

**SCOTTISH
POLICE
SERVICES
AUTHORITY**

ANNUAL REPORT & ACCOUNTS 2010-11

INCLUDING SCOTTISH POLICE SERVICES AUTHORITY (SPSA) AND SCOTTISH CRIME AND DRUG ENFORCEMENT AGENCY (SCDEA)

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POLICE
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**SCOTTISH
CRIME &
DRUG
ENFORCEMENT
AGENCY**



ANNUAL REPORT & ACCOUNTS
2010-11

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FOREWORD

I have the pleasure of presenting SPSA's Annual Report and Accounts for 2010-11.

Fuelled by the requirement to improve efficiency to meet the budget cuts in 2011-12 and beyond, there has been significant debate and discussion during the year on the future structure of Scottish policing. Restructuring to deliver the same or better service for less is not new to SPSA. A report published by Audit Scotland in October 2010 confirmed that SPSA had delivered £5.3million savings since inception - exceeding expectations. I recognise that SPSA is a small but vital cog in the Scottish policing machine. We have returned a solid year of results in 2010-11 but I fully appreciate the cog that is SPSA must continue the journey of improvement to help Scottish policing transform to an even more efficient machine.

I am pleased to report that work completed and instigated during the year is moving SPSA in the direction required. We have implemented internal projects such as job evaluation and harmonisation of staff terms and conditions. These are not visible out-with the organisation but are essential building blocks for the future. We are moving forward with our Forensic Services Modernisation Programme and, addressing the points raised by reviews completed by Audit Scotland and Mott MacDonald, are pushing ahead with the SPSA Improvement Programme.

Regrettably, to address budget cuts in 2011-12 we reduced our workforce by 74 staff via voluntary redundancy. Seventeen employees left before 31 March 2011 with the remaining 57 leaving the organisation in the early part of 2011-12. I wish these individuals well in their new careers and thank them for their contribution to Scottish policing. Despite the requirement to reduce our staff numbers, without doubt our biggest asset remains our staff members who have again on a regular basis performed above and beyond in support of Scottish policing. I would like to take this opportunity to pass on my thanks to each and every one of our staff for their hard work.

In the past year, our colleagues at the SCDEA have continued to deliver on their commitment to protect communities from serious organised crime. They have implemented a range of work to disrupt the activities of criminal networks and make Scotland a safer place. The SCDEA faces the same budget challenges, but their firm dedication to tackle serious organised crime remains the same.

The challenge ahead for SPSA remains to maximise contribution and effectiveness with the budget available and keep providing Scottish policing with the specialist support services it requires.

Vic Emery
Convenor
28 September 2011



CHIEF EXECUTIVE REPORT

The objective of this document is to report on our results, financially and operationally, for 2010-11 and it is the final formal element of the annual planning and reporting cycle.

2010-11 was a year in which we officially opened the first new dedicated forensic laboratory to be built in Scotland for 15 years, received extensive recognition at the Scottish Policing Awards, instigated implementation of the Forensic Services Modernisation Programme to deliver the structure announced by Scottish Government and implemented a new probationer training programme. During 2010-11 we were subject to detailed external scrutiny including an Audit Scotland review on the effectiveness of SPSA since inception and a review of ICT undertaken by Mott MacDonald. We welcomed this level of scrutiny which provided invaluable independent assessment of our progression. This examination highlighted SPSA had delivered tangible benefits in terms of savings, and real improvement in quality and productivity for Scottish policing. It also highlighted that in some areas, like ICT, there is more to do. We are addressing this via the SPSA Improvement Programme and anticipate that our customers will start seeing developments to service delivery during 2011-12.

I commented in the Annual Report and Accounts for 2009-10 that we were entering a period of real contraction in public spending and that we had to be resilient as an organisation. We demonstrated again in 2010-11 that we can deliver efficiencies by operating within budget which had been top sliced by 2%. During the year the extent of the spending contraction has become clearer. In preparation for these budget reductions we stopped recruitment for all but business critical posts and initiated two tranches of voluntary redundancy.

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To maximise efficiency from a reducing budget we must ensure that each and every piece of work we undertake has a positive contribution to Scottish policing and ultimately the communities of Scotland. This can only be achieved with enhanced two way dialogue between SPSA and our customers. I genuinely believe that communication, at various levels, with our customers has improved over the last year utilising different forums and avenues. An example is the Commissioning and Monitoring Group, set up to enable a single point of communication and prioritisation between SPSA and its customers at national level. Although in its infancy it is now up and running and one of the many ways we are enhancing communication with our customers.

2010-11 without doubt has been a year in which SPSA has put in place the building blocks from which improvement can be delivered. We now have all staff on the same terms and conditions of employment replacing the nine different sets we inherited. Salaries and grades of staff across the country have been standardised via harmonisation and we are pushing forward with the large scale improvement programmes for Forensic Services and ICT. Of equal, or perhaps even greater, importance are the many small changes that help maximise output and minimise frustrations. Since joining SPSA I have encouraged staff to highlight and implement changes. This encouragement will continue so that each and every member of staff feels they have the opportunity to make changes for the benefit of Scottish policing.

As is evident from the contents of this report the contribution SPSA as an organisation and our staff on an individual basis make to Scottish policing should not be underestimated in terms of quality, quantity and innovation.

A handwritten signature in black ink, appearing to read 'A Quinn'.

Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011

ANNUAL REPORT

INTRODUCTION

The Board of Scottish Police Services Authority (SPSA) presents its Annual Report and Accounts for the year from 1 April 2010 to 31 March 2011 for both SPSA and Scottish Crime and Drug Enforcement Agency (SCDEA).

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

Statutory Background

SPSA was established as a Non Departmental Public Body with effect from 1 April 2007 under the provisions of the Police, Public Order and Criminal Justice (Scotland) Act 2006. It provides the following support services to Scottish policing:

- Forensic Services;
- Information Services – Criminal Justice;
- Information Services – Information Communication Technology;
- Training Services via the Scottish Police College, and;
- SPSA supports and maintains the SCDEA.

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LEADERSHIP AND GOVERNANCE

Board

The Board is appointed under the Police, Public Order and Criminal Justice (Scotland) Act 2006. Its function is to establish the overall strategic direction of SPSA within the policy, planning and resources framework determined by the Scottish Ministers. The Board met 12 times during the year.

The SPSA Board has responsibility for the governance of SPSA including SCDEA (except operational matters for SCDEA). Matters relating specifically to SPSA and SCDEA are addressed separately recognising the different priorities and objectives of SPSA and SCDEA.

The key operational objectives and priorities of the SCDEA are shaped primarily by the Serious Organised Crime Taskforce (SOCT) strategy for tackling the threat, risk and harm to the communities from serious organised crime in Scotland.

Members of the Board during the year were:

Name	Status
Vic Emery	Chair and Independent Convenor
George Kay	Vice Convenor, Police Authority Member
Iain Whyte	Police Authority Member
Stephen House	Police Force Member
Colin McKerracher	Police Force Member
Bill Matthews	Independent Member
Jeane Freeman	Independent Member (from 4 October 2010)
Russell Pettigrew	Independent Member (from 4 October 2010)

Board Member Interests

A register of interests is maintained and these are recorded within the Remuneration Reports

Sub-Committees of SPSA Board

In accordance with the guidance given within the Scottish Public Finance Manual, the Board of the Scottish Police Services Authority (SPSA) has established Audit and HR Committees covering SPSA and SCDEA.

Audit Committee

The Audit Committee advises the Board and the Accountable Officer on the strategic processes for risk, control and governance. The Committee meets on a quarterly basis and discusses all aspects of audit (internal and external), inspections, compliance and risk management and to ensure that appropriate audit and control systems and processes are in place. During the year the members of the Audit Committee consisted of:

Name	Status
Bill Matthews	Chair, Independent Member (to 31 March 2011)
Russell Pettigrew	Chair, Independent Member (from 1 April 2011)
Iain Whyte	Police Authority Member
Colin McKerracher	Police Force Member (from 1 April 2011)

HR & Remuneration Committee

At the HR Committee on 7 July 2010, members reviewed and approved an updated Terms of Reference for the Committee which then became the HR & Remuneration Committee.

The Committee reviews HR management information to consider the impact and effectiveness of SPSA's strategies, policies and processes, executive remuneration and report as appropriate to the Board. It is the responsibility of the Committee to independently review any appeals from executive staff where escalation to committee level has been progressed.

During the year the members of the HR & Remuneration Committee consisted of:

Name	Status
Bill Matthews	Chair, Independent Member (to 31 March 2011)
Jeane Freeman	Chair, Independent Member (from 1 April 2011)
George Kay	Vice-Convenor, Police Authority Member
Colin McKerracher	Police Force Member (resigned 31 March 2011)
Stephen House	Police Force Member (from 1 April 2011)

The Committee meets on a quarterly basis and discusses all aspects of HR-related issues.

Internal Governance and Management

Chief Executive and Accountable Officer

The Chief Executive reports to the Board of SPSA and is the delegated Accountable Officer for SPSA and SCDEA.

Name	Status
Jo Brigham	Interim Chief Executive (to 27 June 2010)
Andrea Quinn	Chief Executive (from 28 June 2010)

The SPSA Executive Committee, chaired by the Chief Executive and attended by all Executive Members, was established in January 2009. The Executive Committee provides day to day leadership and direction for the organisation, monitors and manages performance and ensures effective and efficient use of resources in line with its priorities.

Executive Committee of SPSA

Members of the Executive Committee during the year were:

Name	Status
Andrea Quinn	Chief Executive (from 28 June 2010)
Jo Brigham	Interim Chief Executive (to 27 June 2010)
John Geates	Director of Strategy and Performance (to 19 July 2010)
Tom Nelson	Director of Scottish Police College
Jan Thompson	Director of Forensic Services
John Fanning	Chief Information Officer (to 13 May 2011)
Carol McLean	Head of Corporate Management (to 7 October 2010)
John McCroskie	Head of Criminal Justice (to 30 January 2011)
Jim Gibson	Head of Corporate Communications
Gillian Campbell	Interim Director of Human Resources (to 21 December 2010)
John Fox-Davies	Director of Human Resources (from 3 December 2010)
Jim Maguire	Interim Director of Strategy and Development (from 3 December 2010)
	Director of Finance (from 10 January 2011)

Director General of SCDEA

Name	Status
Gordon Meldrum	Director General

The SCDEA Governance Board is chaired by the Director General and attended by all SCDEA senior managers to ensure that SCDEA maintains its extensive level of internal and external accountability and makes effective and efficient use of all resources.

A register of interests for the Executive of SPSA and SCDEA is maintained and can be accessed via the Executive Support Manager, SPSA, Elphinstone House, 65 West Regent Street, Glasgow G2 2AF.

Corporate Governance

The Statement on Internal Control (SIC) provides a summary of the way in which SPSA and SCDEA manages its governance and internal control. SPSA has applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances.

SPSA MANAGEMENT COMMENTARY

SPSA ANNUAL REVIEW

The Strategic Plan for 2010-2015, launched in the summer of 2010, outlined the longer term aims of the organisation. Since the Strategic Plan was developed many external influencing factors have changed but the principles and direction remain relevant. Consistent with the strategy, the achievements during 2010-11 reflect the desire to build a solid foundation for the future whatever that might look like.

This has been a busy and eventful year for SPSA. This report demonstrates achievements against strategic priorities and Key Performance Indicators (KPIs) set out within the 2010-11 Annual Plan. Progress against these targets is summarised at the end of this commentary. However these targets are only part of the picture, they do not fully reflect the scope of services delivered to Scottish policing. Nor do they reflect the work undertaken to develop and streamline internal management processes and frameworks that underpin delivery. This ongoing development within the business has been informed by feedback from stakeholders and external review.

Early in 2010 Audit Scotland conducted a review of SPSA's development and achievements to date. The Audit Scotland report was published in October 2010 and highlighted that SPSA had delivered tangible benefits in terms of savings, and real improvements in quality and productivity for Scottish policing. However, it also identified areas for improvement in delivery of service to Scottish policing highlighting that these could only be achieved in collaboration with customers. SPSA welcomed this level of objective scrutiny and recommendations from this report are being taken forward, alongside the findings from a review of ICT undertaken by Mott MacDonald, within an Improvement Programme.

Some of the key activity undertaken this year within our customer facing business units and at a corporate level is summarised in the following paragraphs.

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FORENSIC SERVICES

Over the last year significant progress has been made towards the transformation of forensic services delivery in Scotland. In 2009-10 SPSA embarked upon the review, evaluation and design phases to underpin modernisation and this work was continued in earnest during 2010-11. In October 2010 SPSA presented to the Scottish Government an options appraisal, outlining the potential operating models for the delivery of forensic services in Scotland along with an assessment of the associated efficiency savings. After due consultation and consideration, the Justice Secretary made the decision to go forward with an enhanced service option and this was announced to stakeholders in December 2010. This enhanced service option retains a local service delivery model whilst achieving savings through the centralisation of certain forensic services, such as volume crime DNA and drugs analysis.

The four main service centres will retain a local satellite laboratory facility capable of providing a response to serious incidents and offering accessible local expertise and advice to criminal justice partners. In addition two High Volume Processing Units will be established to centralise resources and in particular provide an efficient and effective DNA and drugs service. This network of laboratories and experts will be supported through a national operating model, established around four key functional areas. SPSA began the transition to the national operating model in 2010-11 with heads of Biology, Scene Examination and Physical Sciences appointed in January 2011.

During the final quarter of 2010-11, each of the functional designs has been developed and communicated to stakeholders with a view to full implementation during the first part of 2011-12. Alongside this a new case management IT solution, Evidence Management System (EMS), has been defined to support the national model and provide much needed management information to drive forward process improvement. SPSA is in the final stages of the procurement process for this IT solution and the full technical design will be developed for implementation during 2011-12.

To support national working, SPSA has scoped a national solution for the movement of productions between service centres across Scotland. As the new organisational structure is implemented in 2011-12 the logistics solution will be rolled out to support the national structure.

But this complex reform programme cannot be delivered by changes to structure and location – the professional development of staff is at the heart of Forensic Services. SPSA continues to focus on ensuring that the range of skills and experience of staff is appropriate to deliver the scope, scale and levels of service required to support policing in Scotland. A specific strand of work has been developed within the modernisation programme to develop and standardise forensic training packages to be delivered through our Scottish Police College.

In May 2010 the forensic staff based in Dundee moved to new facilities in Rushton Court. The new building offers state-of-the-art purpose-built facilities for the delivery of the full range of forensic services and will be one of the two central hubs within the new model. The Scottish DNA Database moved into this building alongside scene examination and laboratory staff across the full range of scientific disciplines. The relocation of specialist equipment & staff and the required re-validation of scientific processes and equipment within the new laboratory setting were together a complex exercise, but were achieved with minimal interruption to service.

Working alongside Scottish Government SPSA is using this experience to inform the design and planning for the second of the purpose-built laboratory hubs that will be based in the new Scottish Crime Campus in Gartcosh. The move to this facility is planned for early 2013.

In parallel with the major changes undertaken or in train, SPSA has continued to deliver incremental improvements to the forensic services delivered to its criminal justice partners. Successes for 2010-11 include:

- The Scottish DNA Database has delivered an exceptionally consistent performance in the fast turn-around and volume of criminal justice samples to both the Scottish and national DNA databases.
- 24/7 shift working was introduced at the Glasgow Scene Examination Unit in July 2010 to better meet the demand profile of Strathclyde Police. The new shift pattern has realised improved response to requests, enhanced scene attendance capabilities and physical resource efficiencies. It has also resulted in a reduction of sickness absence by 40%, a reduction in overtime by 93% (approx 930 hours to 60 hours per month) and a reduction in compensatory rest claims from 350 hours per month to zero. This will inform the national shift modelling work stream for Scene Examination.
- Cases waiting to be processed have been reduced further across the range of forensic services particularly drugs and toxicology and a more responsive service is available to partners. This service delivery will continue to improve through the 2011-12 as new processes and ways of working are implemented as part of the Forensic Services Modernisation Programme.

In the planning and delivery of change, SPSA has been delighted by the level of engagement, cooperation and response from its customers.

SCOTTISH POLICE COLLEGE

The focus of the Scottish Police College over recent years has been to train the additional police officers pledged by the Scottish Government. Despite a temporary cessation and slowing down of recruitment, 648 probationers received initial training and 1566 recent recruits returned to the Scottish Police College for reconviction during 2010-11. Following an extensive national review of probationer training, a revised programme came into effect in January 2011. New recruits to the Scottish Police Service now engage in a fully integrated modular training programme, split between force deployment and the Scottish Police College.

The International Development Unit, supported by other divisions, created and validated a new "International Vocational Award in Community Policing" at SCQF Level 8. Validated by the Scottish Qualifications Authority, this new qualification has been designed and developed to support Scottish Government-sponsored work on the transformation of policing in Sri Lanka, post-conflict. The qualification is the only one of its kind and has been designed to be of relevance across the globe for developing and emerging nations.

Other divisions within the college - such as Leadership and Professional Development, Roads Policing and Crime Management - have continued to accommodate the sometimes changing demand of their customers as well as delivering a number of courses to external agencies.

The college has been actively involved in the ACPOS Scottish Policing Assessment and People, Development and Diversity (PDD) business area restructuring. The college took the lead, on behalf of ACPOS PDD, to establish training priorities for the forthcoming year. This collaborative approach assists with the prioritisation and planning of all future training. Consistent with the wider government agenda, the college has also worked closely with the other blue light services to explore partnership opportunities.

