accounts, the valuation technique applied in respect of the fair values of investment properties was the market value approach, using prices and other information generated by market transactions involving identical or comparable assets.

The input to that technique constitute Hierarchy Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same of similar locations at or around the valuation date.

There were no transfers between Hierarchy Levels for Investment Properties during the year.

Intangible Assets

As stated in Note 1.11 to the Accounts, the valuation technique applied in respect of the fair value of Intangible assets was 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.

This constitutes Hierarchy Level 3 inputs in each instance. Level 3 inputs are inputs which are not based on observable market data.

There were no transfers between Hierarchy Levels for Intangible Assets during the year.

13. Cash and Cash Equivalents

	31 March 2016 £'000	31 March 2015 £'000
Balance as at 1 April	92,916	82,898
Net change in cash and cash equivalent balance	(30,572)	10,018
Balance as at 31 March	62,344	92,916

The balances held as at 31 March 2016 were held as follows:

	31 March 2016 £'000	31 March 2015 £'000
Balance within the Government Banking Service	59,604	89,135
Cash at commercial banks and cash in hand*	2,740	3,781
	62,344	92,916

* Within the Cash at commercial banks and cash in hand balance is £1,248,000 (31 March 2015: £1,247,000) of the balances held as at 31 March 2016 represent confiscation and warrant accounts held on behalf of third parties, with a corresponding creditor balance held within Other Payables in notes.

14. Inventories

	31 March 2016 £'000	31 March 2015 £'000
Balance as at 1 April	4,361	3,441
(Decrease)/increase in inventories and stock during year	(607)	920
Balance as at 31 March	3,754	4,361

Inventories include equipment, uniforms, other operational consumables, fuel and vehicle parts, and are included in the Statement of Financial Positions at the lower of cost or net realisable value.

15. Trade and Other Receivables

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

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year:		
Trade receivables	7,379	7,460
Other receivables	558	730
Prepayments and accrued income	26,365	7,896
Total amounts falling due within one year	34,302	16,086

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

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year:		
Balances with other central government bodies	3,506	2,194
Balances with local authorities	1,845	2,618
Balances with NHS bodies	225	93
Intra-governmental balances	5,576	4,905
Balances with bodies external to government	28,726	11,181
Total amounts falling due within one year	34,302	16,086

All trade and other receivables are due within one year.

16. Assets Held for Sale

	31 March 2016 £'000	31 March 2015 £'000
Balance brought forward as at 1 April	6,739	1,655
Reclassifications from Property, plant and equipment	6,539	7,303
Revalued during the year	(176)	207
Reversal of Impairments/(impairments) during the year	150	(133)
Assets sold	(6,218)	(2,293)
Balance as at 31 March	7,034	6,739

17. Trade and Other Payables

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

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year:		
VAT	2,763	617
Other taxation and social security	19,468	20,715
Trade payables	12,174	9,524
Other payables*	2,774	2,018
Pension creditor (<i>note 18</i>)	9,153	15,416
Accruals and Deferred Income	60,737	65,224
Sub-total amounts falling due within one year (<i>note 31</i>)	107,069	113,514
Current part of finance leases	770	758
Current part of PFI agreements	709	628
Current part of long-term loans	6,299	6,576
Total amounts falling due within one year	114,847	121,476

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due after more than one year:		
Finance leases	6,016	6,786
PFI agreements	17,793	18,502
Long-term loans	92,720	99,045
Total amounts falling due after more than one year	116,529	124,333

* £1,248,000 (2014/15: £1,247,000) of the balance within other payables represents confiscation and warrant accounts, is held on behalf of third parties, and has a corresponding entry within note 13.

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

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year:		
Balances with other central government bodies	51,623	53,414
Balances with local authorities	14,559	12,478
Balances with NHS bodies	84	284
Intra-governmental balances	66,266	66,176
Balances with bodies external to government	48,581	55,300
Total amounts falling due within one year	114,847	121,476

	31 March 2016 £'000	31 March 2015 £'000*
Amounts falling due after more than one year:		
Balances with other central government bodies	4,951	5,828
Balances with local authorities	87,849	93,313
Balances with NHS bodies	-	-
Intra-governmental balances	92,800	99,141
Balances with bodies external to government	23,729	25,192
Total amounts falling due after more than one year	116,529	124,333

18. Pension Account

Scottish Government requires the SPA to maintain a Police Pension Account in respect of its police pension schemes. During the transfer of legacy force pension arrangements, Scottish Government has effected guidance to the SPA to follow the requirements specified in the previously required Police Pension Account (Scotland) Regulations 2010 and the 2013 update to the 2010 Guidance. The regulations specify that a Police Pension Account must be maintained to record the payments made and income received in respect of police pensions.

The funding for police pension payments is made through a Police Specific Grant paid to the SPA that takes into account the funding to meet the cost of the employer contributions.

A determination was made by the Pensions Ombudsman in May 2015 concerning historic commutation factors in the Firefighters' Pension Scheme, and applies similarly to the Police Pension Scheme 1987.

A revision of commutation factors to calculate pension benefits was due on 1 December 2001 and 1 December 2004 and was not conducted. The Scottish Government has now provided funds to SPA to make onward payment to SPPA in respect of £41million commutation factor payments to retired officers. We anticipate that £200,000 will be payable in future to those police officers affected.

Scottish Government holds a provision for this pension liability within their own Annual Report & Accounts which incorporates a provision for any sums falling due under both the Police and Fire Pension Schemes.

Funds for these payments are paid to SPA by Scottish Government for onward payment to the Scottish Police Pensions Authority and are shown at * below.

	31 March 2016 £'000	31 March 2015 £'000
Receivable:		
Employer Contributions	140,060	152,701
Officers' Contributions	83,670	82,971
Other receivables	7,639	7,054
Transfer values received	3,170	1,585
Total Receivable	234,539	244,311
Payable:		
Pensions	292,057	282,517
Refund & Transfer values paid	5,328	4,830
Lump sum payments	95,190	91,598
Commutation Factor payments*	41,046	-
Total Payable	433,621	378,945
Deficit before funding	199,082	134,634
Funding Received from Scottish Government:		
Brought forward surplus	(15,416)	(4,892)
Police Pension Grant	(151,624)	(145,158)
Funding for Commutation Factors*	(41,195)	-
Carried forward surplus funding received	(9,153)	(15,416)

19. Commitments under Finance Leases

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

	31 March 2016		31 March 2015	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Within 12 months	1,157	-	1,191	-
2-5 years	4,571	-	4,586	-
6-10 years	2,804	-	3,946	-
	8,532	-	9,723	-
Less: Interest element	(1,746)	-	(2,179)	-
Present Value of Obligations	6,786	-	7,544	-

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

	31 March 2016		31 March 2015	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Within 12 months	770	-	758	-
2-5 years	3,516	-	3,329	-
6-10 years	2,500	-	3,457	-
	6,016	-	6,786	-
	6,786	-	7,544	-

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

	31 March 2016 £'000	31 March 2015 £'000
Cost brought forward as at 1 April	14,961	14,961
Aggregate depreciation brought forward as at 1 April	(9,734)	(8,857)
Depreciation during year	(650)	(877)
Net Book Value as at 31 March	4,577	5,227
Revaluation Reserve as at 31 March	459	542

20. Commitments under PFI Arrangement

A 25-year PFI contract was established in 2002 for the construction, maintenance and operation of the Training & Recruitment Centre at Jackton. The estimated future payments in respect of the PFI contract are as follows:

	Capital Repayment £'000	Interest £'000	Service Charge £'000	31 March 2016 Total £'000	31 March 2015 Total £'000
Within 12 months	709	2,305	1,497	4,511	4,468*
2-5 years	3,884	8,173	6,451	18,508	18,320
6-10 years	8,452	6,620	9,213	24,285	24,017
11-15 years	5,457	343	1,076	6,876	11,843
	17,793	15,136	16,740	49,669	54,180
As at 31 March 2016	18,502	17,441	18,237	54,180	58,648
As at 31 March 2015	19,130	19,828	19,690	58,648	

* The £4,468,000 repayable as at 31 March 2015 (31 March 2014: £4,426,000) comprised capital repayment of £628,000 (31 March 2014: £556,000), interest repayment of £2,387,000 (31 March 2014: £2,459,000) representing a total repayment of £3,015,000 (31 March 2014: £3,015,000), together with a service charge of £1,453,000 (31 March 2014: £1,411,000). The asset is recognised on the Statement of Financial Position and included within the Land and Buildings as follows:

	31 March 2016 £'000	31 March 2015 £'000
Cost brought forward as at 1 April	17,350	17,350
Aggregate depreciation brought forward as at 1 April	(2,515)	(2,168)
Depreciation during year	(521)	(347)
Net Book Value as at 31 March	14,314	14,835
Revaluation Reserve as at 31 March	459	524

21. Long-term Loans

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

	31 March 2016				31 March 2015
	Capital Repayment £'000	Interest £'000	Service Charge £'000	Total £'000	Total £'000
Within 12 months	6,299	5,049	27	11,375	12,175*
2-5 years	20,481	17,150	88	37,719	41,287
6-15 years	37,082	27,901	107	65,090	67,809
16-25 years	25,578	11,721	31	37,330	41,301
26-35 years	4,495	4,047	3	8,545	9,507
36-45 years	5,084	1,527	1	6,612	7,255
46-55 years	-	-	-	-	1
	92,720	62,346	230	155,296	167,160
As at 31 March 2016	99,019	67,395	257	166,671	179,335
As at 31 March 2015	105,621	73,502	212	179,335	

* The £12,175,000 repayable as at 31 March 2015 (31 March 2014: £12,420,000) comprised estimated capital repayment of £6,576,000 (31 March 2014: £6,527,000), estimated interest repayment of £5,579,000 (31 March 2014: £5,870,000), and service charge of £20,000 (31 March 2014: £23,000). The actual capital repayment for the year ended 31 March 2016 was lower at £6,602,000, and the interest payment was also lower, at £4,953,000.

22. Provisions

	31 March 2016			31 March 2015
	Legal Provision £'000	Provision for Voluntary Redundancy £'000	Total £'000	Total £'000
Opening Balance as at 1 April	7,886	4,597	12,483	7,323
Provision During Year	233	5,024	5,257	8,297
Release of Prior Year Provision	(2,319)	(3,021)	(5,340)	(3,137)
Total Provisions as at 31 March	5,800	6,600	12,400	12,483

Provisions are made up of specific provisions of £1,000,000 (2014/15: £2,570,000) in the SPA, an actuarial valuation of £4,800,000 (£5,316,000) for Employers' Liability, Public Liability and Third Party Motor Liability, and an additional £6,600,000 (2014/15: £4,597,000) for posts which were approved for release by 31 March 2016. The SPA and Police Scotland is self-insured under the Scottish Government SPFM.