The reputation of the Scottish Police College as a credit-rating body has continued to grow. Of note, the Scottish Credit and Qualifications Framework (SCQF) is seeking a nomination from the college to join its Quality Committee. This Committee was set to make recommendations on all issues concerning the ongoing maintenance and assurance of the framework.

CRIMINAL JUSTICE

Information in all forms is a significant asset to the police service. It is essential that this vital asset is kept accurate, in its proper form, available to authorised persons and secure from unauthorised persons. Good information management practices ensure that secure information systems meet business and business continuity requirements, comply with legislation, and give assurance to partners.

During 2010-11 SPSA Criminal Justice has continued to be proactive in the improvement of information management services provided to Scottish policing including:

- Development of an effective process for European Union conviction requests, providing officers with accurate information and advice on a 24/7 basis;
- Assisting the judicial process by providing the court service with a mechanism to supply images of the accused person at time of arrest and detention which helps in cases where accused persons significantly alter their appearance prior to trial;
- Court orders can be made which are not necessarily associated with criminal subjects, e.g. bail conditions for witnesses. Police officers have to be aware of and enforce these orders. However these orders have to be prevented from disadvantaging people where records are referred to for other purposes such as Disclosure and employment vetting. Criminal Justice has put in place recording processes which ensure this distinction, manage their addition to the Criminal History System and ensure appropriate deletion of such entries.

ICT

2010-11 has been a highly significant year for the ICT business area. During 2009-10 SPSA had identified shortcomings in the arrangements put in place at the time of transition of ICT from the forces and proposed an end to end review of these arrangements. In 2010-11 SPSA gave full support to a Scottish Government sponsored review of ICT by Mott MacDonald.

The Mott MacDonald report identified that since the transition of ICT resources to SPSA there had not been any noticeable reduction in service. The report also highlighted how ICT could improve fundamental areas of business.

In response to this report and a wider review of SPSA undertaken by Audit Scotland, ICT revisited their objectives and priorities and agreed to make some significant changes in the way that ICT services are managed, prioritised and delivered. This change is being delivered through an ongoing and comprehensive improvement programme.

Critical to any improvement within ICT is the relationship with the customer. SPSA has looked at how it could better engage with customers and through consultation with forces and ACPOS delivered a proposed engagement model. The model was fully supported by our customers and an implementation group has been set up to roll this out early in 2011-12.

Alongside the planning for fairly fundamental change ICT has continued to improve day-to-day service delivery. Priority areas were the backlog of requests from forces and response to incidents and service requests. Notable achievements in 2010-11 have included:

- Significant reduction of the backlog through a focussed backlog exercise initiated by SPSA and taken forward, with forces, between March and October 2010;
- Development of the Police National Database solution;
- Development of the website for Dumfries and Galloway Constabulary reported in the 'Police Review' and ranked second in a survey of all UK police websites, primarily looking at usability, performance and design;
- Support of the 'T in the Park' event;
- Response to 121,486 incidents and 13,914 service requests received in 2010-11 with an average fix rate of 98% achieved; and
- Initiatives that should deliver to forces an estimated £5million efficiency savings over the next five years.

The first four of these were recognised through Scottish Policing Awards.

In addition, the National ICT Service Desk was a finalist in National e-Government Excellence Awards under the Shared Services category. These awards were indicative of the praise received from customers for the day to day running of ICT such as participation with 'T in the Park' and Exercise Castle Rock as well as the professional response to unpredictable events such as the support provided to resolve the 999 telephony outage caused by a lightning strike at Tayside Police in late November 2010.

Progress of service delivery has been down to our committed workforce who are supported by corporate functions and processes. There has been significant progress in these areas too.

Leadership

As outlined in the leadership and governance section, there were a number of changes to the Executive Committee and Board during 2010-11. The new members bring a wealth of experience and knowledge from both the public and private sectors. SPSA believes that these individuals, combined with the existing members, bring a suitable balance of Scottish policing experience and "fresh blood" to lead the organisation through the challenges ahead. SPSA also believe that the structure is appropriate to tackle the challenges SPSA and Scottish policing face.

Future of Policing

Against an increasingly challenging financial backdrop the sustainability of the existing police force structure has again been examined during 2010-11. In March 2011 the Sustainable Policing Project team presented a report that described, at high level, an effective and efficient delivery model for policing and how this might be supported and enabled through a number of structural options. From this work, SPSA recognised that irrespective of the financial driver, the potential to deliver greater effectiveness across policing is a justification for reform.

An outline business case for police reform has now been produced by the Scottish Government and the Cabinet Secretary has announced that, over the next few years, Scottish policing will move to a single force structure. The announcement also made clear that, on the establishment of the single force, the services provided by SPSA will be delivered within the new force and the Authority will no longer exist as an NDPB.

The SPSA sees the substantial opportunity presented by these changes and will continue to actively support the reform process.

Risk Management

The Board, Audit Committee and Executive Committee are responsible for the strategic management of risk, primarily through the Corporate Risk Register which is regularly reviewed and updated. At an operational level, Executive Committee Members are responsible for managing risk within their areas of responsibility.

SPSA recognises risk management as a key function in helping to ensure it achieves its aims and objectives. SPSA is fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks. During 2010-11 enhancements have been made to the risk management process.

Many of the most significant risks identified during the year related to the reduction in budget for 2011-12 and beyond. As the extent of the budget cuts became more apparent the risks recorded became more detailed and specific. Other risks recorded are indicative of the environment in which SPSA operates, many relate to the complex relationship with customers and stakeholders including contractual agreements. Careful management of risks ensured that many have either been reduced or removed.

Environmental Policy

SPSA is committed to improving its environmental performance throughout the organisation with an objective to continue to reduce its carbon footprint. Progress has already been made with green travel planning, use of video conferencing, recycling and the purchase of fuel efficient vehicles.

An ACPOS consortium, involving SPSA, was set up to help drive a common approach to carbon management across Scottish policing. Working in partnership with the Carbon Trust, base-lining of a carbon footprint was completed in 2010-11 and a Carbon Management Plan developed for SPSA. The Climate Change (Scotland) Act commits Scotland to reducing emissions by 80% by 2050, and in response SPSA has set a target of 20% reduction by 2015.

Our Staff

A significant step forward has been the completion of Job Evaluation and Harmonisation of Staff Terms and Conditions. This rationalisation was required to bring consistency and fairness for staff while facilitating more efficient HR processing and management via single frameworks rather than the many frameworks inherited from previous employers. The completion of this process provides valuable learning and a framework that will be relevant to any wider reform of policing.

Staff communication and engagement is a high priority for SPSA and much work has been done on improving its internal communication throughout the year. All managers and staff have a role to play in ensuring that information flows in both directions. Feedback from staff is also now being regularly sought through surveys of staff attitudes and opinions.

Throughout the year there has been a greater focus on developing SPSA's face to face communication. The Executive Committee have held six-monthly away day sessions for managers and ran two major roadshows of staff meetings over the year – one to explain the direction of the Strategic Plan and the second to ensure that every member of staff had the opportunity to engage directly on job evaluation.

The CEO has introduced a monthly blog to staff adding to a range of internal communication tools already used. Cascade briefs, the intranet, staff emails and a staff magazine all help to ensure that SPSA engages with its staff and keeps them informed on all aspects of SPSA business.

Employment Policy

Staff costs account for the majority of the SPSA budget and it follows that any significant reduction to budget will impact the number of staff SPSA employs. On that basis the level of recruitment by SPSA during 2010-11 was significantly reduced with only 38 permanent staff recruited.

To support the limited recruitment carried out in 2010-11 and ensure the continued success of SPSA, it is vital that SPSA has the ability to attract and recruit individuals with the necessary skills, behaviours, qualifications and experience who can contribute effectively towards achievement of the organisation's goals and values.

SPSA welcomes applications from all sections of the community and applicants are considered solely on their ability and potential to carry out the role. SPSA has also recently renewed the Jobcentre Plus Disability Symbol (i.e. two ticks symbol).

SPSA practices a consistent, effective and fair recruitment and selection process for all involved, to enable the best individuals to be selected for roles within the organisation.

SPSA is committed to building an organisation where diversity is a fully integrated dimension to how we do business, and in doing so achieve strategic and policy obligations. In December 2010 SPSA published and implemented its Single Equality Scheme (SES) and action plan.

The SES outlines how SPSA will manage the employment, training, career development and promotion of disabled people (and also those with other protected characteristics). Statistics are maintained and monitored on a regular basis on the diverse make-up of employees. The findings from these inform our policy development and review.

Attendance Management

SPSA recognises the commitment and support of all police staff and police officers in achieving success and is committed to promoting a healthy working environment and supporting all staff to maximise attendance and minimise ill-health absences. Absence management continues to be effectively managed with a further reduction in absence rates experienced in 2010-11:

	Staff		Seconded Officers	
	2010-11	2009-10	2010-11	2009-10
SPSA (excl SCDEA)	3.12%	3.75%	1.71%	2.80%

Learning and Development

SPSA is committed to providing a range of opportunities to enable employees to maximise their potential for the benefit of the business and their own career aspirations. Further education is one of those development opportunities and has the added benefit of enabling employees to achieve professional qualifications.

Social and Community Issues

SPSA staff members have continued to make a significant contribution to a number of charitable organisations.

Alongside our policing partners, SPSA is committed to making a positive contribution within communities. Notable examples are the contributions made by the Scottish Police College and Forensic Services.

Over a number of years the Scottish Police College has developed strong links with the local community of Kincardine – from nursery schools to Community Councils.

When, in August, Tulliallan Primary School in Kincardine was damaged as a result of a fire the college stepped in and assisted by arranging classroom and play facilities within the college premises.

The college was approached by a local group, 'Simply Local', which is part of the Scottish Government's Climate Challenge Fund. The fund seeks to develop strong and resilient communities able to manage the transition from high-energy dependency to a more sustainable future. As a result, the group wishes to establish a community garden run by the local community for the benefit of the local community. The concept is for a plot of ground to be used to grow crops (foodstuffs) in an environmentally sustainable fashion at low cost. The food will then be used locally with any surplus being sold locally and the proceeds re-invested into the project. The college has agreed to provide a plot of land to the project at no rental cost. The college will then be able to benefit from a proportion of the produce and assist to reduce the college's overall carbon footprint.

Staff members from Forensic Services have engaged with the community in many forms enhancing knowledge of the role of Forensic Services in modern policing. Highlights include:

- Presentations by Forensic Services staff at numerous primary and secondary schools helping to promote science in local education;
- A scientist gave a presentation to Humboldt High School in Nebraska, USA while on holiday;
- Keynote speech at a charity lunch, attended by local business leaders, was delivered by a scientist from the Aberdeen laboratory. Several thousand pounds were raised at the lunch for the Children 1st charity;
- The paper 'The DNA Detective Game' was published in the European Journal 'Science in Schools'. Forensic Services staff supplied the information required for the background to the game, how it reflects reality and the ethical questions for discussion. The ethical questions give good topics for discussion in Religious and Moral Education classes at secondary school (the game is aimed at 10 to 15 year olds).
- Forensic Services staff supported the Lothian and Borders family day helping to broaden knowledge of their work done for the community.

Data Loss

There were no reported instances of data loss during 2010-11.

SPSA MANAGEMENT COMMENTARY

SPSA CORPORATE SOCIAL RESPONSIBILITY

Stakeholder Engagement

Enhancing stakeholder engagement has remained a key focus for SPSA and throughout 2010-11 the organisation continued to develop and build on meaningful two-way communication. SPSA's aim throughout the year was to put the customer at the heart of its thinking.

The importance of stakeholder engagement was significantly increased in 2010-11 as the scale of the budget cuts facing the public sector became clearer. In response to this challenging financial environment Scottish policing faces radical structural change.

SPSA has progressed three key strands of strategic engagement. Firstly, its stakeholder engagement has been based on people meeting people – not just on electronic sharing of information. To achieve this it put in place an out-of-hours rota of SPSA Directors to ensure that forces are able to make contact at senior level whenever needed. Secondly, SPSA nominated a Lead Relationship Manager for each key stakeholder with SPSA Executive Committee members taking personal responsibility for managing relationships with individual forces. This was put into practical effect through the meetings to discuss budget impacts. Thirdly, SPSA has been honest and transparent even when the message might be difficult for stakeholders to hear. SPSA has tried to avoid making promises it could not keep.

SPSA is aware that customer satisfaction will only be achieved if this approach to stakeholder engagement is embedded at all levels of the organisation. SPSA cannot improve and deliver the services its customers want if it doesn't listen and work with them. SPSA will continue to assess, review and build upon its engagement strategy.

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Health and Safety Policy

The safety of staff is extremely important to senior management and the SPSA Board. SPSA has developed an expert team dealing with health and safety, business continuity and emergency planning. This integrated approach has proved to be highly effective and efficient.

The hard work of SPSA's Health, Safety and Resilience Team and the contribution of the wider SPSA staff were recognised through the presentation of a "Bronze Award" by the Royal Society for the Prevention of Accidents (RoSPA) in their Occupational Health and Safety Awards 2011. In choosing the winners the RoSPA scheme looks not only at accident records, but also entrants' overarching health and safety management systems, including important practices such as strong leadership and workforce involvement.

The time spent last year improving the Risk Assessment Process and upgrading personal protective equipment, particularly in Forensic Services, has paid dividends. Compared to 2009-10, SPSA has seen a 72% reduction in incidents that require to be reported to the Health and Safety Executive and most of the incidents reported were extremely minor. SPSA has also seen a reduction to accidents and near misses of 27% and 31% respectively whilst continuing to encourage the practice of reporting. SPSA now has a detailed Health and Safety Strategy and has continued to roll out in-house health and safety training to staff including two new courses – Water Safety (believed to be a first in Scottish policing) and Asbestos Awareness.

SPSA recognised early in 2010 that it required a complete review of business continuity and detailed plans were written for each business area. These comprehensive plans were tested and developed through table top exercises carried out over the summer of 2010.

Shown below are the accident statistics for 2010-11:

	Totals		Analysis	
	Accidents	Near Misses	Reported to HSE	Involving Vehicles
SPSA (excl SCDEA)	117	53	5	31

SPSA MANAGEMENT COMMENTARY

SPSA STRATEGIC PRIORITIES

In accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 SPSA was set the following strategic priorities by Scottish Ministers for the year. SCDEA was given separate strategic priorities which are articulated later in this report.

1. Working with the Police Service

In partnership with the Scottish Police Service, Scottish Government and other partners conduct a review of the engagement model between SPSA and the police. Develop robust arrangements which ensure that SPSA has the flexibility to address changing demands both geographically and across the services it provides.

2. Forensic Services Modernisation

Develop and implement a Forensic Services Modernisation Programme to make real improvements in national service delivery aligned to the requirements of the Scottish Police Service.

3. ICT

Quantify current and anticipated future demand for strategic and operational ICT services. In partnership with the Scottish Police Service and others, put in place a business model which builds on existing achievements and enables SPSA to enhance the service it provides in the future.

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4. Scottish Police College

Review and adjust the scope of training provision, ensuring the optimisation of resources, to deliver the training required by the Scottish Police Service.

5. Service Development

Ensure that the support services provided by SPSA are continuously improving, effective and efficient. Work with the Scottish Police Service and partners to identify and promote the benefits of service migration in the future.

6. Scottish Crime Campus

Contribute to the successful delivery of the Gartcosh programme. Put plans in place to establish efficient and effective facilities management in preparedness for the facility opening, and ensure that the benefits of the SPSA relocation project(s) are identified and optimised within the context of the wider Forensic Modernisation Programme and wider Gartcosh programme. In parallel, ensure that appropriate plans are in place to deliver the Forensic Service Laboratory relocation(s) in 2012 on time and budget and without detriment to operational service delivery.

Demonstration of achieving the strategic priorities is shown via achievement of the relevant corporate objective, in whole or part, as outlined below. Each objective has been awarded a RAG status corresponding to the following:

Red objective not completed
Amber objective partially met
Green objective completed

Strategic Priority	Objective (refer to updates on following page)	RAG Objective	RAG Strategic Priority
1. Working with the Police Service	7 & 12. Executive	Green	Green
2. Forensic Services Modernisation	4. Forensic Services	Green	Green
3. ICT	2. ICT	Green	Green
4. Scottish Police College	1. SPC	Green	Green
5. Service Development	1. SPC	Green	Green
	2 & 3. ICT	Green	
	4 & 5. Forensic Services	Green	
	6. Criminal Justice	Green	
	7. Executive	Green	
	8. SPC	Green	
	9. Executive	Red	
	10. Executive	Green	
11. Executive	Amber		
12. Executive	Green		
6. Scottish Crime Campus	15. Executive	Green	Green

SPSA MANAGEMENT COMMENTARY

SPSA KEY PERFORMANCE INDICATORS

During 2009-10 SPSA developed a Five Year Strategic Plan which highlighted four themes of strategic focus. The themes of "Focus on Delivery" and "Delivering Growth Through Partnership" relate to SPSA's ongoing interaction with its customers and the other two themes of "Underpinning Delivery" and "Supporting Those Who Deliver" relate to how SPSA operates internally. For 2010-11 SPSA set 18 corporate objectives aligned to these four themes giving clear alignment from annual planning to corporate strategy.