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

(a) Reconciliation of Pension Reserve

	Ref	2015/16 Income and Expenditure Analysis			2015/16 Statement of Financial Position	2014/15 Statement of Financial Position
		Actuarial Gain/(loss)	Interest on Pension Scheme Obligations	Staff Costs	Total	Total
		£'000	£'000	£'000	£'000	£'000
Opening position as at 1 April	A				(15,039,426)	(12,453,063)
Actuarial gain/(loss) in year	B	2,730,536			2,730,536	(1,951,652)
Interest on obligation	C		(517,243)		(517,243)	(577,902)
Expected return on assets	D		35,069		35,069	40,922
Other adjustments				(52,822)	(52,822)	(97,731)
As at 31 March 2016		2,730,536	(482,174)	(52,822)	(12,843,886)	(15,039,426)
As at 31 March 2015		(1,951,652)	(536,980)	(97,731)	(15,039,426)	

The full non-cash adjustment for IAS19 disclosed within the Summary of Resource Outturn for the year ended 31 March 2016 is made of the following:

	2015/16 £'000	2014/15 £'000
Interest on pension scheme obligations	482,174	536,980
Staff costs	52,822	97,731
Total non-cash adjustment	534,996	634,711

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

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

		2015/16			2014/15 (Restated items marked * as appropriate per Note 22)		
	Ref	PPS NPPS and Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000	PPS NPPS and Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000
Fair value of employer assets		-	1,075,482	1,075,482	-	938,506	938,506
Present value of unfunded liabilities		(14,085,200)	(30,595)	(14,115,795)	(11,709,000)	(21,628)	(11,730,628)
Present value of funded liabilities		-	(1,375,313)	(1,375,313)	-	(1,160,941)	(1,160,941)
Present value of injury liabilities		(623,800)	-	(623,800)	(500,000)	-	(500,000)
Opening position as at 1 April	A	(14,709,000)	(330,426)	(15,039,426)	(12,209,000)	(244,063)	(12,453,063)
Current service cost		(416,200)	(40,971)	(457,171)	(460,100)*	(39,917)	(500,017)*
Past service cost (including curtailments)		(6,100)	(4,512)	(10,612)	(5,400)	(7,838)	(13,238)
Total service cost		(422,300)	(45,483)	(467,783)	(465,500)*	(47,755)	(513,255)*
Interest income on plan assets	D	-	35,069	35,069	-	40,922	40,922
Interest cost on defined benefit obligation	C	(471,200)	(46,043)	(517,243)	(526,200)	(51,702)	(577,902)
Total net interest		(471,200)	(10,974)	(482,174)	(526,200)	(10,780)	(536,980)
Total defined benefit cost		(893,500)	(56,457)	(949,957)	(991,700)*	(58,535)	(1,050,235)*
Employer contributions		-	28,355	28,355	-	31,257	31,257*
Net transfers in from other authorities		2,100	-	2,100	1,800*	-	1,800*
Contributions in respect of unfunded benefits		-	1,606	1,606	-	1,467	1,467
Pensions and lump sum expenditure		373,600	-	373,600	371,800*	-	371,800*
Injury award expenditure		9,300	-	9,300	9,200	-	9,200
Benefits paid		-	-	-	-	(106)	(106)
Unfunded benefits paid		-	-	-	-	106	106
Other movements		385,000	29,961	414,961	382,800*	32,724	415,524*
Expected closing position		(15,217,500)	(356,922)	(15,574,422)	(12,817,900)	(269,874)	(13,087,774)

		2015/16			2014/15 (Restated items marked * as appropriate per Note 22)		
	Ref	PPS NPPS and Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000	PPS NPPS and Injury (note 24) £'000	LGPS (note 25) £'000	Total Net (liability)/asset £'000
Change in demographic assumptions		(149,300)	-	(149,300)	-	(25,267)	(25,267)
Change in financial assumptions		2,101,200	229,100	2,330,300	(1,889,500)	(151,653)	(2,041,153)
Other experience		135,900	9,716	145,616	(1,600)	36,607	35,007
Return on assets excl amounts in net interest		-	(5,280)	(5,280)	-	79,761	79,761
change in mortality assumptions		409,200		409,200	-	-	-
Total remeasurements	B	2,497,000	233,536	2,730,536	(1,891,100)	(60,552)	(1,951,652)
Fair value of employer assets		-	1,118,717	1,118,717	-	1,075,482	1,075,482
Present value of unfunded liabilities		(12,345,200)	(33,204)	(12,378,404)	(14,085,200)	(30,595)	(14,115,795)
Present value of funded liabilities		-	(1,208,899)	(1,208,899)		(1,375,313)	(1,375,313)
Present value of injury liabilities		(375,300)	-	(375,300)	(623,800)	-	(623,800)
Closing position as at 31 March		(12,720,500)	(123,386)	(12,843,886)	(14,709,000)	(330,426)	(15,039,426)

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 was carried out by the GAD, and has been based on membership data as at 31 March 2012, accounts data from 1 April 2012 to 31 March 2016, together with details of injury awards in payment as at 31 March 2015 and the total amount of injury benefits paid in March 2016 from the Scottish Public Pensions Agency. Revisions to the allocations of some of the prior year figures have been made in order to provide consistent presentation. The restated figures comprise the Current Service Cost, the Net transfers into the scheme, the Pension and Lump Sum Expenditure and the Employers' Contributions. The effect on the overall net liability is £nil.

Promotional salary scales have been set in accordance with the published police pay scales in line with the 2012 valuation, with short-term general pay increases calculated taking pay restraint into consideration until 2019/20.

It has been assumed that serving officers in the PPS retire at the earlier of attaining 30 years' 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:

	31 March 2016	31 March 2015	
		New Scheme	Old Scheme
Pension increase rate	2.2	2.5	2.4
Salary increase rate	4.2	3.8	3.4
Discount rate	3.6	3.3	3.2

Average future life expectancies at aged 60 are summarised as follows. The assumptions for 2015/16 made by the actuary, GAD, are in line with the ONS 2014-based population projections. The post-retirement mortality assumptions recommended in the 2014/15 by Hymans Robertson 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.

	2015/16		2014/15	
	Males	Females	Males	Females
Current normal health pensioners	26.8 years	28.9 years	29.5 years	31.7 years
Active members	28.4 years	30.4 years	31.1 years	33.2 years
Dependants	26.9 years	28.9 years	29.5 years	31.7 years

(b) Sensitivity Analysis

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

	2015/16		2014/15	
	Increase to Employer Liability %	Approximate Monetary amount £'000	Increase to Employer Liability %	Approximate Monetary amount £'000
0.1% decrease in real discount rate	n/a	n/a	2	310,000
0.5% decrease in real discount rate	8.5	1,080,000	n/a	n/a
1 year increase in member life expectancy	2.5	320,000	3	441,200
0.5% increase in salary increase rate	1.5	190,000	2	346,600
0.5% increase in the pensions increase rate (CPI)	8	1,020,000	8	1,244,500

The pension scheme's Current Service Cost (inclusive of member contributions) for the year ended 31 March 2017 is estimated to be 48.40% of pensionable salaries, with the injury benefit scheme's equivalent Current Service Cost being estimated at 0.97%. Due to a change in the actuaries for the year ended 31 March 2016, the presentation of the IAS 19 disclosure has changed and some comparative figures are not available.

(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 both the PPS and NPPS combined:

	2015/16 Net (liability) / asset			2014/15 Net (liability)/asset (Restated items marked * as appropriate)		
	PPS/NPPS	Injury	Total	PPS/NPPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	-	-	-	-	-	-
Present value of unfunded liabilities	(14,085,200)	-	(14,085,200)	(11,709,000)	-	(11,709,000)
Present value of injury liabilities	-	(623,800)	(623,800)	-	(500,000)	(500,000)
Opening position	(14,085,200)	(623,800)	(14,709,000)	(11,709,000)	(500,000)	(12,209,000)
Current service cost	(396,400)	(19,800)	(416,200)	(438,200)*	(21,900)*	(460,100)*
Past service cost (including curtailments)	(6,100)	-	(6,100)	(5,400)	-	(5,400)
Total service cost	(402,500)	(19,800)	(422,300)	(443,600)	(21,900)	(465,500)
Interest income on plan assets	-	-	-	-	-	-
Interest cost on defined benefit obligation	(451,100)	(20,100)	(471,200)	(504,900)	(21,300)	(526,200)
Total net interest	(451,100)	(20,100)	(471,200)	(504,900)	(21,300)	(526,200)
Total defined benefit cost	(853,600)	(39,900)	(893,500)	(948,500)*	(43,200)*	(991,700)*
Net transfers in from other authorities	2,100	-	2,100	1,800*	-	1,800*
Contributions in respect of injury benefits	-	-	-	-	-	-
Pensions and lump sum expenditure	373,600	-	373,600	371,800*	-	371,800*
Injury award expenditure	-	9,300	9,300	-	9,200	9,200
Other movements	375,700	9,300	385,000	373,600*	9,200	382,800*
Expected closing position	(14,563,100)	(654,400)	(15,217,500)	(12,283,900)	(534,000)	(12,817,900)
Change in demographic assumptions	(358,800)	209,500	(149,300)	-	-	-
Change in financial assumptions	2,039,200	62,000	2,101,200	(1,809,400)	(80,100)	(1,889,500)
Other experience	140,400	(4,500)	135,900	8,100	(9,700)	(1,600)
Change in mortality assumptions	397,100	12,100	409,200	-	-	-
Total remeasurements	2,217,900	279,100	2,497,000	(1,801,300)	(89,800)	(1,891,100)

	2015/16 Net (liability) / asset			2014/15 Net (liability)/asset (Restated items marked * as appropriate)		
	PPS/NPPS	Injury	Total	PPS/NPPS	Injury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	-	-	-	-	-	-
Present value of unfunded liabilities	(12,345,200)	-	(12,345,200)	(14,085,200)	-	(14,085,200)
Present value of injury liabilities	-	(375,300)	(375,300)	-	(623,800)	(623,800)
Closing position as at 31 March	(12,345,200)	(375,300)	(12,720,500)	(14,085,200)	(623,800)	(14,709,000)

25. Local Government Pension Schemes – Summary as at 31 March 2016

The latest formal valuation of the Scottish LGPS funds was at 31 March 2014. In order to assess the value of the SPA's assets and liabilities in the funds as at 31 March 2016 for the purposes of IAS19, the value of the SPA's liabilities has been rolled forward, allowing for different financial assumptions required under IAS19, the investment returns obtained and contributions paid into and estimated benefits paid from the Fund. In calculating the service cost, allowance has been made for changes in the pensionable payroll as estimated from contribution information provided.