Delivery against corporate objectives was indicated through reported progress against a number of representative performance measures: in some cases the meeting of an objective required a number of performance measures across the various business areas. All of the measures were stated within the SPSA Annual Plan and reflected within the business area plans. Through these representative measures progress towards the corporate objectives was monitored and managed during the year. At year end, 15 of the 18 corporate objectives met the required performance measures in full. The year end position is summarised opposite:

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Corporate Objective	Outcome	RAG Status
1. Review, agree and clearly define the core training required by the eight forces and establish a flexible and efficient resourcing model to support this.	The required elements (targets or deliverables) were met.	Green
2. Put in place an effective model for ICT strategy through development of ICT strategy (with potential for complementary ICT review work).	The required elements (targets or deliverables) were met.	Green
3. Evidence delivery of an effective ICT response to force incidents and reduce operational backlogs.	The required elements (targets or deliverables) were met.	Green
4. Progress the modernisation programme in line with agreed plan and milestones.	The required elements (targets or deliverables) were met.	Green
5. Evidence the delivery of an effective Forensic Services in line with customer needs and expectations.	The required elements (targets or deliverables) were met.	Green

Corporate Objective	Outcome	RAG Status
6. Evidence the delivery of an effective Criminal Justice information service in line with customer needs and expectations.	The required elements (targets or deliverables) were met.	Green
7. With ACPOS, the Convenor's Forum, Scottish Government and COPFS, establish a robust Commissioning and Monitoring Group for SPSA service provision.	The required elements (targets or deliverables) were met.	Green
8. Evaluate the opportunity and produce a targeted marketing/business plan to support growth through partnership and offset the cost of training service provision to the Scottish police forces.	The required elements (targets or deliverables) were met.	Green
9. Enable effective and efficient future service transfers by taking forward lessons learned within the development of a generic service transition/principles/check list.	This objective was not met within the desired timescale, however a checklist has been developed and effective and all opportunities are now considered through an Investment Appraisal Group (IAG)	Red
10. Continued active participation within the ACPOS efficiency and productivity groups, and other forums to identify and evaluate opportunities for wider collaboration whether as customer, partner, facilitator or provider in services delivery.	The required elements (targets or deliverables) were met.	Green
11. To continually improve our efficiency in the delivery of services through delivery of the agreed in-year efficiency established through our 2% top slice in budget for 10/11 and to produce plans to meet future budget challenges within our business areas and to support efficiency within the Criminal Justice system.	The 2% efficiency target in 2010-11 was exceeded with a surplus being achieved. The single year settlement and severity of the budget cut in 2011-12 (12%) meant that the focus on efficiency planning during 2010-11 was on the single rather than a longer multi-year plan with the efficiency plan for 2011-12 in development at the start of the financial year. At time of publication it is anticipated that initiatives implemented during 2011-12 will result in the savings target being achieved. The 2011 three year spending review will facilitate longer term efficiency planning going forward.	Amber
12. Continue to improve our internal processes to support more effective delivery and decision-making.	The required elements (targets or deliverables) were met.	Green

Corporate Objective	Outcome	RAG Status
13. To improve the quality of our financial information to underpin decision making and enable better understanding of our resource allocations.	This objective was partially met with the implementation of a new finance system. However, competing workload priorities have moved the completion of a cost allocation model to 2011-12. A basic cost allocation model has been developed but additional work is required.	Amber
14. To put in place the baselines and plans required to comply with the Climate Change (Scotland) Act 2009 and contribute to a greener and sustainable Scotland.	The required elements (targets or deliverables) were met.	Green
15. To have robust plans in place for the successful relocation to the Gartcosh Forensic Laboratory in 2012 and contribute to the wider delivery of the Gartcosh facility.	The required elements (targets or deliverables) were met.	Green
16. Put in place more robust frameworks and processes to align resources, staff development and management to business needs.	The required elements (targets or deliverables) were met.	Green
17. Standardise our staff employment frameworks through the implementation of Job Evaluation and Harmonisation of Terms & Conditions.	The required elements (targets or deliverables) were met.	Green
18. Ensure we build an organisation wherein diversity is a fully integrated dimension to how we do business, and in doing so meet our strategic and policy obligations.	The required elements (targets or deliverables) were met.	Green

SPSA ANNUAL ACCOUNTS 2010-11

FINANCIAL REVIEW

Statutory Background

SPSA was established as a Non Departmental Public Body with effect from 1 April 2007 under the provisions of the Police, Public Order and Criminal Justice (Scotland) Act 2006.

Basis of Accounts

SPSA accounts are prepared in accordance with the Accounts Direction issued by the Scottish Government under provisions of Section 7 of the Police, Public Order and Criminal Justice (Scotland) Act 2006.

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

Financial Performance

SPSA had resource expenditure underspend for the financial year of £2,605,000 (2009-10; £248,000 underspend). When added to the prior year brought forward £943,000 cumulative overspend, the 2010-11 cumulative underspend carried forward is £1,662,000.

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Sources of Finance

SPSA is mainly funded by Ministers through the Justice Department. The total Resource Budget for the year was £107,999,000 (2009-10; £101,136,000), made up of both Cash Grant in Aid and Non-Cash Grant in Aid.

Cash Grant In Aid

The Cash Grant in Aid budget allocated for the year was £101,748,000 (2009-10; £95,113,000) and this was fully drawn down in the year. This £6,635,000 increase from last year is attributable to an additional £2million to fund expansion at SCDEA, £3million provision for voluntary severance payments, £1.2million for additional ICT expenditure, a reduction of £2,875,000 for police pension costs which are now paid directly by the Scottish Government, and some other funding initiatives.

SPSA continues to operate an Agency Agreement for the procurement of all police force ICT-related expenditure, charging police forces for this on a monthly basis. Funding for this is provided by the Scottish Government directly to the police forces rather than to SPSA.

Cash management in respect of the agreement was further refined during 2010-11, which minimised the cash-flow challenges which were experienced during the final months of the previous financial year. This removed the requirement to draw down any further ICT funding in advance (2009-10; £4,000,000).

£25,220,000 (2009-10; £23,550,000) of the Cash Grant in Aid was ring-fenced by the Scottish Government for expenditure for the SCDEA.

The Cash Grant in Aid budget allocation to cover both revenue and capital expenditure was therefore £76,528,000 (2009-10; £71,563,000) for SPSA and £25,220,000 (2009-10; £23,550,000) for SCDEA.

Non-Cash Grant In Aid

An additional amount of £6,251,000 (2009-10; £6,023,000) was allocated to cover non-cash expenditure as follows:

	2010-11 £'000	2009-10 £'000
Notional Property Rentals		
- Dundee laboratory	1,203	-
- Scottish Police College	2,454	2,456
Depreciation (and Cost of Capital in 2009-10)	2,594	3,567
Total	6,251	6,023

The notional property rentals have been charged to property cost and fully allocated to SPSA. £1,571,000 (2009-10; £2,204,000) of the non-cash budget relates to SPSA's depreciation and cost of capital in 2009-10 with the remaining £1,023,000 (2009-10; £1,363,000) associated with the SCDEA.

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010 onwards. The cost of capital charge is therefore not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results.

Therefore the Total Resource Budget for the financial year amounted to £81,756,000 (2009-10; £76,223,000) for SPSA, and £26,243,000 (2009-10; £24,913,000) for SCDEA.

SPSA also generated external income of £6,608,000 (2009-10; £5,107,000) which is detailed in the notes to the accounts.

Expenditure

The main financial objective of SPSA is to ensure that the financial outturn for the year is within the Resource Budget allocated by Scottish Ministers.

The Resource Budget of £81,756,000 (2009-10; £76,223,000) is intended to cover 'cash' costs, being accrued expenditure (capital and revenue) net of in-year income, and 'non-cash' costs as stated above.

The 2010-11 'non-cash' expenditure of £5,684,000 (2009-10; £4,581,000) includes the depreciation charge of £2,007,000 (2009-10; £2,023,000), a notional charge for the rental of properties of £3,657,000 (2009-10; £2,456,000), and the net book value of disposed assets of £20,000 (2009-10; £31,000). It also incorporated impairment and cost of capital charges in the prior year.

Summary of Resource Outturn

SPSA's statement of resource expenditure against its funding provision for the year to 31 March 2011, including summary for SCDEA was as follows:

Summary of Resource Outturn	2010-11 £'000	2009-10 £'000
Expenditure:		
Corporate Services (including property rentals)	14,349	13,605
Forensic Services	25,323	25,619
ICT	20,173	19,907
Criminal Justice	1,900	1,923
Scottish Police College	11,538	13,910
Interest payable	658	749
Capital expenditure	2,247	625
Total SPSA Expenditure	76,188	76,338
Less: SPSA Income		
Income (operating and investment)	(6,608)	(5,107)
Total Net SPSA Expenditure	69,580	71,231
Adjusted for:		
Notional property rental charge	(3,657)	(2,456)
Net book value of disposed assets	(20)	(31)
Asset Impairment	-	12
Asset Write-Off	-	21
IAS 19 non-cash pension credits appropriated from general fund	8,442	2,079
Finance lease interest from SCDEA	322	341
SPSA Net Cash Expenditure	74,667	71,197
SPSA Non-Cash Expenditure	5,684	4,581
Total SPSA Expenditure	80,351	75,778
SCDEA Net Cash Expenditure	23,687	23,733
SCDEA Non-Cash Expenditure	1,356	1,377
Total Expenditure	105,394	100,888
Grant in Aid Resource Budget	(107,999)	(101,136)
In Year Underspend	2,605	248
Cumulative Overspend Brought Forward	(943)	(1,191)
Cumulative Under/(Over)spend Carried Forward	1,662	(943)

Performance against Corporate Plan

SPSA's long-term organisational objectives are set in the Five Year Strategic Plan. SPSA intends to use its Annual Plan to clearly outline the specific outcomes to be delivered in a particular year, and the Annual Report will provide detail on performance against outcomes in the previous year.

In terms of performance against the initial £105,033,000 Grant In Aid incorporated in the 2010-11 Annual Plan for both SPSA and SCDEA, the total Grant In Aid increased during the year by £2,966,000 to £107,999,000 as a result of the following:

	2010-11 £'000
Non-cash (Removal of Cost of Capital Charge and Notional Rent Increase)	228
Voluntary Severance	3,000
Other Scottish Funding Initiatives	2,613
Police Pension Costs (now funded directly by Scottish Government)	(2,875)
Total	2,966

Trends

This is the fourth year of SPSA, and the organisation has experienced a growth in its activities over the last year. Its Grant in Aid income has increased by £6,863,000 (6.8%) from the level in 2009-10 to a total of £107,999,000. This primarily reflects specific additional funding which was provided for the expansion of the SCDEA, and the SPSA Voluntary Severance Scheme.

External income has increased by £1,501,000 (29.4%) primarily as a result of increased information services ICT recharges and corporate services recharges.

There has also been a £1,697,000 (2.2%) decrease in operating expenditure.

Staff costs have decreased by £4,639,000 (9.2%) over the year, although the average number of staff employed increased by five. This decrease is associated with an increase in permanent staff costs of £3,132,000, a reduction in seconded police officers of £1,560,000, an increase in the cost of agency staff of £75,000 and a £6,286,000 difference in the IAS19 pension cost adjustment (2009-10; £2,206,000), as detailed in note 3 to the accounts.

Property Costs have increased by £623,000 (5.5%) due to inflationary pressures, and the additional costs in the operation of the new Dundee laboratory.

Future

As a Non Departmental Public Body, SPSA expects that its sponsoring department will continue its support for current and future operations.

An outline business case for police reform has now been produced by the Scottish Government and the Cabinet Secretary has announced that, over the next few years, Scottish policing will move to a single force structure. The announcement also made clear that, on the establishment of the single force, the services provided by SPSA will be delivered within the new force and the Authority will no longer exist as an NDPB.

SPSA sees the substantial opportunity presented by these changes and will continue to actively support the reform process.

SPSA, in common with the rest of the Scottish Police Service and the wider public sector, is expected to deliver best value and contribute to the efficient government targets. The Scottish Government has confirmed a 2011-12 Grant in Aid reduction of £8million (SPSA; £6million and SCDEA; £2million). This will represent an effective reduction of approximately 12% year on year.

SPSA will continue to promote working in partnership with other Government bodies to maximise the opportunities for shared support services. SPSA now uses the Strathclyde Police financial system on a shared service basis and plans to further investigate usage of the full system functionality during 2011-12 to drive maximum benefits for both organisations.

Forensic Services are at the tender evaluation stage for a contract to implement a Forensic Services Evidence Management System which, dependent on funding availability, will be awarded and the implementation started during 2011-12.

SPSA expects to receive continuing support for capital investment from the Scottish Government where it provides a robust business case.

Ministerial Performance Targets

SPSA is expected to satisfy the conditions and requirements set out in the financial memorandum drawn up by the Scottish Government Justice Department, together with all the relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers may from time to time impose. SPSA is working towards operating within a £6million Grant in Aid budget reduction next year.

Capital Investments

£2,247,000 (2009-10; £625,000) was invested in capital during the year, an increase of £1,622,000 compared to the previous year; £290,000 additional investment in leasehold improvements at the Scottish Police College (2009-10; £nil), £477,000 in IT (2009-10; £224,000), £621,000 in plant and machinery (2009-10; £131,000), £446,000 in motor vehicles (2009-10; £270,000), £110,000 in furniture and fittings (2009-10; £nil), and £303,000 in intangible assets (2009-10; £nil).

ICT Agency Agreement

SPSA continues to be formally appointed as the purchasing agent for all ICT goods and services for Scottish police forces. Funding for Agency Agreement expenditure is provided by the Scottish Government directly to the police forces.

Under FReM, there is no impact of the ICT Agency Agreement on SPSA's income and expenditure. Amounts owing to suppliers are included in trade payables and an equal and corresponding amount to be recovered from the police forces is included in trade receivables. This amounted to £2,352,205 at the year-end (2009-10; £1,159,366).

The 2010-11 annual budget for the ICT Agency Agreement was £17,696,000 (£15,873,000 revenue and £1,823,000 capital), with actual expenditure against this £17,643,000 (£15,798,000 revenue and £1,845,000 capital). This represents an underspend of £53,000 (£75,000 revenue underspend offset by a £22,000 capital overspend) in the year to 31 March 2011.

IAS 19 Pension

SPSA moved from a pension deficit as at 31 March 2010 of £37,761,000 under IAS 19 to a pension deficit of £12,879,000 as at 31 March 2011. The deficit has reduced due to the positive asset returns and falling long term inflation expectations.

The pension increase assumption this year is now in line with the Consumer Prices Index (CPI) rather than Retail Price Index (RPI). This change has occurred as a result of the Emergency Budget Announcement in June 2010. This is regarded as a change in benefit and was treated as a past service credit. This treatment is in line with HM Treasury recommendations.

The projected pension expense for the year 2011-12 has also fallen for the same reasons.

Banking

SPSA operates as part of the Scottish Government banking contract with Government Banking Service (GBS). GBS is a shared banking service for government departments. GBS has developed a 'direct to bank' service which offers the latest internet banking services; streamlined and faster processes; better management information and improved pricing. Most of SPSA's transactional services will be provided by Citi Bank with no change to local banking arrangements with RBS.

Gifts and Charitable Donations

There have been no gifts or charitable donations made by SPSA for the year.

Losses, Special Payments and Write Offs

There was £492,000 expenditure associated with fire damage loss at the Howdenhall Forensic Laboratory during the year (2009-10; £175,000).

Supplier Payment Policy

SPSA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 10 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

A breakdown for 2010-11 indicates that 50% of invoices were paid within this timescale (2009-10; 45%). Further analysis indicates that 84% of invoices were paid within their agreed supplier terms (2009-10; 78%). The trade creditor balance as at 31 March 2011 was 38 days.

European Monetary Union

SPSA's financial system currently has the capability to function with any standard currency which may be introduced as a requirement of European Monetary Union Legislation.

Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.15.

Disclosure of Audit Information to the Auditors

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

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, SPSA's auditors are appointed by the Auditor General. Lorna Meahan, the appointed SPSA auditor for the financial year, left Audit Scotland on 19 November 2010 and was replaced by Brian Howarth.

The auditors were remunerated in the sum of £42,510 (2009-10; £44,450) in respect of statutory audit services for the Financial Year 2010-11.

Corporate Governance

SPSA aims for the highest standards in corporate governance and adheres to relevant guidelines for Public Sector organisations. The Authority's Corporate Office is at Elphinstone House, 65 West Regent Street, Glasgow, G2 2AF.



Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011

SPSA ANNUAL ACCOUNTS 2010-11

REMUNERATION REPORT

Remuneration Policy

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

The HR & Remuneration Committee is responsible for, inter alia, executive and other remuneration issues that fall out-with the scope of recognised collective bargaining agreements.

Qualifying officers holding the rank of Deputy Chief Constable or Assistant Chief Constable are entitled to participate in the Chief Officer Performance & Development Review process. This process has been developed by the Association of Chief Police Officers in Scotland (ACPOS) and is applied to qualifying officers within Scottish police forces and associated entities including SPSA and SCDEA. The scheme provides for the provision of a bonus of between 5% and 12.5% of salary based upon overall performance as assessed by the appropriate appraiser which in the case of SPSA is Scottish Ministers on the recommendation of the SPSA Board.

Employment and Service Contracts

Appointments are made in accordance with either SPSA's Recruitment Policy in the case of staff or guidelines issued by the Office of the Commissioner for Public Appointments in Scotland (OCPAS) in the case of members of SPSA's Board. These both require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

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Unless otherwise stated below, executive staff covered in this report hold appointments which are open-ended until they reach the normal retiring age. Notice periods and other terms and conditions of employment are set out in each individual's contract of employment.

Non-Executive Board Members are generally appointed for a fixed term of three 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.