Below shows the assumptions, sensitivity analysis, projected defined benefit cost and change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for the year for all of the LGPS schemes combined from note 26 to the accounts, with the detail of each individual scheme as at 31 March 2015 also shown at note 26 for comparative purposes.

Calculations were carried out in accordance with the Pensions Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013, and adopting paragraphs **94 of IAS19** which recognises actuarial gains and losses in the period in which they occur. The current service cost includes an allowance for administration expenses of 0.4% of payroll. The valuations were conducted by Hymans Robertson.

(a) Financial and Demographic Assumptions in the Valuation

Financial assumptions are summarised below:

	31 March 2016	31 March 2015
Pension increase rate	2.2	2.0-2.5
Salary increase rate	3.2	3.5-4.4
Discount rate	3.5	3.2-3.4

Average future life expectancies at 65 are summarised as follows:

	2015/16	
	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

(b) Sensitivity Analysis

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

	31 March 2016	
	Increase to Employer Liability %	Approximate Monetary amount £'000
0.5% decrease in real discount rate	12	144,953
1 year increase in member life expectancy	3	37,263
0.5% increase in salary increase rate	4	47,324
0.5% increase in the pensions increase rate (CPI)	8	95,012

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

	31 March 2016			31 March 2015		
	Assets	Obligations	Net (liability)/ asset	Assets	Obligations	Net (liability)/ asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	1,075,482	-	1,075,482	938,506	-	938,506
Present value of unfunded liabilities	-	30,595	(30,595)	-	21,628	(21,628)
Present value of funded liabilities	-	1,375,313	(1,375,313)	-	1,160,941	(1,160,941)
Opening position as at 1 April	1,075,482	1,405,908	(330,426)	938,506	1,182,569	(244,063)
Current service cost	-	40,971	(40,971)	(59)	39,858	(39,917)
Past service cost (incl curtailments)	-	4,512	(4,512)	-	7,838	(7,838)
Total service cost*	-	45,483	(45,483)	(59)	47,696	(47,755)
Interest income on plan assets	35,069	-	35,069	40,922	-	40,922
Interest cost on defined benefit obligation	-	46,043	(46,043)	-	51,702	(51,702)
Total net interest	35,069	46,043	(10,974)	40,922	51,702	(10,780)
Total defined benefit cost	35,069	91,526	(56,457)	40,863	99,398	(58,535)
Plan participants' contributions	8,727	8,727	-	8,854	8,854	-
Employer contributions	28,355	-	28,355	31,257	-	31,257
Transfers in from other authorities	-	-	-	-	-	-
Contributions in respect of unfunded benefits	1,606	-	1,606	1,467	-	1,467
Pensions and lump sum expenditure	-	-	-	-	-	-
Benefits paid	(23,636)	(23,636)	-	(23,293)	(23,187)	(106)
Unfunded benefits paid	(1,606)	(1,606)	-	(1,560)	(1,666)	106
Other movements*	13,446	(16,515)	29,961	16,725	(15,999)	32,724
Expected closing position	1,123,997	1,480,919	(356,922)	996,094	1,265,968	(269,874)
Change in demographic assumptions	-	-	-	-	25,267	(25,267)
Change in financial assumptions	-	(229,100)	229,100	-	151,653	(151,653)
Other experience	-	(9,716)	9,716	(373)	(36,980)	36,607
Return on assets excl amounts included in net interest	(5,280)	-	(5,280)	79,761	-	79,761
Total remeasurements	(5,280)	(238,816)	233,536	79,388	139,940	(60,552)
Fair value of employer assets	1,118,717	-	1,118,717	1,075,482	-	1,075,482
Present value of unfunded liabilities	-	33,204	(33,204)	-	30,595	(30,595)
Present value of funded liabilities	-	1,208,899	(1,208,899)	-	1,375,313	(1,375,313)
Closing position as at 31 March	1,118,717	1,242,103	(123,386)	1,075,482	1,405,908	(330,426)

(d) Projected defined benefit cost for the year to 31 March 2017

	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	%
Projected current service cost	-	34,752	(34,752)	(25.6%)
Past service cost including curtailments	-	-	-	-
Effect of Settlements	-	-	-	-
Total Service Cost	-	34,752	(34,752)	(25.6%)
Interest income on plan assets	39,322	-	39,322	29.0%
Interest cost on defined benefit obligation	-	43,980	(43,980)	(32.4%)
Total Net Interest Cost	39,322	43,980	(4,658)	(3.4%)
Total included in Profit or Loss	39,322	78,732	(39,410)	(29.0%)

The estimated employers' contributions for the year to 31 March 2017 will be approximately £26,456,000.