Details of the letters of appointment for the Non-Executive Board Members who were in office at 31 March 2011 are:

	Date of current contract	Unexpired term (months)
Vic Emery	1 January 2009 – 31 December 2011	9 months
George Kay*	16 October 2007 – 1 July 2011	3 months
Stephen House*	1 October 2008 – 30 September 2011	6 months
Iain Whyte	30 November 2009 – 1 July 2012	15 months
Colin McKerracher	1 March 2010 – 28 February 2013	23 months
Bill Matthews	1 March 2010 – 28 February 2013	23 months
Jeane Freeman	4 October 2010 – 3 October 2013	30 months
Russell Pettigrew	4 October 2010 – 3 October 2013	30 months

* Contracts for these individuals have been approved for renewal by the Cabinet Secretary.

Board Members' Interests

Vic Emery is Chair of the Edinburgh Tram Project (tie Limited) and Transport Edinburgh Limited, both wholly owned companies of Edinburgh City Council. He holds shares in BAE Systems, Beyond Encryption Technologies Limited and Soter Technology Partners Limited. He is Board Member of the Glasgow Chamber of Commerce and Scottish Enterprise Regional Advisor Board as well as Trustee of the Scottish Maritime Museum.

George Kay is Strategic Chair of Fife Council's Police, Fire and Safety Committee and a Member of Fife Council.

Iain Whyte is Convenor of Lothian and Borders Police Joint Board and a councillor with Edinburgh City Council. He is also a Non-Executive Member of Lothian NHS Board.

Stephen House is Chief Constable of Strathclyde Police, Chair of ACPOS Crime Business Area and a Member of the Serious Organised Crime Taskforce.

Colin McKerracher is Chief Constable of Grampian Police and Chair of the ACPOS Business Change Board.

Bill Matthews is Director and Shareholder of M2M2 Limited, Non-Executive Director of Security Industry Authority, National Trustee for Scotland and BBC Trust and Chair of NHS National Service Scotland.

Jeane Freeman is Director of Freeman Associates, and Chair of the National Waiting Times Centre.

Russell Pettigrew is a Non-Executive Board Member of NHS Health Scotland.

During the year, apart from their service contracts, no Board Member, key manager or other related parties have undertaken any material transactions with SPSA.

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

Remuneration of Board Members

The Non-Executive Board Members received the following remuneration for their services during the year ended 31 March 2011:

	2010-11 £'000	2009-10 £'000
Vic Emery	39	37
Bill Matthews	9	11
Alan Thompson	-	9
Jeane Freeman	1	-
Russell Pettigrew	2	-

The remaining Non-Executive Board Members received no remuneration during 2010-11. No bonuses were paid during the year.

Remuneration of Executive Committee Members

The salary, allowances and pension entitlements of the following members of the SPSA Executive Committee were as follows:

	2010-11		2009-10	
	Salary £'000 *	Benefits in kind to nearest £100	Salary £'000 *	Benefits in kind to nearest £100
Andrea Quinn	85-90(110-115)	-	-	-
Jo Brigham****	100-105	-	110-115	-
John Geates**	110-115	-	105-110	-
Tom Nelson	90-95	-	90-95	-
Jan Thompson	85-90	-	55-60(85-90)	-
John Fanning	85-90(85-90)	-	70-75	-
Carol McLean	75-80(90-95)	-	65-70	-
John McCroskie	65-70	-	60-65	-
Jim Gibson***	85-90(100-105)	-	25-30(100-105)	-
Gillian Campbell	25-30(85-90)	-	-	-
John Fox-Davies***	35-40(100-105)	-	-	-
Jim Maguire	20-25(90-95)	-	-	-

* The full year equivalents for those members of the SPSA Executive Committee who were only employed during a part of the year are noted in brackets.

** John Geates is a seconded officer from Strathclyde Police, and as such his seconded costs have been disclosed.

*** Similarly, Jim Gibson and John Fox-Davies are not employees of SPSA, but were contracted through an agency. As such, their salary equivalents have been disclosed.

**** Jo Brigham was seconded to ACPOS from 19 July 2010, and as such, these costs have been reimbursed for the latter part of the year.

The table below shows pensions information in respect of those senior members of staff entitled and participating in the Local Government Pension Scheme. It does not include pension information and entitlements for seconded police officers who participate in a totally separate scheme.

	Accrued Pension/ Lump Sum at age 60 at 31 March 2011 (in bands of £2,500)	Real increase in Pension/ Lump Sum as at 31 March 2011 (in bands of £2,500)	Cash Equivalent Transfer Value at 31 March 2011	Cash Equivalent Transfer Value at 31 March 2010	Real increase in Cash Equivalent Transfer Value	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	to nearest £100
Jo Brigham	5/ 2.5	2/-	50	32	5	-
Andrea Quinn	2.5/-	1/-	10	-	2	-
Tom Nelson	37.5/ 100	-(3)	567	607	(73)	-
Jan Thompson	2.5/-	1/-	22	10	3	-
John Fanning	5/2.5	1/-	28	22	2	-
John McCroskie	5/2.5	1/-	26	19	-	-
Gillian Campbell	2.5/-	-/-	4	-	1	-
Jim Maguire	2.5/-	-/-	4	-	2	-



Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011

SPSA ANNUAL ACCOUNTS 2010-11

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, Scottish Ministers have directed SPSA to prepare, for each financial year, a statement of accounts in the form and on the basis set out in their Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SPSA and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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Scottish Ministers have appointed the Chief Executive as the Accountable Officer for SPSA. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity for the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding SPSA's assets, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Government and published as part of the Scottish Public Finance Manual.

SPSA ANNUAL ACCOUNTS 2010-11

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

As Accountable Officer for Scottish Police Services Authority (SPSA), including Scottish Crime and Drug Enforcement Agency (SCDEA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me. SCDEA is maintained by SPSA but it has operational independence and its own Director General, who also attends Board meetings.

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

2. Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to 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.

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The process within the organisation accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts.

3. Risk and Control Framework

SPSA utilises a risk management process that includes a framework for evaluation of risk and is in accordance with the requirements of the SPFM and relevant guidance issued by the Scottish Ministers.

The key elements of SPSA's risk management approach are as follows:

- Consideration and approval by SPSA's Audit Committee of the organisation's Risk Management Policy and Strategy.
- The Audit Committee review and challenge the processes established to identify and manage the risks faced by SPSA in the conduct of its business.
- The Audit Committee advises the Board and the Accountable Officer on the adequacy of the Risk Management arrangements.
- All Business Areas maintain and review their own risk registers.
- The severity of the risk will determine to what level the risk is escalated i.e. to Executive Committee and/or SPSA Board.
- The Executive Committee review and discuss Risk Registers and related action plans, and the Board review and challenge the Corporate Risk Register to ensure risks are effectively identified and managed.
- Regular reports by SPSA's internal auditors, PriceWaterhouseCoopers LLP, who operate to standards defined in the Government Internal Audit Manual. These reports include opinion on the adequacy and effectiveness of internal financial control together with recommendations for improvements. The work of the internal auditors is informed by an analysis of the risk to which SPSA is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by me and endorsed by the Audit Committee.
- Information management policies and procedures are in place and SPSA is committed to complying with relevant information management standards.

More generally, the organisation is committed to a process of continuous development and improvement. During the period to 31 March 2011 and up to the signing of the accounts the organisation has progressed work on several projects that aim to improve efficiency and effectiveness. These include:

- All business areas have business continuity plans (BCPs) in place, and these have been tested by way of internal table top exercises. SPSA received praise from HMICS as part of an inspection in 2010 for the work and standard of testing carried out on BCP.
- SPSA ICT has their own BCPs which are modified in partnership with the police forces they support.
- Long-term organisational objectives are set in the Five Year Strategic Plan, and detailed organisational objectives are set in the Annual Plan.
- Performance against objectives is monitored at local management, Executive Committee and Board meetings.
- An SPSA improvement programme was instigated during 2010-11 as a result of a number of reviews carried out by external bodies including Audit Scotland.
- Clear investment appraisal guidelines are in place with the introduction of an Investment Appraisal Group (IAG) process. The IAG is an Executive forum which oversees all new business development activity within SPSA (e.g. the introduction of a new support service).
- SPSA's Financial Memorandum, Management Statement and Scheme of Delegation have all been recently reviewed.
- SPSA assumed responsibility for full administration of ICT vehicle fleet during the year, and the associated vehicle purchase funding was transferred from police forces to SPSA in June 2010.
- SPSA has a Fraud Policy and Response Plan which meets Scottish Government Standards and has been made available internally to staff.
- Strategic procurement (high value/high risk) activity is being undertaken by fully qualified procurement professionals.
- A policy review group was established to review and make recommendations for improvements to SPSA policies.
- Harmonisation of SPSA terms and conditions and people policies on 1 April 2011 resulted in one set of policies for all SPSA employees, as opposed to the previous nine.
- Single harmonised travel and subsistence and overtime policies are now also in place.
- PDR completion rates for 2010-11 were 95%, a significant improvement on previous performance.
- Skills matrices have been developed for many parts of SPSA which identifies and reflects training requirements for each role in the organisation, and training packages reviewed to take account of changes in the Equality Act.
- An Equality Impact Assessment was completed for job evaluation and harmonisation projects.
- An online management toolkit for the completion of Governance and Equality Impact Assessments is nearing completion.
- Risk Management and Accreditation Document sets are produced for all systems bi-annually, or sooner, where significant changes are made to systems.
- A Contract Handbook, outlining information assurance responsibilities is provided to on-site contractors.

- Breaches of security and data handling incidents reports are investigated by SPSA's Legal and Compliance Team, with specialist help when appropriate.
- There were no health and safety enforcement issues notified during the 2010-11 financial year, and SPSA was awarded a Royal Society for the Prevention of Accidents Bronze Award for its work in health and safety.
- Fire risks assessments and staff fire marshal training are carried out every two years, and evacuation procedures are tested throughout the year.
- SPSA works with police forces to gain assurance of adequate emergency procedures within Force premises.
- All 2011-12 financial transactions are being processed through a new financial system which went live on 1 April 2011.

4. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit regular reports to the organisation's Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- Comments made by the external auditors in their management letters and other reports.

During the 12 months to 31 March 2011, internal audit and informal internal reviews focussed on the effectiveness of key financial controls covering:

- Income and Debtors
- Bank and Cash
- Payroll
- Government Procurement Card

No high risk or critical recommendations were made and I can confirm that management action plans are in place to address the medium and low risk weaknesses identified covering all processes that were tested.

5. Significant Internal Control Issues

The degree of complexity in the purchase, administration and accounting for ICT goods and services under the Agency Agreement which started on 1 July 2009 continues to receive comment from both internal and external audit.

The ongoing review of the operating model and collaboration between forces and SPSA to ensure that comprehensive financial control is exercised in respect of ICT spend under the Agency Agreement has significantly improved both process and control during 2010-11. This will continue to be a focus for improvement in 2011-12.



Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011

SPSA ANNUAL ACCOUNTS 2010-11

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

I have audited the financial statements of Scottish Police Services Authority for the year ended 31 March 2011 under the Police, Public Order and Criminal Justice (Scotland) Act 2006. These comprise of the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2010/11 Government Financial Reporting Manual (the 2010/11 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 123 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.

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Respective responsibilities of the Board, Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Board and Accountable Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. 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 receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements 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, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its total comprehensive 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 2010/11 FReM; and
- have been prepared in accordance with the requirements of the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and receipts 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:

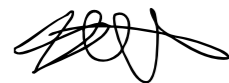
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary and the paragraphs headed Leadership and Governance included in the Annual 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 Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.



Brian Howarth ACMA
Assistant Director
Audit Scotland
7th Floor, Plaza Tower
East Kilbride
G74 1LW

28 September 2011

SPSA ANNUAL ACCOUNTS 2010-11

FINANCIAL STATEMENTS

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Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 Restated £'000
Expenditure			
Staff costs	3	45,820	50,459
Depreciation	8&9	2,007	2,023
Other expenditure	4	27,463	24,505
		75,290	76,987
Income			
Income from activities	5	6,608	5,107
	2	6,608	5,107
Net Expenditure			
Pension fund interest	15(i)	366	443
Finance lease interest	6	292	304
GPC interest	6	-	2
		658	749
Net Expenditure after interest	2	69,340	72,629
Total Comprehensive Expenditure for Year Ended 31 March			
		69,340	72,629

All income and expenditure is derived from continuing operations.

The notes on pages 57 to 79 form part of these accounts.

Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	8	7,838	7,829
Intangible assets	9	385	141
Total non-current assets		8,223	7,970
Current assets			
Inventories	10	491	598
Trade and other receivables	11	18,107	15,786
Cash and cash equivalents	12	2,009	785
Total current assets		20,607	17,169
Total assets		28,830	25,139
Current liabilities			
Trade and other payables	13	21,282	15,191
Total current liabilities		21,282	15,191
Non-current assets less net current liabilities		7,548	9,948
Non-current liabilities			
Provisions	14	94	190
Pension liabilities	15(d)	12,879	37,761
Finance lease liabilities	18(c)	4,443	4,660
Total non-current liabilities		17,416	42,611
Assets less liabilities		(9,868)	(32,663)
Taxpayers' equity			
General fund		3,011	5,098
Pension reserve	15(i)	(12,879)	(37,761)
		(9,868)	(32,663)



Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011
Authorised for issue on 28 September 2011

The notes on pages 57 to 79 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 Restated £'000
Cash flows from operating activities			
Net deficit		(69,340)	(72,629)
Adjustments for non-cash costs	6	(2,510)	2,667
Decrease/(increase) in inventories	10	107	(64)
Increase in trade and other receivables	11	(2,321)	(10,399)
Increase in trade and other payables	13	6,079	5,240
(Decrease)/increase in provisions	14	(96)	190
<i>Movements in payables relating to items not through Statement of Comprehensive Net Expenditure</i>			
Capital payables		(1,274)	(386)
Net cash outflow from operating activities		(69,355)	(75,381)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(916)	(239)
Purchase of intangible assets	9	(57)	-
Transfers of property, plant and equipment	8	(33)	-
Proceeds of disposal of property, plant and equipment		44	37
Net cash outflow from investing activities		(962)	(202)
Cash flows from financing activities			
Grant from Justice Department	16	72,038	75,563
Payment of finance lease liabilities	13	(205)	(193)
Interest paid	6	(292)	(306)
Net financing		71,541	75,064
Net increase/(decrease) in cash/cash equivalents in the year	12	1,224	(519)
Cash/cash equivalents at the beginning of the year	12	785	1,304
Cash/cash equivalents at the end of the year	12	2,009	785

The notes on pages 57 to 79 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

Changes in taxpayers' equity 2010-11

	Note	General Fund £'000	Pension £'000	Total £'000
Balance at 1 April 2010		5,098	(37,761)	(32,663)
Net (deficit)/surplus for the year		(77,782)	8,442	(69,340)
IAS 19 actuarial gain	15(f)	-	16,440	16,440
Notional rent charge for Scottish Police College	6	2,454	-	2,454
Notional rent charge for Dundee laboratory	6	1,203	-	1,203
Grant from Justice Department	16	72,038	-	72,038
Balance as at 31 March 2011		3,011	(12,879)	(9,868)

Changes in taxpayers' equity 2009-10 (restated)

	Note	General Fund £'000	Pension £'000	Total £'000
Balance at 1 April 2009		2,390	(4,567)	(2,177)
Net (deficit)/surplus for the year		(74,708)	2,079	(72,629)
IAS 19 actuarial loss	15(f)	-	(35,273)	(35,273)
Notional rent charge for Scottish Police College	6	2,456	-	2,456
Scottish Police College storeroom to Scottish Government		(603)	-	(603)
Grant from Justice Department	16	75,563	-	75,563
Balance as at 31 March 2010		5,098	(37,761)	(32,663)

Notes to the Accounts

1. Statement of Accounting Policies

In pursuance of Section 7 of the Police, Public Order and Criminal Justice (Scotland) Act 2006, and as approved by the Scottish Ministers, these financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of SPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SPSA in the preparation of these financial statements are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

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

1.2 Going Concern

In common with much of the public sector, SPSA has had a significant reduction in its initial Grant in Aid (GIA) settlement for 2011-12. At the date of signing these accounts dialogue continues with the Scottish Government over a potential gap between the current GIA and SPSA's anticipated expenditure for the year, the latter being largely fixed in nature. SPSA does however have written confirmation from Scottish Government that the position will be monitored closely and they will address any issues before they arise.

There will in all likelihood also be further reductions in public sector funding as part of Scottish Government's three year Spending Review which will take effect from 1 April 2012.

There is therefore a degree of uncertainty surrounding whether SPSA will be able to carry out its existing level of activities to the same degree in future years.

From the verbal and written assurances given by Scottish Government, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS 19 and include an actuarial valuation of the pension scheme liability as explained in note 15 to the accounts. This reflects the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SPSA. Hymans Robertson, the actuary, has collated the information from the various Local Government Pension Scheme (LGPS) funds in which SPSA participate and has calculated the liability arising under IAS 19.

The actuary to each of the LGPS funds in which SPSA participate conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2008, with the next formal valuation due at 31 March 2011. In preparing the projected pension expense for the year to 31 March 2011, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers. The other main financial assumptions are set out in note 15.

To the extent that the pension deficit is not met from SPSA's sources of income it may only be met by future grant in aid from SPSA's sponsoring department, the Scottish Government Justice Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

1.3 Change of Accounting Policy – Prior Year Adjustments

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010 onwards. The cost of capital charge is therefore not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results. See note 7 for the full details.