26A. Local Government Pension Schemes – Analysis of Local Government Pension Schemes as at 31 March 2015

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund	Total Local Government Pension Scheme Funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	36,272	11,217	21,057	67,666	166,772	42,702	185,314	351,517	55,989	938,506
Present value of unfunded liabilities	(753)	-	-	(2,120)	(2,754)	(2,981)	(501)	(11,240)	(1,279)	(21,628)
Present value of funded liabilities	(47,389)	(19,980)	(39,028)	(93,083)	(200,116)	(58,909)	(229,725)	(391,179)	(81,532)	(1,160,941)
Opening position as at 1 April	(11,870)	(8,763)	(17,971)	(27,537)	(36,098)	(19,188)	(44,912)	(50,902)	(26,822)	(244,063)

Current service cost	(1,453)	(959)	(2,105)	(2,229)	(5,404)	(1,416)	(11,948)	(12,022)	(2,381)	(39,917)
Past service cost (incl curtailments)	(350)	(312)	(1,037)	(1,524)	(820)	(188)	(1,121)	(1,744)	(742)	(7,838)
Total service cost*	(1,803)	(1,271)	(3,142)	(3,753)	(6,224)	(1,604)	(13,069)	(13,766)	(3,123)	(47,755)
Interest income on plan assets	1,565	497	936	2,985	7,179	1,834	8,158	15,193	2,575	40,922
Interest cost on defined benefit obligation	(2,090)	(884)	(1,731)	(4,137)	(8,775)	(2,669)	(10,177)	(17,457)	(3,782)	(51,702)
Total net interest	(525)	(387)	(795)	(1,152)	(1,596)	(835)	(2,019)	(2,264)	(1,207)	(10,780)

Total defined benefit cost	(2,328)	(1,658)	(3,937)	(4,905)	(7,820)	(2,439)	(15,088)	(16,030)	(4,330)	(58,535)
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	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund	Total Local Government Pension Scheme Funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employer contributions	1,000	698	2,017	2,650	3,879	1,009	8,703	9,447	1,854	31,257
Transfers in from other authorities	-	-	-	-	-	-	-	-	-	-
Transfers out to other authorities	-	-	-	-	-	-	-	-	-	-
Contributions in respect of unfunded benefits	74	69	97	-	242	128	153	704	-	1,467
Benefits paid	-	-	-	-	-	-	-	-	(106)	(106)
Unfunded benefits paid	-	-	-	-	-	-	-	-	106	106
Other movements*	1,074	767	2,114	2,650	4,121	1,137	8,856	10,151	1,854	32,724

Expected closing position	(13,124)	(9,654)	(19,794)	(29,792)	(39,797)	(20,490)	(51,144)	(56,781)	(29,298)	(269,874)
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Change in demographic assumptions	469	(232)	209	1,482	(8,816)	(771)	(9,209)	(12,134)	3,735	(25,267)
Change in financial assumptions	(4,330)	(3,231)	(2,596)	(13,374)	(27,742)	(7,936)	(29,235)	(52,739)	(10,470)	(151,653)
Other experience	(2,142)	41	(23,289)	6,111	6,039	7,309	6,338	25,672	10,528	36,607
Return on assets excl amounts included in net interest	1,242	1,306	19,484	4,335	16,762	641	15,306	15,318	5,367	79,761
Total remeasurements	(4,761)	(2,116)	(6,192)	(1,446)	(13,757)	(757)	(16,800)	(23,883)	9,160	(60,552)

Fair value of employer assets	39,373	13,711	42,964	75,300	191,338	45,157	217,926	386,190	63,523	1,075,482
Present value of unfunded liabilities	(1,283)	(679)	(1,096)	(2,574)	(4,181)	(3,530)	(1,563)	(13,920)	(1,769)	(30,595)
Present value of funded liabilities	(55,975)	(24,802)	(67,854)	(103,964)	(240,711)	(62,874)	(284,307)	(452,934)	(81,892)	(1,375,313)
Present value of injury liabilities	-	-	-	-	-	-	-	-	-	-
Closing position as at 31 March	(17,885)	(11,770)	(25,986)	(31,238)	(53,554)	(21,247)	(67,944)	(80,664)	(20,138)	(330,426)

26B. Local Government Pension Schemes – Financial and Demographic Assumptions in the Valuation as at 31 March 2015

Financial assumptions are as follows:

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund
	%	%	%	%	%	%	%	%	%
Pension Increase Rate	2.4	2.5	2.4	2.0	2.4	2.4	2.5	2.4	2.5
Salary Increase Rate	3.8	4.4	3.5	3.5	4.3	4.3	4.4	4.3	4.3
Discount Rate	3.2	3.3	3.2	3.3	3.2	3.2	3.3	3.2	3.4

Average future life expectancies at 65 are summarised as follows:

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund
	Years	Years	Years	Years	Years	Years	Years	Years	Years
Current pensioners – Male	22.1	22.7	22.0	22.1	22.1	22.5	22.1	22.1	21.2
Current pensioners – Female	23.8	24.0	23.7	24.7	23.7	24.1	23.6	23.6	23.2
Future pensioners – Male	24.3	24.5	24.1	24.3	24.2	24.7	24.8	24.8	23.4
Future pensioners – Female	26.3	26.7	26.4	27.5	26.3	26.8	26.2	26.2	25.5

Weighted Average Duration – Short (<17 years) / Medium (17<23 years) / Long (>23 years):

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund
	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa
Pension Increase Rate	2.1/2.4/2.5	2.1/2.4/2.5	2.1/2.4/2.5	n/a	2.1/2.4/2.5	2.1/2.4/2.5	1.9/2.2/2.3	2.1/2.4/2.5	n/a
Salary Increase Rate	3.5/3.8/3.9	4.0/4.3/4.4	3.2/3.5/3.6	n/a	4.0/4.3/4.4	4.0/4.3/4.4	3.8/4.1/4.2	4.0/4.3/4.4	n/a
Discount Rate	3.1/3.2/3.3	3.1/3.2/3.3	3.1/3.2/3.3	n/a	3.1/3.2/3.3	3.1/3.2/3.3	2.9/3.0/3.1	3.1/3.2/3.3	n/a

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below both in percentage terms and in approximate monetary amounts. Some comparable information is not available for all schemes.

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund
	%	%	%	%	%	%	%	%	%
0.1% decrease in real discount rate	12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.5% decrease in real discount rate	n/a	14	13	n/a	12	12	14	12	n/a
1 year increase in member life expectancy	3	3	3	n/a	3	3	3	3	n/a
0.5% increase in salary increase rate	4	8	6	n/a	4	3	6	5	n/a
0.5% increase in the pensions increase rate (CPI)	7	6	7	n/a	7	8	8	7	n/a

	Falkirk Pension Fund	Dumfries & Galloway Council Pension Fund	Fife Council Pension Fund	North East Pension Fund	Lothian Pension Fund	Highland Council Pension Fund	SPSA and SCDEA Employees	Strathclyde Pension Fund	Tayside Pension Fund
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0.1% decrease in real discount rate	6,713	n/a	n/a	n/a	n/a	n/a	n/a	n/a	85,363
0.5% decrease in real discount rate	n/a	3,656	8,879	n/a	28,800	7,872	38,651	56,021	n/a
0.1% increase in real discount rate	n/a	n/a	n/a	(2,051)	n/a	n/a	n/a	n/a	n/a
1 year increase in member life expectancy	1,718	764	2,069	2,044	7,347	1,992	8,576	13,992	80,565
0.1% increase in salary increase rate	n/a	n/a	n/a	461	n/a	n/a	n/a	n/a	83,986
0.5% increase in salary increase rate	2,433	1,928	3,853	n/a	10,503	2,284	15,845	21,833	n/a
0.1% increase in the pensions increase rate (CPI)	n/a	n/a	n/a	2,092	n/a	n/a	n/a	n/a	85,052
0.5% increase in the pensions increase rate (CPI)	4,125	1,588	4,789	n/a	17,562	5,425	21,524	33,101	n/a

27. Scottish Government Funding

The cash and non-cash Grant in Aid received from Scottish Government is detailed below, and shown within the Statement of Resource Outturn analysis within the Financial Overview within the Performance Report.

Grant in Aid	2015/16 £'000	2014/15 £'000
Grant in Aid Reform funding - revenue*	987,405 57,856	1,007,346 49,503
	1,045,261	1,056,849
Additional grant in aid to cover loan charges interest**	5,404	5,404
Resource and ODEL Grant in Aid	1,050,665	1,062,253
Capital Grant funding Reform funding – capital*	28,100 10,000	25,215 17,997
Total cash received	1,088,765	1,105,465
Non-cash GIA received AME funding***	50,000 20,000	46,173 20,000
Total non-cash received	70,000	66,173
Total Grant in Aid	1,158,765	1,171,638

Additional funding is received each year from Scottish Government per the schedule below. Annex D and Pension Funding is shown within note 18, and other grant income received is shown within Other Operating Income in note 3.

Non-Grant in Aid	2015/16 £'000	2014/15 £'000
Annex D and Pension Funding (note 18)****	332,879	297,859
Commonwealth Games	-	18,311
Safety Camera Partnership****	3,481	-
Violence Reduction Unit	1,097	887
Resilience Funding	314	544
Choices for Life	135	241
Other	246	270
Non-Grant in Aid Scottish Government funding	338,152	318,112

* Reform Funding received during the year from Scottish Government amounted to £67,856,000 (2014/15: £67,500,000).

** 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.

**** this is made up of Employer Contributions of £140,060,000 (2014/15: £152,701,000), Police Pension Grant of £151,624,000 (2014/15: £145,158,000) and the Funding for Commutation Factors of £41,195,000 (2014/15: £nil).

***** Payments for Safety Camera Partnership were made directly to Partnerships in 2014/15 as opposed to via Police Scotland.

28. Contingent Liabilities

Pension Commutation Factor Liability

A determination was made by the Pensions Ombudsman in May 2015 concerning historic commutation factors in the Firefighters' Pension Scheme, and applies similarly to the 1987 Police Pension Scheme.

A revision of commutation factors to calculate pension benefits was due on 1 December 2001 and 1 December 2004 and was not conducted. The Pension Ombudsman expects Scottish Government to make arrangements for payments to be made to those police officers affected, reflecting more beneficial terms being applied to commutation factors by GAD. This has resulted in a liability for police officers who retired before the review took place on 1 December 2006. Scottish Government held a provision for this pension liability within their own Annual Report & Accounts 2014/15, and will be similarly providing for any further expected payments due for 2015/16 which is expected to be in the region of £200,000.