1.4 Segmental Reporting

The primary format used for segmental reporting is by division, as this reflects SPSA's internal management structure and reporting. SPSA's assets are shared across the operating segments and segmental information on assets and liabilities is not used internally. As a result, segmental disclosure of these is not necessary.

- Corporate Services derives its revenues mostly from the sub-lease of properties.
- Forensic Services receives revenues from staff recharges, laboratory services and the sale of photographs for legal purposes.
- ICT's revenues are from staff recharges for ICT projects and for ICT service provision to police forces and Fire and Rescue Services.
- Criminal Justice also receives revenue from staff recharges.
- The Scottish Police College receives revenues from conference facilities, training courses and assisting international police services.

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

1.5 Revenue Recognition

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

Grant in Aid

SPSA is funded by the Scottish Government. Grant in Aid is received throughout the year and is intended to meet SPSA's estimated expenditure. It is accounted for as financing on a cash basis, not income, and is therefore credited to SPSA's Reserves and not incorporated within the organisation's Statement of Comprehensive Net Expenditure.

Sale of Goods

Revenue is recognised on transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the considerations due, associated costs or the possible return of goods.

Project Management Fees

Management fees are recognised when the services are rendered.

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.

1.6 Property, plant and equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale.

Assets classified as under construction are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

Capitalisation

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

Valuation

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.

Capitalisation of Finance Leases

Where substantially all the risks and rewards of ownership of a leased property are borne by SPSA, 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 SPSA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Impairments

As SPSA inherited its non-current asset base from predecessor organisations, a full physical verification and impairment review was undertaken during 2008-09, and an annual impairment review is undertaken.

1.7 Depreciation

Depreciation is provided on property, plant and equipment at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Buildings	over 20 to 50 years
Plant and equipment	over 3 to 10 years
Vehicles	over 3 to 10 years
Fixtures and fittings	over 3 to 10 years
IT Systems	over 3 to 10 years

Assets under construction are not depreciated until the asset is brought into use.

1.8 Intangible Assets

Purchased software licences are valued on a historic cost basis. Amortisation is applied at rates calculated to write off the valuation of purchased software licenses by equal instalments over the shorter of the term of the licence 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 IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

1.9 Financial Instruments

Measurement Basis

Financial assets and liabilities are recognised on the date on which SPSA becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value. Any impairment of a financial asset is charged to the Statement of Comprehensive Net Expenditure when incurred. Financial assets are derecognised when SPSA's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

Classification

SPSA's financial assets are classified as:

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

Cash and cash equivalents – these are amounts held with the Government Banking Service and UK commercial bank current accounts. SPSA has no borrowings and relies primarily on grant in aid from the Justice Department 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.

SPSA's financial liabilities are classified as:

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

Embedded Financial Instruments

SPSA has no embedded derivatives that are not closely related to the host instrument.

1.10 Inventories

All consumable inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

1.11 Trade and Other Receivables

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

1.12 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.13 Trade and Other Payables

Trade payables are recognised initially at fair value.

SPSA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, SPSA aims to pay within 10 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

1.14 Provisions

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

1.15 Pensions

SPSA employees are members of Local Government Pension Schemes. The schemes 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 SPSA. 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 on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the schemes are calculated so as to spread the cost of pensions over employees working lives with SPSA. 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 IAS 19 'Employee benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

1.16 Operating Leases

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 lease term.

Scottish Police College

Scottish Government retains legal title of the Scottish Police College at Tulliallan and charges SPSA notional rent equivalent to the capital charges on the estate.

1.17 Taxation

Income is recorded net of VAT where applicable but revenue and capital expenditure is stated inclusive of irrecoverable VAT. HMRC has stated that SPSA is not required to submit annual corporation tax returns on the basis that SPSA has no overall taxable profits as long as circumstances remain as they are.

1.18 ICT Agency Agreement

SPSA has been formally appointed as the purchasing agent for all ICT goods and services for Scottish police forces. Funding for Agency Agreement expenditure is provided by the Scottish Government via police forces. There is no impact of the ICT Agency Agreement on SPSA's income and expenditure under the FReM, with amounts owed to suppliers included in trade payables and amounts to be recovered from the police forces included in receivables.

2. Analysis of Net Expenditure by Segment

2010-11	Corporate Services* £'000	Forensic Services £'000	ICT £'000	Criminal Justice £'000	Scottish Police College £'000	Total £'000
Gross Expenditure	17,014	25,323	20,173	1,900	11,538	75,948
Income	(2,493)	(334)	(1,926)	(523)	(1,332)	(6,608)
Net Expenditure	14,521	24,989	18,247	1,377	10,206	69,340

*Corporate Services net expenditure incorporates full facilities and services costs for the entire SPSA.

3. Staff Numbers and Related Costs

Average number of full-time equivalent persons employed:

	2010-11			2009-10
	Permanent staff	Others	Total	Total
Permanent	1,213	-	1,213	1,193
Secondments	-	111	111	128
Agency	-	15	15	13
	1,213	126	1,339	1,334

Staff costs comprise:

	2010-11			2009-10
	Permanent staff £'000	Others £'000	Total £'000	Total £'000
Wages and salaries	39,174	-	39,174	36,927
Social security costs	2,970	-	2,970	2,775
Other pension costs	6,898	-	6,898	6,208
Secondments	-	5,218	5,218	6,778
Agency staff	-	368	368	293
	49,042	5,586	54,628	52,981
IAS 19 pension	(8,808)	-	(8,808)	(2,522)
Total net costs	40,234	5,586	45,820	50,459

Exit Packages

During the year, 74 employees agreed terms under the voluntary redundancy scheme. 17 employees left before 31 March 2011, and another 57 left after the year-end. There was no such scheme during the year 2009-10. There were a further three employees who departed under other arrangements. All exit costs are accounted for in the year of departure.

The values of the individual packages were as follows:

Value of Package (in bands of £5,000)	2010-11		2009-10	
	Voluntary Redundancy No of employees	Other Departures No of employees	Voluntary Redundancy No of employees	Other Departures No of employees
£nil - £25,000	12	-	-	1
£25,000 - £50,000	2	2	-	-
£50,000 - £75,000	3	-	-	1
£75,000 - £100,000	-	-	-	1
£100,000 - £125,000	-	-	-	2
£125,000 - £150,000	-	-	-	1
£150,000 - £175,000	-	-	-	1
£175,000 - £200,000	-	1	-	-
£200,000 - £325,000	-	-	-	-
	17	3	-	6
	£'000	£'000	£'000	£'000
Total Costs	363	390	-	528

4. Other Expenditure

	2010-11 £'000	2009-10 £'000
Other staff costs	541	493
Property costs	11,922	11,299
Supplies and services	7,442	7,313
Transport costs	530	696
Administration costs	1,867	1,283
Printing, stationery & postage	294	357
Conference / meeting expenses	533	817
Staff restructuring costs	2,787	707
Subscriptions	67	70
Recharge to SCDEA for corporate support costs	(2,756)	(2,690)
IT Development / consultants	646	397
Academic fees	970	705
Professional fees	365	489
Scottish Police College catering	1,838	1,953
Senior Careers Development Services	289	329
Accelerated Promotion Scheme	19	39
Scottish Police College medical services	25	58
Youth Restorative Justice	-	68
Community Analyst Partnership	-	26
Other costs	84	96
	27,463	24,505

Operating expenditure includes:

	2010-11 £'000	2009-10 £'000
Hire of plant and equipment	147	96
Operating lease rentals		
Land and buildings	3,012	3,804
Notional rent on Scottish Police College	2,454	2,456
Notional rent on Dundee Forensic Laboratory	1,203	-
Auditors' remuneration – audit work	42	44
Auditors' remuneration – non-audit work	-	-

5. Income from Activities

	2010-11 £'000	2009-10 £'000
Conferences and events	319	314
Rental income	1,405	1,345
Outside students	675	422
Profit on disposal of PPE	24	21
Insurance	16	64
Charge for laboratory services	38	21
Recovery of seconded staff	1,599	1,079
Criminal Records Bureau	168	250
Garden produce	-	2
Other income	1,698	878
Sale of photographs/videos	68	45
National Network Laboratories	70	78
Miscellaneous recharges	5	3
Scottish Intelligence Database recharges	523	512
Senior Career Recovery	-	73
	6,608	5,107

Major customers of the organisation are Disclosure Scotland and Strathclyde Police.

Disclosure Scotland leases a property from SPSA at a cost of £930,000 per annum. Strathclyde Police is charged for a range of services including costs of seconded staff.

6. Adjustments to Statement of Cash Flows

	2010-11 £'000	2009-10 £'000
Depreciation	2,007	2,023
Interest payable - Government Procurement Card	-	2
Interest payable - finance lease	292	304
Notional rent charge for Scottish Police College	2,454	2,456
Notional rent charge for Dundee Forensic Laboratory	1,203	-
IAS 19 pension	(8,442)	(2,079)
Profit on sale of plant and equipment	(24)	(6)
Asset impairment	-	(33)
	(2,510)	2,667

7. Notional Cost of Capital

The cost of capital charge is not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results.

Notional cost of capital was previously shown separately on the face of the Statement of Comprehensive Net Expenditure with the corresponding entry shown as a movement in reserves. The charge was calculated on the basis of 3.5% on the average capital employed in the previous year.

	2009-10 Restated £'000	2009-10 Original £'000
Notional cost of capital	-	(636)

This has resulted in the following changes to the Statement of Comprehensive Net Expenditure:

	2009-10 Restated £'000	2009-10 Original £'000
Amount transferred to general fund and pension reserve	72,629	71,993

The following change to the Statement of Cash Flows:

	2009-10 Restated £'000	2009-10 Original £'000
Net deficit for the year	72,629	71,993
Adjustments to Cash flow	2,667	2,031

And a further change to the Statement of Changes in Taxpayers' Equity

	2009-10 Restated £'000	2009-10 Original £'000
Net deficit for the year	72,629	71,993

There has been no change necessary on the face of the Statement of Financial Position.

8. Property, Plant and Equipment

2010-11	Buildings £'000	Leasehold Improvements £'000	IT £'000	Plant & machinery £'000	Furniture & fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation:							
At 1 April 2010	6,360	-	8,655	8,882	65	1,965	25,927
Transfers	-	-	-	-	-	33	33
Additions	-	290	477	621	110	446	1,944
Disposals	-	-	-	-	-	(172)	(172)
At 31 March 2011	6,360	290	9,132	9,503	175	2,272	27,732
Depreciation							
At 1 April 2010	2,524	-	7,065	7,296	28	1,185	18,098
Charged in year	254	2	773	573	35	311	1,948
Disposals	-	-	-	-	-	(152)	(152)
At 31 March 2011	2,778	2	7,838	7,869	63	1,344	19,894
Net book value: 31 March 2011	3,582	288	1,294	1,634	112	928	7,838
1 April 2010	3,836	-	1,590	1,586	37	780	7,829
Asset financing:							
Owned	-	288	1,294	1,634	112	928	4,256
Finance leased	3,582	-	-	-	-	-	3,582
Net book value at 31 March 2011	3,582	288	1,294	1,634	112	928	7,838

2009-10	Buildings £'000	Leasehold Improvements £'000	IT £'000	Plant & machinery £'000	Furniture & fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation:							
At 1 April 2009	6,975	-	8,431	8,870	65	1,687	26,028
Transfers	(615)	-	-	-	-	-	(615)
Additions	-	-	224	131	-	270	625
Disposals	-	-	-	(119)	-	(31)	(150)
Impairment reversal	-	-	-	-	-	39	39
At 31 March 2010	6,360	-	8,655	8,882	65	1,965	25,927
Depreciation:							
At 1 April 2009	2,281	-	6,231	6,802	15	920	16,249
Transfers	(12)	-	-	-	-	-	(12)
Charged in year	255	-	834	597	13	275	1,974
Disposals	-	-	-	(103)	-	(16)	(119)
Impairment reversal	-	-	-	-	-	6	6
At 31 March 2010	2,524	-	7,065	7,296	28	1,185	18,098
Net book value: 31 March 2010	3,836	-	1,590	1,586	37	780	7,829
1 April 2009	4,694	-	2,200	2,068	50	767	9,779
Asset financing:							
Owned	-	-	1,590	1,586	37	780	3,993
Finance leased	3,836	-	-	-	-	-	3,836
Net book value at 31 March 2010	3,836	-	1,590	1,586	37	780	7,829

The impairment review undertaken during 2010-11 has not resulted in any impairment charge made to the Statement of Comprehensive Net Expenditure during the year (2009-10; £33,000).

9. Intangible Assets

2010-11	Software licences £'000
Cost or valuation:	
At 1 April 2010	240
Additions	303
At 31 March 2011	543
Amortisation:	
At 1 April 2010	99
Charged in year	59
At 31 March 2011	158
Net book value: 31 March 2011	385
2009-10	Software licences £'000
Cost or valuation:	
At 1 April 2009	240
Additions	-
At 31 March 2010	240
Amortisation:	
At 1 April 2009	50
Charged in year	49
At 31 March 2010	99
Net book value: 31 March 2010	141

10. Inventories

	31 March 2011 £'000	31 March 2010 £'000
Consumables	491	598

11. Trade and Other Receivables

(a) Analysis by Type

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
Trade receivables	8,724	12,308
Other receivables	13	158
Prepayments and accrued income	9,370	3,320
Total	18,107	15,786

(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Balances with other central government bodies	598	591	-	-
Balances with local authorities	10,291	12,462	-	-
Balances with NHS bodies	80	-	-	-
Intra-government balances	10,969	13,053	-	-
Balances with bodies external to government	7,138	2,733	-	-
Total	18,107	15,786	-	-

12. Cash and Cash Equivalents

	£'000
Balance at 1 April 2010	785
Net change in cash and cash equivalent balances	1,224
Balance at 31 March 2011	2,009

	31 March 2011 £'000	31 March 2010 £'000
The following balances at 31 March are held at:		
Balance with Government Banking Service	1,885	482
Cash at commercial banks and cash in hand	124	303
	2,009	785

13. Trade and Other Payables

(a) Analysis by Type

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
VAT	75	162
Other taxation and social security	1,063	1,054
Trade payables	8,445	8,529
Other payables	2,574	924
Accruals and deferred income	8,907	4,316
Current part of finance lease	218	206
	21,282	15,191
Amounts falling due after more than one year:		
Finance lease	4,443	4,660
	4,443	4,660

(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Balances with other central government bodies	1,188	1,433	-	-
Balances with local authorities	6,499	4,574	-	-
Balances with NHS bodies	5	-	-	-
Intra-government balances	7,692	6,007	-	-
Balances with bodies external to government	13,590	9,184	4,443	4,660
Total	21,282	15,191	4,443	4,660

14. Provisions for Liabilities and Charges

	£'000
Balance at 1 April 2010	190
Increase in provisions during the year	54
Release of provisions during the year	(150)
Balance at 31 March 2011	94

Provisions for liabilities and charges relate to legal claims against SPSA.

15. IAS 19 Pension Liability

(a) Actuarial Methods and Assumptions

SPSA participates in a number of Scottish Local Government Pension Schemes (LGPS). LGPS is a defined benefit statutory scheme and provides benefits based on final pensionable salary. It is contracted out of the State Second Pension.

The latest formal valuation of the Scottish LGPS funds was at 31 March 2008, with the next formal valuation due as at 31 March 2011. In order to assess the value of SPSA's assets and liabilities in the Fund as at 31 March 2011 for the purposes of IAS 19, the value of SPSA's liabilities calculated at the latest valuation has been rolled forward, allowing for the different financial assumptions required under IAS 19, 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.

(b) Financial Assumptions

The financial assumptions utilised by the actuary to calculate liabilities under IAS 19 were:

	2010-11 % pa	2009-10 % pa
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increases Rate	5.1%	5.3%
Expected Return on Assets	6.9%	7.2%
Discount rate	5.5%	5.5%

The inflation assumption has been derived by considering the difference in gross redemption yields of fixed and index-linked gilt-edged securities as at 31 March 2011.

IAS 19 sets out that the discount rate used to place a value on the liabilities should be the return on a "high quality corporate bond of equivalent term and currency to the liability". The discount rate applied is equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years at the IAS 19 valuation date.

(c) Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year.

IAS 19 requires that the expected return on assets is set by the employer having taken actuarial advice. Details of the expected returns recommended by Hymans Robertson LLP, SPSA's actuaries, as at 31 March 2011, along with comparative figures as at 31 March 2010 are set out below:

Assets	31 March 2011		31 March 2010	
	Long Term Returns	Assets £'000	Long Term Returns	Assets £'000
Equities	7.5%	67,667	7.8%	56,554
Bonds	4.9%	11,423	5.0%	9,708
Property	5.5%	6,648	5.8%	5,447
Cash	4.6%	2,935	4.8%	2,316
Total		88,673		74,025

(d) Statement of Financial Position

In accordance with IAS 19, SPSA is required to account for pension liabilities of £101,552,000 (2009-10; £111,786,000) for the financial year ended 31 March 2011 as valued by Hymans Robertson LLP. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under IAS 19 issued by the Institute and the Faculty of Actuaries.

	31 March 2011 £'000	31 March 2010 £'000
Net pension liability as at:		
Estimated assets (A)	88,673	74,025
Present value of scheme liabilities	101,504	111,721
Present value of unfunded liabilities	48	65
Total value of liabilities (B)	101,552	111,786
Net pension liability (A-B)	(12,879)	(37,761)

The net pension liability as at 31 March 2009 was £4,567,000, and there was a net pension asset as at 31 March 2008 of £929,000.

The present value of scheme liabilities comprises of approximately £98,788,000, £904,000 and £1,812,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2011(31 March 2010; £108,141,000, £1,176,000 and £2,281,000).

For unfunded liabilities as at 31 March 2011, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death (spouse's pension as a proportion of member's pension is now dependent on the member's pre and post April 2009 service). The liabilities as at 31 March 2011 are based on the current structure of the LGPS.

(e) Income Statement

	2010-11		2009-10	
	£'000	% of pay	£'000	% of pay
Current service cost	8,071	21.3%	3,327	9.6%
Interest on obligation	5,989	15.8%	3,775	11.0%
Expected return on employer assets	(5,623)	(14.9%)	(3,332)	(9.7%)
Past service gain	(9,924)	(26.2%)	-	-
Losses on curtailments and settlements	107	0.3%	397	1.2%
Total included in "members costs"	(1,380)	(3.6%)	4,167	12.2%
Actual return on plan assets	6,225		18,552	

The service cost figures include an allowance for administration of 0.2% (2009-10; 0.2%) of payroll.

(f) Actuarial Gains/(Losses)

	2010-11 £'000	2009-10 £'000
Actuarial gains on plan assets	594	15,216
Actuarial gains/(losses) on obligation	15,846	(50,489)
Net actuarial gains/(losses)	16,440	(35,273)
Cumulative actuarial losses	(13,458)	(29,898)

The cumulative actuarial gain as at 31 March 2009 was £5,375,000, and at 31 March 2008 was £11,365,000.

(g) Reconciliation of Defined Benefit Obligation

	31 March 2011 £'000	31 March 2010 £'000
Opening defined benefit obligation	111,786	51,983
Current service cost	8,071	3,327
Interest on obligation	5,989	3,775
Contribution by members	2,484	2,278
Actuarial (gains)/losses	(15,846)	50,489
Past service gains	(9,924)	-
Losses on curtailments	107	397
Estimated unfunded benefits paid	(3)	(3)
Estimated benefits paid	(1,112)	(460)
Closing defined benefit obligation	101,552	111,786

The defined benefit obligation as at 31 March 2009 was £51,983,000, and at 31 March 2008 was £48,694,000.

(h) Reconciliation of Fair Value of Employer Assets

	31 March 2011 £'000	31 March 2010 £'000
Opening fair value of employer assets	74,025	47,416
Expected return on assets	5,623	3,332
Contributions by members	2,484	2,278
Contributions by the employer	7,059	6,243
Contributions in respect of unfunded benefits	3	3
Actuarial gains	594	15,216
Unfunded benefits paid	(3)	(3)
Benefits paid	(1,112)	(460)
Closing fair value of employer assets	88,673	74,025

The fair value of employer assets as at 31 March 2009 was £47,416,000, and at 31 March 2008 was £49,698,000.

(i) Reconciliation of Pension Reserve

	Note	Actuarial Gain £'000	2010-11 Pension Interest £'000	Staff Costs £'000	Total £'000	2009-10 Total £'000
As at 1 April 2010		-	-	-	(37,761)	(4,567)
Actuarial gain/(loss) in year	15(f)	16,440	-	-	16,440	(35,273)
Interest on obligation	15(g)	-	(5,989)	-	(5,989)	(3,775)
Expected return on assets	15(h)	-	5,623	-	5,623	3,332
Contributions by employer	15(h)	-	-	7,059	7,059	6,243
Current service cost		-	-	(8,071)	(8,071)	(3,327)
Past service gain	15(g)	-	-	9,924	9,924	-
Losses on curtailments	15(g)	-	-	(107)	(107)	(397)
Contributions re unfunded benefits	15(h)	-	-	3	3	3
As at 31 March 2011		16,440	(366)	8,808	(12,879)	(37,761)

16. Grant In Aid Income

	31 March 2011 £'000	31 March 2010 £'000
SPSA		
Cash grant in aid:		
Total cash received during year	72,038	75,563
ICT grant adjustment	4,000	(4,000)
	76,038	71,563
ICT vehicle transfer	(120)	-
IAS 17 leasing adjustment	610	-
	76,528	71,563
Non-cash grant in aid:		
Dundee lab	1,203	-
Scottish Police College	2,454	2,456
Depreciation (and cost of capital for 2009-10)	1,571	2,204
Total SPSA Resource Budget for Year	81,756	76,223
SCDEA		
Cash grant in aid:		
Total cash received	25,220	23,550
Non-cash grant in aid:		
Depreciation (and cost of capital for 2009-10)	1,023	1,363
Total SCDEA Resource Budget for Year	26,243	24,913
Total Combined Resource Budget for Year	107,999	101,136
This is made up as follows:		
Cash grant in aid	101,748	95,113
Non-cash grant in aid	6,251	6,023
Total Combined Resource Budget for Year	107,999	101,136

17. Capital Commitments

SPSA had no capital commitments as at 31 March 2011 (31 March 2010; £316,000).

18. Commitments Under Leases

(a) Operating Leases

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments under non-cancellable operating leases:		
Buildings:		
Not later than 1 year	7,020	5,703
Later than 1 year and not later than 5 years	9,484	6,187
Later than 5 years	2,629	1,756
Total	19,133	13,646

All operating leases are for properties and the majority are under short-term Memoranda of Temporary Occupation with police forces.

(b) Operating Lease Income from Leases

SPSA also receives rental income from sub-leasing four properties.

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments receivable under operating leases:		
Buildings:		
Not later than 1 year	1,592	1,385
Later than 1 year and not later than 5 years	4,467	4,008
Later than 5 years	11,092	9,936
Total	17,151	15,329

(c) Finance Leases

The finance lease represents the lease of one property terminating in 2025.

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments under finance leases:		
Buildings:		
Not later than 1 year	498	498
Later than 1 year and not later than 5 years	1,990	1,990
Later than 5 years	4,478	4,974
Gross finance lease liabilities	6,966	7,462
Future finance charges on finance lease	2,305	2,596
Present value of finance lease liabilities	4,661	4,866

The present value of finance lease liabilities is as follows:

Not later than 1 year	218	206
Later than 1 year and not later than 5 years	1,017	957
Later than 5 years	3,426	3,703
	4,443	4,660
Present value of finance lease liabilities	4,661	4,866

19. Financial Instruments

SPSA has no borrowings and relies primarily on grant in aid from the Justice Department for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. There is no difference between book value and fair value for the cash at bank shown in Note 12.

20. Related Party Transactions

SPSA is a Non Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year, SPSA has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as a parent body. In addition, SPSA 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 Executive group members or related parties have undertaken any material transactions with SPSA.

21. Events After the Reporting Period

An outline business case for police reform was produced by the Scottish Government during September 2011, and the Cabinet Secretary announced that, over the next few years, Scottish policing will move to a single force structure.

On the establishment of the single force, the services provided by SPSA will be delivered within the new force and the Authority will no longer exist as an NDPB.



**SCOTTISH POLICE SERVICES AUTHORITY
DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of section 16 of Schedule 1 of the Police, Public Order and Criminal Justice (Scotland) Act 2006, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers
Dated 28 March 2008



SCDEA FOREWORD

It has been said that serious organised crime represents free enterprise in its purest form. It's a nice turn of phrase but it paints a picture I don't recognise.

Serious organised crime is far from free – it costs us all.

The violence, fear and intimidation associated with drug dealing, and the hurt and devastation in families affected by drugs misuse.

The fake DVDs, cigarettes and clothing that are peddled at local markets – a trade that undermines our economy and puts jobs at risk.

The infiltration of our businesses – using them as fronts to launder their dirty money and as cover for their illegal operations.

All costs our country can ill afford to bear.

Serious organised crime groups do operate as businesses. And as any market analyst will tell you, the one thing that business likes is certainty.

That's why, as I set out the results of the SCDEA's work over the past 12 months, I am proud that we have sown the seeds of uncertainty more widely than ever into the operating plans of these pariahs.

The last 12 months has marked an increasing focus on disruption - doing whatever makes it really difficult for serious organised crime groups to operate and literally putting them out of business.

Arresting criminals and taking drugs off the street is still important. But organised crime groups don't just deal in drugs – they deal in commodities. That's why our approach has shifted towards building knowledge on a group's activities and networks, and taking disruptive action that then hurts them the most.



In 2010-11, we seized 80.5 kg of Class A drugs – once again that includes the seizure of higher purity drugs at an early stage in the supply chain before they reach Scotland's streets. But criminals don't make their profits from high-purity drugs alone. They make their profits from adulterated drugs which can have a purity of less than 5 per cent by the time they reach street level. So that makes the adulterants they need a valuable commodity within their business plans, and why it's notable that we seized 217 kg of these substances last year. By seizing these commodities we are impacting on the ability of a crime group to function. When we consider the volume and purity of the Class A drugs we have removed from our streets and combine this with volume of adulterants we have seized we know we have denied serious organised crime groups the opportunity to generate £21.4 million.

Through Operation Bakus, we worked with the UK Border Agency to intercept a number of parcels containing high purity cocaine that were being sent via the postal service from South America to addresses in Edinburgh. The people who were collecting these packages have been jailed for over 13 years for drug supply and drug importation offences, and we have seriously disrupted a crime group's drug supply route into Scotland.

Since April last year we've seized £1.26 million in hard cash from crime groups - more than six times the cash seized during 2009-10 (£207,000) and in addition to the £9.1 million of criminal assets which we have identified for potential seizure by the courts.

This cash represented the working capital of crime groups. By removing their cash, we removed their ability to invest in drugs and adulterants and to make profits. Taking this kind of disruptive action also means better protection for communities because we ultimately disrupt the flow of harmful substances on to the streets.

In 2010-11, we arrested 195 people, 73 of which were Level three criminals – the 'ringleaders' of organised crime groups. Making more arrests at this level is increasingly important in order to target those at the top of the criminal hierarchy and disrupt their chains of command.

We're also working smarter with public bodies to ensure criminals don't have access to lucrative public sector contracts, and using local authority licensing rules to target their semi-legitimate business and remove their ability to launder cash.

During one investigation, which is currently ongoing, we have used licensing rules for tanning and beauty salons to target the leader of a crime gang. This individual has been charged with offences under the rules, and our intervention has enabled money laundering investigations to begin into the tanning business, which has created significant disruption to this gang's overall ability to operate.

Our annual results clearly demonstrate the impact of our work. But our work is about much more than arresting people, putting them in jail and seizing their assets because we understand that it takes more than that to truly tackle serious organised crime.

Our Interventions team continues to work with organisations across law enforcement, as well as the public and private sectors to educate the public about the threat from serious organised crime and to reduce demand for the products of serious organised crime.

Our work on the Shared Responsibility project to reduce the demand for cocaine involved accompanying Scottish school pupils on a once-in-a-lifetime trip to Colombia in June 2010. The students saw for themselves the devastating impact that cocaine production has on producer nations, and they have shared their experiences with their fellow pupils after returning home. The project sends a powerful signal of the contribution young people can make to these issues. That's why we're also supporting plans to try to introduce it to university students.

Since April 2010, the Scottish Intelligence Coordination Unit (SICU) has been responsible for coordinating intelligence on cannabis farms across Scotland. To help boost information from the public on these illegal and highly dangerous cultivations we launched a high profile marketing campaign in partnership with Crimestoppers.

The more we disrupt crime group activities, the less violence, robbery, and drug dealing we will see within communities across Scotland. And that approach will also take a huge step forward when we move to the new Scottish Crime Campus at Gartcosh, where we will be co-located with a number of other law enforcement agencies. Construction is now underway but this will be more than just a new building. It will support new ways of working that will allow the collective knowledge and people of a number of organisations to be used even more effectively against the criminals who continue to inflict harm on communities in their pursuit of profit.

In our normal daily lives, disruption is a word to make our hearts sink – and we have had a lot of it in the last year with snow, wind, and ash clouds to name but three. That's exactly the feeling of anxiety we want those criminals to feel too as we disrupt their criminal activities in the protection of the Scottish public.

Deputy Chief Constable Gordon Meldrum QPM
Director General, SCDEA
28 September 2011



SCDEA MANAGEMENT COMMENTARY

SCDEA ANNUAL REVIEW

Risk Management

The SCDEA Risk Management Policy mirrors that of SPSA, adopting best practice in the identification, evaluation, management and mitigation of risks.

The SCDEA Senior Management Team reviews all risks on a four weekly basis and ensures that any new risks are identified and managed across the organisation. Significant risks are also communicated to SPSA Audit Committee and SPSA Board every month.

Most of the risks identified over the past year have related to funding, budgets, and the ability of the SCDEA to deliver on its strategic priorities with reduced resources.

These risks have been closely managed with control measures having been put in place and further action continuing over the coming years of anticipated budget reduction.

Appropriate senior owners are identified for all SCDEA risks and they are required to account to the Senior Management Team on control measures they have put in place to mitigate the identified risk.

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The SCDEA Corporate Risk Register is maintained as a transparent record of aspects of risk and a Senior Officer has overall responsibility for all risk management within the Agency. The SCDEA Governance Board also considers the effectiveness and efficiency of risk management arrangements on a quarterly basis.

Environmental Policy

In support of the SPSA commitment to demonstrating corporate social responsibility and improving environmental performance, the SCDEA continues to collaborate with SPSA in considering sustainable development options factored through the SPSA Carbon Management Team.

During 2010-11 such factors were also considered as part of objectives contained within the SCDEA Five Year Strategic Plan, including:

- A Best Value Review of Internal Management Processes which resulted in a 47% decrease in the time spent by staff attending internal meetings;
- A Best Value Review of the SCDEA vehicle fleet that will conclude during 2011-12 with an aim of reducing financial costs and environmental costs of unnecessary journeys by car;
- An efficiencies suggestion exercise resulted in 120 suggestions from staff on ways to cut costs, reduce waste and increase efficiency;
- In the longer term, sustainable development factors are an integral part of preparation for the partial migration to the Scottish Crime Campus at Gartcosh.

Our Staff

Staff engagement within the SCDEA has continued to be an area of focused development over the last year. In April 2010, the SCDEA Annual Conference was held at the Scottish Police College. As well as providing an opportunity for updating staff on key issues affecting the organisation, the event also offered attendees a platform on which to submit questions on a wide range of topics including direct recruitment, internal communications, tiered response and the Scottish Intelligence Coordination Unit. All questions were answered by subject experts and published on the intranet.



The Ideas Group continues to be a focal point for staff suggestions being progressed. The group have an active membership drawn from across SCDEA and over the year a significant number of ideas have been developed and implemented.

The Internal Communications Group have met regularly during 2010-11 and the recommendations contained within the group's report on improving internal communications were approved and are now being implemented with an upgrade to the intranet imminent. The use of the presentation screens across the SCDEA estate has increased in recent months and at a time of change both for individuals and the organisation; the ability to broadcast text and video messages from senior management has proven invaluable. In addition to these broadcasts a programme of 'talking heads' presentations, utilising the screens, has enabled staff to deliver updates on priority business matters.

Consultation has again been at the heart of staff engagement. The views gathered from an intranet questionnaire and focused workshops were used to shape the SCDEA response to the Sustainable Policing Project in Scotland. In addition workshops were held to decide on SCDEA communication priorities which have now been agreed. The desire of Senior Managers to engage at all levels within the SCDEA has been evident through the continued presence at staff meetings and events such as the 'Leaders Conference', recently held at the Scottish Police College.

Employment Policy

Over the past year a range of organisational objectives contained within the SCDEA Five Year Strategic Plan and relating to 'Our People', were delivered.

In order to harness the opportunities of recruiting police officers directly to the SCDEA, a project Board was set up and a delivery plan was produced. The necessary legislation will be in place during 2011-12 with work this year having focussed on:

- Assessing the required changes to existing policies, processes and procedures;
- Scoping any financial/business support requirements;
- Instigating legislative change within the required parliamentary timescale.

Implementation of the SCDEA Diversity Action Plan was another priority and a comprehensive action plan was published after consultation with members of SCDEA and SPSA. This links to the SPSA-wide Single Equality Scheme (SES) and action plan which outlines how SPSA will manage the employment, training, career development and promotion of disabled people (and also those with other protected characteristics). Statistical monitoring of employees by protected characteristic, including disability, informs our policy development and review.

There is evidence that 'Respect' is embedded as an SCDEA core value which is recognised as an integral part of the culture of the organisation; and from a standing start of nil at the beginning of 2010-11 SCDEA now has six officers/staff from a Minority Ethnic background. However it is recognised that there is still work to be done in encouraging more applications from female police officers and the Agency will continue to strive to better reflect the communities served.

Another objective for the past year was to harmonise terms and conditions for support staff and this has been achieved in collaboration with SPSA colleagues. Changes took effect from 1 April 2011 and the Agency is monitoring and analysing these changes to ensure that operational business is not adversely affected.

Attendance Management

SCDEA recognises the commitment and support of all police staff and police officers in achieving success and is committed to promoting a healthy working environment and supporting all staff to maximise attendance and minimise ill-health absences. An attendance management policy is utilised to support and monitor staff through long and short term absence. Police officers, on secondment to SCDEA, are governed by their force absence management guidelines. The results shown below are evidence that absence management continues to be effectively managed in SCDEA.

	Staff		Seconded Officers	
	2010-11	2009-10	2010-11	2009-10
SCDEA	1.30%	2.72%	2.93%	2.24%

Learning and Development

SCDEA is committed to ensuring that its people have the necessary skills and knowledge to tackle serious organised crime. As part of that commitment, an Agency wide Training Needs Analysis was conducted in 2010. The data captured from this analysis has resulted in a Learning and Development Strategy being produced.