Holiday Pay

Under the current law anyone who believes that their holiday pay has not included all elements of pay they would normally receive when they are working - such as commission or overtime payments - can make a claim to tribunal. If the amount the worker receives varies depending on the amount of work he does, or when he does it, a week's pay is averaged over the previous 12 weeks.

Guaranteed contractual overtime payments and some commission payments have always been included if they fall within the 12 week period. However, overtime and commission payments that do not fall within these categories have been excluded and a number of cases have been brought which challenge this. This may result in additional holiday pay liability for the organisation with regards to non-contractual overtime. Given the uncertain nature of the number of staff who may fall under this category, and the scale of the calculation required over many payrolls, an estimate of the amount or timing of any cash outflow is not available at present.

29. Financial Commitments

The SPA had capital commitments as at 31 March 2016 of £980,000 (31 March 2014/15: £12,843,131), and commitments under operating leases are detailed in note 5 to the Accounts of £8,125,000 (31 March 2014/15: £9,788,000).

30. 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 year, 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 year, apart from their service contracts, no Board Members or members of senior management or their related parties have undertaken any material transactions with the SPA. Board Members' interests are detailed within the Remuneration Report. Transactions with bodies in which they hold interests have been examined.

The SPA is a member of Community Safety Glasgow (CSG), a company limited by guarantee and not having share capital, and during the course of the financial year received funding from CSG of £437,532.80 (2014/15: £233,680.22) and also provided goods and services to CSG of £76,393.80 (2014/15: £69,846.74). The SPA Board member Paul Rooney and ACC Wayne Mawson are members of the CSG Board.

31. Financial Instruments

As detailed in note 27 to the Accounts, the SPA and Police Scotland is funded through Grant in Aid which is set by Scottish Ministers in advance of the following year. Cash Grant in Aid is released throughout the year in order that the organisation can meet its financial responsibilities as they fall due throughout the year and maintain an adequate level of working capital.

Working Capital Analysis	31 March 2016 £'000	31 March 2015 £'000
Cash and cash equivalents (<i>note 13</i>)	62,344	92,916
Inventories (<i>note 14</i>)	3,754	4,361
Trade and other receivables within one year (<i>note 15</i>)	34,302	16,086
Assets held for sale (<i>note 16</i>)	7,034	6,739
Trade and other payables within one year, excluding financing (<i>note 17</i>)	(107,069)	(113,514)
Balance as at 31 March	365	6,588

The SPA and Police Scotland have no power to borrow funds and all surplus funds are held in non-interest-bearing accounts and therefore exposure to interest rate is low. Bank balances are not held in foreign currency, although the organisation transacts in foreign currency with some creditors. Therefore any shortfall or surplus in currency transactions is minimal.

Financial assets and liabilities are generated through day-to-day operational activities and there are no additional financial instruments held. Because of the nature of its activities and the way in which the SPA and Police Scotland are financed, there is little exposure to the degree of financial risk faced by business entities.

The SPA measure the fair value of financial instruments using the following fair value hierarchy that reflect the significance of inputs used in making these measurements.

Level 1: Quoted Market Price (unadjusted) in an active market for an identical instrument

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using inputs that are not based on observable market data (unobservable inputs).

Cash and cash equivalents are measured at fair value constituting Hierarchy Level 1 input. All other Assets and Liabilities are measured at fair value constituting Hierarchy Level 2 input.

There were no transfers between Hierarchy Levels for Assets and Liabilities during the year.

32. Events after the Reporting Period

Following extensive discussion and despite the best efforts of all involved, it has been mutually agreed to end the contract relating to the organisation's i6 project. Since February, SPA and Police Scotland have worked together with the supplier to evaluate a number of options, and on 1 July 2016 the contract was terminated, as it was clear that the technical solution cannot be delivered within expected timeframes and budget. As at 31 March 2016, Assets under Construction included £19million of capitalised expenditure under the i6 contract, therefore given the material nature of the balance this has been recognised as an adjusting event.

The failure of the project has required us to assess the value of the assets capitalised, and £0.2m is the only component of i6 that has economic value going forward.

It has therefore been necessary to de-recognise the value of the asset for the element of the settlement agreement that related to a reimbursement of previous milestone payments to Accenture.

The remainder of the balance of the i6 Asset under Construction was impaired down to its assessed value of £0.2m.

Finally, there is a clause in the agreement that the VAT element of the refund (£1.8m) is repayable to Accenture or HMRC if agreement is not reached with HMRC to retain it. As a result an accrual has been created for this value, as the income cannot be recognised until agreement has been reached with HMRC.

The overall movement in the Primary Financial Statements were as follows:

	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
	Dr £	Cr £	Dr £	Cr £
	6,856,555			6,856,555



THE SCOTTISH POLICE AUTHORITY
DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 5 (1) of chapter 1 of the Police and Fire Reform (Scotland) Act 2012 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2013, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses and cash flows for the financial period and of the state of affairs at the end of the Financial period.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Gillian Russell
Head of Police Division
Signed by the authority of the Scottish Ministers

Dated: 1st March 2013