The strategy provides the framework for all learning and development activities and is there to ensure operational effectiveness is never compromised by a lack of skills and knowledge. The Learning and Development team will monitor the effectiveness of the strategy by recording all essential or mandatory requirements and reporting on the actual completion of same.

Social and Community Issues

The SCDEA is proud of its involvement and interaction with a cross-section of Scottish society - especially the children who will shape the future Scotland.

As part of the "Letting our Communities Flourish" DIVERT strand, the SCDEA continued to work in partnership with the Scottish government and the Scottish Police Service last year, coordinating and delivering the "Choices for Life"™ series of events attended by a total of 45,000 Primary Seven school children and 5,000 teachers.

In a key development to enable the messages around substance abuse to be delivered to a wider audience from Primary Seven to Secondary School Year Six, preparation was completed to facilitate a wider-ranging online event to be delivered during 2011-12.

The hugely successful "Shared Responsibility" project went from strength to strength, with SCDEA members and schoolchildren visiting Colombia as guests of the Vice-President, to see at first hand the threat and damage caused to both individuals and the environment by cocaine production. There was engagement with schools in local authority areas across Scotland, to help build the "Shared Responsibility" agenda into the Curriculum for Excellence.

Data Loss

There were no reported instances of data loss during 2010-11.



SCDEA MANAGEMENT COMMENTARY

SCDEA CORPORATE SOCIAL RESPONSIBILITY

Stakeholder Engagement

The people of Scotland are the ultimate stakeholders of the SCDEA and the Agency seeks to protect Scotland's communities from serious organised crime, whilst providing assurance that resources are focussed in the most effective way.

SCDEA strategic priorities are set by the Scottish Ministers and provide a framework for sustained collaboration and partnership that will allow the Agency to deliver on behalf of the people of Scotland.

Over the past year, a focus on the Scottish Serious Organised Crime Strategy "Letting Our Communities Flourish" with its key principles of DIVERT, DISRUPT, DETER and DETECT has enabled the SCDEA to achieve a range of objectives as contained within the SCDEA Five Year Strategic Plan.

For example, SCDEA provided witness protection, specialist e-crime, operational surveillance and technical services to Scottish Police Forces; delivered highly specialised covert assistance to national law-enforcement partners within the required service level agreement; and engaged with public authorities, equipping them with advice that will reduce the likelihood that public monies are inadvertently provided to serious organised crime through the provision of contractual services.

During 2010-11, SCDEA continued and in many areas led work with fellow law enforcement stakeholders to develop the multi-agency service-delivery model for the Scottish Crime Campus at Gartcosh. This work will realise the full benefits of a shared location and boost Scotland's capacity to tackle serious organised crime.

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Health and Safety Policy

SCDEA have made very good progress with health, safety & resilience during 2010-11. It is important to stress the support that senior management provided in terms of safety and the time that they devote to these important topics. A major project tackled this year was reviewing various types of risk assessment used within SCDEA.

Shown below are the accident statistics for 2010-11:

	Totals		Analysis	
	Accidents	Near Misses	Reported to HSE	Involving Vehicles
SCDEA	23	2	0	15



SCDEA MANAGEMENT COMMENTARY

SCDEA STRATEGIC PRIORITIES

In accordance with the Police, Public Order and Criminal Justice (Scotland) act 2006, SCDEA was set the following strategic priorities by Scottish Ministers for the year.

1. Work with the Serious Organised Crime Taskforce and others to effectively implement the Scottish Serious Organised Crime Strategy 'Letting our Communities Flourish'.
2. Work with ACPOS and other law enforcement agencies to ensure that tactical activity at local and national levels is focussed on those crime groups and individuals that cause the greatest threat, risk and harm to our communities and is designed to disrupt their criminal activities and to enforce legislation to confiscate their profits and seize their assets.
3. Complete work to increase staffing within SCDEA to boost analytical and specialist capability to mainstream organised crime mapping; to provide additional specialist staff; to support law enforcement to ensure the most effective and efficient use of covert and overt assets across Scottish policing; and to work with the Scottish Government to put in place arrangements for direct recruitment of police members.
4. Contribute to the successful delivery of the Scottish Crime Campus at Gartcosh, including helping to realise the full benefits of the project to boost Scotland's capacity to tackle serious organised crime and ensuring plans are in place to deliver the relocation of SCDEA on time and budget.

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SCDEA FIVE YEAR STRATEGIC PLAN FOR 2010-15

The key objectives of DIVERT, DISRUPT, DETER and DETECT from the Serious Organised Crime Taskforce strategy "Letting Our Communities Flourish" have been the focus for the Agency's operational priorities in 2010-11.

As well as a suite of key performance indicators (KPIs) demonstrating the range of SCDEA operational activity, the SCDEA Five Year Strategic Plan also describes how the Agency intends to progress its long-term outcomes over the next five years under the headings of Our Service; Our People; Our Governance and Our Future.



SCDEA MANAGEMENT COMMENTARY

SCDEA KEY PERFORMANCE INDICATORS

In 2010-11 the SCDEA identified 21 activities with related targets that enabled measurement of SCDEA performance against the strategic priorities as set by Scottish ministers.

DIVERT		
Key Performance Indicator	Outcome	RAG Status
1. DELIVER THE 'CHOICES FOR LIFE™' event programme to Scottish primary schoolchildren by 30 September 2010 (on time/within budget)	COMPLETE. Delivery of the programme is complete. In total 45,000 children and 5,000 teachers attended the 2010 events throughout Scotland. The full evaluation report for Choices For Life 2010 events was issued at the end of August 2010.	Green
2. DELIVER 4 JOINT SCDEA AND SCOTTISH CRIMESTOPPERS CAMPAIGNS against activity connected to SOC by 31 March 2011	PARTIALLY COMPLETE. KPI two was partially achieved due to the financial decision not to hold Crimestoppers Campaigns three and four in 2010-2011.	Amber 50% Complete

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DISRUPT		
Key Performance Indicator	Outcome	RAG Status
3. COLLABORATIVE WORKING Number, Time and Type of SCDEA Assistance to Forces within agreed delivery dates	COMPLETE. 54,560 Hours of Assistance Delivered April 2010 – March 2011.	Green
4. and 5. INTELLIGENCE and INVESTIGATIONS FOCUS To disrupt the capability and reduce the harm caused by at least 30 of Scotland's most serious organised criminals and their groups by 31 March 2011	COMPLETE. There were a total of 59 disruptions assessed to have caused disruption and reduced the harm caused by Scotland's most serious organised criminals and their groups.	Green
6. SCDEA DISRUPTION PANEL Model to be delivered and implemented by 30 September 2010	COMPLETE. Disruption Panels are now a standard part of the SCDEA operational performance evaluation process.	Green
7. CRIMINAL JUSTICE To work with COPFS to deliver the process of integrated Investigative and Prosecution Strategies for all investigations by 31 December 2010	COMPLETE. Strategy completed, signed by both parties and a Standard Operating Procedure (SOP) for all investigations has been put in place.	Green



DETER

Key Performance Indicator	Outcome	RAG Status
8. DELIVER THREE INTERVENTION EVENTS FOCUSSED ON PROCUREMENT to local authorities / public sector organisations by 31 March 2011	COMPLETE. Three events delivered within timescale.	Green
9. DELIVER A TACTICAL TOOLKIT OF INTERVENTIONS OPTIONS for use by public authorities to minimise the threat from serious organised crime by 31 March 2011	COMPLETE. Development of a guidance document for Public Authorities has been completed and placed onto the SCDEA website where it can be accessed by any public authority.	Green
10. DELIVER FOUR INTERVENTIONS EVENTS TO SUPPORT LEGITIMATE BUSINESS against serious organised crime by 31 March 2011	PARTIALLY COMPLETE. KPI 10 was partially achieved as one of four specific Interventions events was cancelled for financial reasons.	Amber 75% Complete
11. DELIVER SCDEA KNOWLEDGE MANAGEMENT STRATEGY by 30 September 2010	COMPLETE. The Knowledge Management Strategy has been completed.	Green
12. RECRUIT 81 ADDITIONAL SPECIALIST ROLES by 31 March 2011	PARTIALLY COMPLETE. Recruitment of 81 additional specialist roles will not be achieved due to the decision not to fill posts in the current financial climate	Amber 85% Complete
13. PUT IN PLACE ARRANGEMENTS FOR DIRECT RECRUITMENT OF POLICE OFFICERS by 31 March 2011	PARTIALLY COMPLETE. Not fully delivered due to legislative timetable now being out-with 2010-2011.	Amber 80% Complete

DETECT

Key Performance Indicator	Outcome	RAG Status
14. DELIVER REVIEW OF STRATEGY for the Investigation of e-crime in Scotland by 30 September 2010	COMPLETE. The Scottish Capability and Capacity of e-crime Review is complete.	Green
15. DELIVER THE SICU IMPLEMENTATION PLAN by 31 December 2010	PARTIALLY COMPLETE. The Scottish Intelligence Coordination Unit (SICU) is now fully operational, although with fewer staff than was anticipated due to financial and other external factors.	Amber 95% Complete
16. HUMAN TRAFFICKING produce an analytical product by 31 March 2011	COMPLETE. The Human Trafficking Assessment has been delivered.	Green
17. HUMAN TRAFFICKING deliver a training product to the Scottish Police Service by 31 December 2010	PARTIALLY COMPLETE. The training product was delivered however it is still to be rolled out to customers due to ICT capacity constraints outwith SCDEA control.	Amber 75% Complete
18. PRODUCE THE SCDEA STRATEGIC ASSESSMENT by 31 March 2011	COMPLETE. As part of efforts to reduce bureaucracy in the climate of financial restraint an Annual Review was produced with a full Strategic Assessment now produced every three years.	Green
19. SOCG MAPPING Deliver two Strategic Reports on the scale and extent of the threat and harm posed by serious organised crime to Scotland by 31 March 2011	COMPLETE. Both products were delivered to law enforcement customers.	Green
20. SOCG MAPPING Establish a 'Senior Users Group' for Scotland by 31 December 2010	COMPLETE. The desired outcome was delivered in an alternative way due to changes brought about by the need for financial restraint with less bureaucracy. SOCG Mapping is included within existing ACPOS groups.	Green
21. PRODUCE A SERIOUS AND COMPLEX FRAUD NEEDS ASSESSMENT by 31 December 2010	COMPLETE. An assessment identifying key knowledge gaps, analysing the scale and threat from serious and complex fraud as it impacts on Scotland, was delivered at the end of December 2010.	Green



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FINANCIAL REVIEW

Statutory Background

SPSA was established as a Non Departmental Public Body with effect from 1 April 2007 under the provisions of the Police, Public Order and Criminal Justice (Scotland) Act 2006.

Section 10 of this Act provides that the Scottish Ministers may make grants to the Authority and that when doing so must specify the amounts or proportion of the grant which is to be used to establish and maintain SCDEA.

Basis of Accounts

The Police, Public Order and Criminal Justice (Scotland) Act 2006, Schedule 1, Section 16 (1) requires SPSA to prepare a statement of accounts for SCDEA. The accounts are prepared in accordance with the Accounts Direction issued by the Scottish Government under provisions of Section 16 of Schedule 1 of the Police, Public Order and Criminal Justice (Scotland) Act 2006.

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

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Financial Performance

SPSA in its entirety had resource expenditure underspend for the financial year of £2,605,000 (2009-10; £248,000 underspend). When added to the prior year brought forward £943,000 cumulative overspend, the 2010-11 cumulative underspend carried forward is £1,662,000.

SCDEA alone had resource expenditure underspend for the financial year of £1,200,000 (2009-10: £197,000 overspend). When added to the prior year brought forward £595,000 cumulative overspend, the 2010-11 cumulative underspend carried forward is £605,000.

Sources of Finance

SPSA is mainly funded by Ministers through the Justice Department. The total Resource Budget for SPSA for the year was £107,999,000 (2009-10; £101,136,000), made up of both Cash Grant in Aid and Non-Cash Grant in Aid.

The total Resource Budget for SCDEA for the year was £26,243,000 (2009-10; £24,913,000).

Cash Grant In Aid

£25,220,000 (2009-10; £23,550,000) of the Cash Grant in Aid was ring-fenced by the Scottish Government for expenditure for the SCDEA.

This increase is attributable to an additional £2million for expansion funding, and a reduction of £2,129,000 for police pension costs which are now paid directly by Scottish Government, as well as some other funding initiatives.

Non-Cash Grant In Aid

An additional amount of £1,023,000 (2009-10; £1,363,000) was allocated to cover non-cash expenditure. This was to cover the cost of depreciation and cost of capital in 2009-10.

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010 onwards. The cost of capital charge is therefore not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results.



SCDEA also generated external income of £453,000 (2009-10; £502,000) during the year primarily from the Metropolitan Police Key Management Facility Service Level Agreement and received funding of £586,000 (2009-10; £595,000) for the Choices for Life project.

Expenditure

The main financial objective of the SCDEA is to ensure that the financial outturn for the year is within the Resource Budget allocated by Scottish Ministers.

The Resource Budget of £26,243,000 (2009-10; £24,913,000) is intended to cover 'cash' costs, being accrued expenditure (capital and revenue) net of in-year income, and 'non-cash' costs as stated above.

The 2010-11 'non-cash' expenditure of £1,356,000 (2009-10; £1,377,000) includes the depreciation charge of £1,326,000 (2009-10; £1,337,000), and the net book value of disposed assets of £30,000 (2009-10; £72,000). It also incorporated an impairment credit and cost of capital charge in the prior year.

Summary of Resource Outturn

SCDEA's statement of resource expenditure against its funding provision for the year to 31 March 2011 was as follows:

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Summary of Resource Outturn	2010-11 £'000	2009-10 £'000
Expenditure:		
Staff costs	15,894	16,089
Other expenditure	7,624	8,070
Interest payable	334	360
Capital expenditure	640	543
Total Expenditure	24,492	25,062
Less:		
Income (<i>operating and investment</i>)	(1,039)	(1,097)
Total Net Expenditure	23,453	23,965
Adjusted for:		
Net book value of disposed assets	(30)	(72)
Asset impairment	-	10
IAS 19 non-cash pension credits appropriated from general fund	586	171
Finance lease interest to SPSA	(322)	(341)
Net Cash Expenditure	23,687	23,733
Non-Cash Expenditure	1,356	1,377
Total SCDEA Expenditure	25,043	25,110
Grant in Aid Resource Budget	(26,243)	(24,913)
In Year Under/(over)spend	1,200	(197)
2009-10 Cumulative Overspend Brought Forward	(595)	(398)
2010-11 Cumulative Under/(over)spend Carried Forward	605	(595)



Performance against Corporate Plan

SPSA is responsible for maintaining the SCDEA. The SCDEA Five Year Strategic Plan 2010-15 outlines the strategic direction for SCDEA and sets immediate priorities for 2011-12.

Trends

SCDEA has experienced a growth in its activities over the last year. Its Cash Grant in Aid income has increased by £1,670,000 (7.1%) from the level in 2009-10 to a total of £25,220,000. This primarily reflects specific additional funding which was provided for the expansion of the SCDEA, offset by the reduction for police pension costs which are now paid directly by Scottish Government.

Choices for Life income, which is fully matched by expenditure, has decreased by £9,000 from £595,000 to £586,000. Other external income has decreased by £49,000 (9.8%).

Staff costs have decreased by £195,000 (1.2%) over the year, although the average number of staff employed increased by 63. Permanent staff costs increased by £1,359,000 (38.9%), there was a decrease of £1,144,000 in seconded police officers, and a £410,000 difference in the IAS19 pension cost adjustment (2009-10; £175,000), as detailed in note three to the accounts.

Supplies and Services expenditure has reduced marginally by £115,000 (4.6%).

Future

SCDEA expects that its sponsoring department will continue its support for current and future operations.

An outline business case for police reform has now been produced by the Scottish Government and the Cabinet Secretary has announced that, over the next few years, Scottish policing will move to a single force structure. The announcement also made clear that, on the establishment of the single force, the services provided by SPSA, including SCDEA, will be delivered within the new force and SPSA in its entirety will no longer exist as an NDPB.

SCDEA, in common with the rest of SPSA, Scottish Police Service and the wider public sector, is expected to deliver best value and contribute to the efficient government targets. The Scottish Government has confirmed a 2011-12 Grant in Aid reduction of £8million (SPSA; £6million and SCDEA; £2million). This will represent an effective reduction of approximately 12% year on year.

SCDEA will continue to promote working in partnership with other Government bodies to maximise the opportunities for shared support services. SCDEA now uses the Strathclyde Police financial system on a shared service basis and plans to further investigate usage of the full system functionality during 2011-12 to drive maximum benefits for both organisations.

SCDEA expects to receive continuing support for capital investment from the Scottish Government where it provides a robust business case.

Ministerial Performance Targets

SCDEA is expected to satisfy the conditions and requirements set out in the financial memorandum drawn up by the Scottish Government Justice Department, together with all the relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers may from time to time impose. SCDEA is working towards operating within a £2million Grant in Aid budget reduction next year.

Capital Investments

£640,000 (2009-10; £543,000) was invested in capital during the year. There were no IT additions in year (2009-10; £nil), £221,000 (2009-10; £200,000) in plant and machinery, £401,000 (2009-10; £343,000) in motor vehicles, and £18,000 (2009-10; £nil) in intangible assets.

IAS 19 Pension

SCDEA moved from a pension deficit as at 31 March 2010 of £2,342,000 under IAS 19 to a pension deficit of £662,000 as at 31 March 2011. The deficit has reduced due to the positive asset returns and falling long term inflation expectations.

The pension increase assumption this year is now in line with the Consumer Prices Index (CPI) rather than Retail Price Index (RPI). This change has occurred as a result of the Emergency Budget Announcement in June 2010. This is regarded as a change in benefit and was treated as a past service credit. This treatment is in line with HM Treasury recommendations.

The projected pension expense for the year 2011-12 has also fallen for the same reasons.

Banking

SCDEA operates as part of Scottish Government banking contract with Government Banking Service (GBS). GBS is a shared banking service for government departments. GBS has developed a 'direct to bank' service which offers the latest internet banking services; streamlined and faster processes; better management information and improved pricing. Most of SCDEA's transactional services will be provided by Citi Bank with no change to local banking arrangements with RBS.

Gifts and Charitable Donations

There have been no gifts or charitable donations made by SCDEA for the year.

Losses, Special Payments and Write Offs

There have been no losses, special payments or write offs for the year.

Supplier Payment Policy

SCDEA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 10 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

A breakdown for 2010-11 indicates that 50% of invoices were paid within this timescale (2009-10; 45%). Further analysis indicates that 84% of invoices were paid within their agreed supplier terms (2009-10; 78%). The trade creditor balance as at 31 March 2011 was 38 days.

European Monetary Union

SCDEA's financial system currently has the capability to function with any standard currency which may be introduced as a requirement of European Monetary Union Legislation.

Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.14.



Disclosure of Audit Information to the Auditors

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

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, SPSA's auditors are appointed by the Auditor General. Lorna Meahan, the appointed SPSA auditor for the financial year, left Audit Scotland on 19 November 2010 and was replaced by Brian Howarth.

The auditors were remunerated in the sum of £31,000 (2009-10; £33,340) in respect of statutory audit services for SCDEA for the Financial Year 2010-11.

Corporate Governance

SCDEA aims for the highest standards in corporate governance and adheres to relevant guidelines for Public Sector organisations. The Authority's Corporate Office is at Elphinstone House, 65 West Regent Street, Glasgow, G2 2AF.

Andrea Quinn
Accountable Officer
28 September 2011



SCDEA ANNUAL ACCOUNTS 2010-11

REMUNERATION REPORT

Remuneration Policy

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

The HR & Remuneration Committee is responsible for, inter alia, executive and other remuneration issues that fall out-with the scope of recognised collective bargaining agreements.

Qualifying officers holding the rank of Deputy Chief Constable or Assistant Chief Constable are entitled to participate in the Chief Officer Performance & Development Review process. This process has been developed by the Association of Chief Police Officers in Scotland (ACPOS) and is applied to qualifying officers within Scottish police forces and associated entities including SPSA and SCDEA. The scheme provides for the provision of a bonus of between 5% and 12.5% of salary based upon overall performance as assessed by the appropriate appraiser which in the case of SPSA is Scottish Ministers on the recommendation of the SPSA Board.

Employment and Service Contracts

Appointments are made in accordance with either SPSA's Recruitment Policy in the case of staff or guidelines issued by the Office of the Commissioner for Public Appointments in Scotland (OCPAS) in the case of Members of SPSA's Board. These both require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

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Unless otherwise stated below, executive staff covered in this report hold appointments which are open-ended until they reach the normal retiring age. Notice periods and other terms and conditions of employment are set out in each individual's contract of employment.

Non-Executive Board Members are generally appointed for a fixed term of three 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.

Details of the letters of appointment for the Non-Executive Board Members who were in office at 31 March 2011 are:

	Date of current contract	Unexpired term (months)
Vic Emery	1 January 2009 – 31 December 2011	9 months
George Kay*	16 October 2007 – 1 July 2011	3 months
Stephen House*	1 October 2008 – 30 September 2011	6 months
Iain Whyte	30 November 2009 – 1 July 2012	15 months
Colin McKerracher	1 March 2010 – 28 February 2013	23 months
Bill Matthews	1 March 2010 – 28 February 2013	23 months
Jeane Freeman	4 October 2010 – 3 October 2013	30 months
Russell Pettigrew	4 October 2010 – 3 October 2013	30 months

* Contracts for these individuals have been approved for renewal by the Cabinet Secretary.

Board Members' Interests

Vic Emery is Chair of the Edinburgh Tram Project (tie Limited) and Transport Edinburgh Limited, both wholly owned companies of Edinburgh City Council. He holds shares in BAE Systems, Beyond Encryption Technologies Limited and Soter Technology Partners Limited. He is Board Member of the Glasgow Chamber of Commerce and Scottish Enterprise Regional Advisor Board as well as Trustee of the Scottish Maritime Museum.



George Kay is Strategic Chair of Fife Council's Police, Fire and Safety Committee and a member of Fife Council.

Iain Whyte is Convenor of Lothian and Borders Police Joint Board and a councillor with Edinburgh City Council. He is also a Non-Executive Member of Lothian NHS Board.

Stephen House is Chief Constable of Strathclyde Police, Chair of ACPOS Crime Business Area and a member of the Serious Organised Crime Taskforce.

Colin McKerracher is Chief Constable of Grampian Police and Chair of the ACPOS Business Change Board.

Bill Matthews is Director and Shareholder of M2M2 Limited, Non-Executive Director of Security Industry Authority, National Trustee for Scotland and BBC Trust and Chair of NHS National Service Scotland.

Jeane Freeman is Director of Freeman Associates, and Chair of the National Waiting Times Centre.

Russell Pettigrew is a Non-Executive Board Member of NHS Health Scotland.

During the year, apart from their service contracts, no Board Member, key manager or other related parties have undertaken any material transactions with SPSA.

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

Remuneration of SPSA Board Members

The Non-Executive Board Members received the following remuneration for their services during the year ended 31 March 2011:

	2010-11 £'000	2009-10 £'000
Vic Emery	39	37
Bill Matthews	9	11
Alan Thompson	-	9
Jeane Freeman	1	-
Russell Pettigrew	2	-

The remuneration of SPSA Board Members is incurred by SPSA. The remaining Non-Executive Board Members received no remuneration during 2010-11. No bonuses were paid during the year.

Seconded Costs

The seconded costs, including allowances, of the SCDEA Director General and SCDEA Deputy Director General were as follows:

	2010-11		2009-10	
	Salary £'000	Benefits in kind to nearest £100	Salary £'000	Benefits in kind to nearest £100
Gordon Meldrum	125-130	-	110-115	-
Johnny Gwynne	105-110	-	85-90	-

No pension details are disclosed for SCDEA Director General and SCDEA Deputy Director General as they do not participate in the SCDEA local government pension scheme but in a totally separate scheme.

The SCDEA Director General, Gordon Meldrum, is a qualifying officer entitled to participate in the Chief Officer Performance & Development Review process. No amounts were paid to Gordon Meldrum in 2010-11.

The SCDEA Accountable Officer's salary and pension costs are incurred by SPSA and details are disclosed in SPSA's Remuneration Report.

Corporate Governance Body

Information on SCDEA's internal corporate governance body has not been disclosed under FReM 5.2.18 for personal security reasons.

Andrea Quinn
Accountable Officer
28 September 2011



SCDEA ANNUAL ACCOUNTS 2010-11

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, Scottish Ministers have directed SCDEA to prepare for each financial year a statement of accounts in the form and on the basis set out in their Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SCDEA and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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Scottish Ministers have appointed the Chief Executive of SPSA as the Accountable Officer for SCDEA. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity for the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding SCDEA's assets, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Government and published as part of the Scottish Public Finance Manual.



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STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

As Accountable Officer for Scottish Police Services Authority (SPSA), including Scottish Crime and Drug Enforcement Agency (SCDEA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me. SCDEA is maintained by SPSA but it has operational independence and its own Director General, who also attends Board meetings.

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

2. Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to 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.

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The process within the organisation accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts.

3. Risk and Control Framework

SCDEA recognises that all bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The Director General, SCDEA has responsibility for all operational matters, processes and the management of risks. SCDEA follows SPSA's Risk Management Policy.

The key elements of SPSA's risk management approach are as follows:

- Consideration and approval by SPSA's Audit Committee of the organisation's Risk Management Policy and Strategy.
- Audit Committee review and challenge the processes established to identify and manage the risks.
- The Audit Committee advises the Board and the Accountable Officer on the adequacy of the Risk Management arrangements.
- The Board review and challenge the SCDEA Restricted Risk Register to ensure risks are effectively identified and managed. The Confidential Risk Register is reviewed by a DV vetted member of SPSA Board on a quarterly basis.
- Executive Group review and discuss risk registers and related action plans on a monthly basis.
- The Director General and SCDEA Senior Management Team review corporate and operational risks on a monthly basis.
- Risk management training provided to senior management.
- SCDEA designates owners for each corporate risk, who are responsible for continual monitoring. Action plans are in place to mitigate identified risks.



- Regular reports by SPSA's internal auditors, PriceWaterhouseCoopers LLP, who operate to standards defined in the Government Internal Audit Manual. These reports include opinion on the adequacy and effectiveness of internal financial control together with recommendations for improvements. The work of the internal auditors is informed by an analysis of the risk to which SPSA is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by me and endorsed by the Audit Committee.
- SCDEA comply with the SPSA information management policies and procedures and is committed to complying with the relevant information management standards.

More generally, the organisation is committed to a process of continuous development and improvement. During the period to 31 March 2011 and up to the signing of the accounts the SCDEA has progressed work on several projects that aim to improve efficiency and effectiveness. These include:

- SCDEA has in place a Business Continuity Plan (BCP). The BCP incorporates individual plans for each SCDEA location and business area. The BCP has been tested by way of an internal table top exercise.
- In 2010 the SCDEA Five Year Strategic Plan was launched and this is subject to an annual update, to ensure all SCDEA activities and targets reflect evolving strategic priorities.
- The Director General provides an update against the plan to each meeting of the SPSA Board, and the SCDEA Performance Management Group review performance against plan on a quarterly basis.
- SCDEA publish its own Annual Plan based upon the strategic priorities set by Scottish Ministers. The plan is approved by the SPSA Board.
- A project coordinator was appointed in April 2010 to progress delivery of SCDEA aspects of the direct recruitment of serving police officers from across the United Kingdom.
- Relevant external and internal training is carried out to ensure staff members are competent in their roles.
- SPSA has a Fraud Policy and Response Plan, which meets Scottish Government Standards and has been made available internally to staff.
- SCDEA is actively represented on the SPSA Policy Review Group established to review and make recommendations for improvements to SPSA policies.
- Harmonisation of SPSA terms and conditions and people policies on 1 April 2011 resulted in one set of policies for all SPSA employees, as opposed to the previous nine.
- Single harmonised travel and subsistence and overtime policies are now in place.
- The annual appraisal/PDR process is the main mechanism used to identify training needs. In addition, the SCDEA Training Strategy informs the provision of learning and development interventions.
- Standard operating procedures and policies are subject to equality considerations which assist in identifying potential diversity issues, in line with current legislation.

- An ongoing review of the management processes for the creation of new policies/procedures incorporates processes for the completion of equality impact assessments.
- An equality impact assessment was completed for job evaluation and harmonisation projects.
- Risk management and accreditation document sets are produced for the Agency's ICT domains/networks and key systems.
- Independent ICT health checks are undertaken on each domain on an annual basis.
- Information risks are assessed by the Information Assurance Officer, external inspection processes and by senior management within each area of the business.
- Information security requirements are included in contracts.
- Breaches in security or data handling incidents are reported to the Information Assurance officer and the Head of Intelligence.
- There were no breaches against health and safety regulations notified during the year, and SPSA were awarded a Royal Society for the Prevention of Accidents Bronze Award for its work in health and safety.
- SCDEA premises have all been subject to fire risk assessment to ensure compliance with current fire regulations, and these are subject to regular review.
- Emergency procedures are in place across the full SCDEA estate.
- All 2011-12 financial transactions are being processed through a new financial system which went live on 1 April 2011.

4. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- The Director General and executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit regular reports to the organisation's Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- Comments made by the external auditors in their management letters and other reports.



During the 12 months to 31 March 2011, internal audit and informal internal reviews focussed on the effectiveness of key financial controls covering:

- Income and Debtors
- Bank and Cash
- Payroll
- Government Procurement Card

No high risk or critical recommendations were made and I can confirm that management action plans are in place to address the medium and low risk weaknesses identified covering all processes that were tested.

5. Significant Internal Control Issues

Internal audit and supervision within one aspect of covert expenditure and one separate aspect of overt expenditure has revealed that, in the fiscal year 2010-11, the system of controls had not been administered as completely as expected. A thorough review has been instructed to ensure a more robust set of control measures and enhanced overall governance is established.

Andrea Quinn
Accountable Officer
28 September 2011



SCDEA ANNUAL ACCOUNTS 2010-11

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH CRIME AND DRUG ENFORCEMENT AGENCY, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of Scottish Crime and Drug Enforcement Agency for the year ended 31 March 2011 under the Police, Public Order and Criminal Justice (Scotland) Act 2006. These comprise of the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2010/11 Government Financial Reporting Manual (the 2010/11 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 123 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.

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Respective responsibilities of the Board, Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Board and the Accountable Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. 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 receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements 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, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its total comprehensive 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 2010/11 FReM; and
- have been prepared in accordance with the requirements of the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and receipts 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, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers; and
- the information given in the Introduction, Leadership and Governance and SCDEA Management Commentary included in the Annual Report and Accounts, 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 Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

Brian Howarth ACMA
Assistant Director
Audit Scotland
7th Floor, Plaza Tower
East Kilbride
G74 1LW

28 September 2011



SCDEA ANNUAL ACCOUNTS 2010-11

FINANCIAL STATEMENTS

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Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 Restated £'000
Expenditure			
Staff costs	3	15,894	16,089
Depreciation	8&9	1,326	1,337
Other expenditure	4	7,624	8,070
		24,844	25,496
Income			
Income from activities	5	1,039	1,097
		1,039	1,097
Net Expenditure		23,805	24,399
Pension fund interest	14(i)	12	17
Finance lease interest	6	322	341
GPC interest	6	-	2
Interest payable		334	360
Net Expenditure after interest		24,139	24,759
Total Comprehensive Expenditure for Year Ended 31 March		24,139	24,759

All income and expenditure is derived from continuing operations.

The notes on pages 127 to 146 form part of these accounts.



Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	8	7,666	8,397
Intangible assets	9	17	2
Total non-current assets		7,683	8,399
Current assets			
Trade and other receivables	10	1,848	324
Cash and cash equivalents	11	140	2,609
Total current assets		1,988	2,933
Total assets		9,671	11,332
Current liabilities			
Trade and other payables	12	2,576	4,394
Total current liabilities		2,576	4,394
Non-current assets less net current liabilities		7,095	6,938
Non-current liabilities			
Provisions	13	14	-
Pension liabilities	14(d)	662	2,342
Finance lease liabilities	17(b)	4,918	5,270
Total non-current liabilities		5,594	7,612
Assets less liabilities		1,501	(674)
Taxpayers' equity			
General fund		2,163	1,668
Pension reserve	14(d)	(662)	(2,342)
		1,501	(674)

Andrea Quinn
Chief Executive and Accountable Officer
28 September 2011
Authorised for issue on 28 September 2011

The notes on pages 127 to 146 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 Restated £'000
Cash flows from operating activities			
Net deficit		(24,139)	(24,759)
Adjustments for non-cash costs	6	1,017	1,494
(Increase)/decrease in trade and other receivables	10	(1,524)	46
Decrease in trade and other payables	12	(1,838)	(52)
Increase in provisions	13	14	-
<i>Movements in payables relating to items not through Statement of Comprehensive Net Expenditure</i>			
Capital payables		-	10
Net cash outflow from operating activities		(26,470)	(23,261)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(622)	(553)
Purchase of intangible assets	9	(18)	-
Proceeds of disposal of property, plant and equipment		75	77
Net cash outflow from investing activities		(565)	(476)
Cash flows from financing activities			
Grant from Justice Department	15	25,220	23,550
Payment of finance lease liabilities	12	(332)	(313)
Interest paid	6	(322)	(343)
Net financing		24,566	22,894
Net decrease in cash/cash equivalents in the year	11	(2,469)	(843)
Cash/cash equivalents at the beginning of the year	11	2,609	3,452
Cash/cash equivalents at the end of the year	11	140	2,609

The notes on pages 127 to 146 form part of these accounts.



Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

Changes in taxpayers' equity 2010-11

	Note	General Fund £'000	Pension £'000	Total £'000
Balance at 1 April 2010		1,668	(2,342)	(674)
Net (deficit)/surplus for the year		(24,725)	586	(24,139)
IAS 19 actuarial gain	14(f)	-	1,094	1,094
Grant from Justice Department	15	25,220	-	25,220
Balance as at 31 March 2011		2,163	(662)	1,501

Changes in taxpayers' equity 2009-10 (restated)

	Note	General Fund £'000	Pension £'000	Total £'000
Balance at 1 April 2009		3,048	(156)	2,892
Net (deficit)/surplus for the year		(24,930)	171	(24,759)
IAS 19 actuarial loss	14(f)	-	(2,357)	(2,357)
Grant from Justice Department	15	23,550	-	23,550
Balance as at 31 March 2010		1,668	(2,342)	(674)

Notes to the Accounts

1. Statement of Accounting Policies

In pursuance of Section 15 of the Police, Public Order and Criminal Justice (Scotland) Act 2006, and as approved by the Scottish Ministers, these financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the SCDEA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SCDEA in the preparation of these financial statements are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

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

1.2 Going Concern

In common with much of the public sector, SPSA, including SCDEA, has had a significant reduction in its initial Grant in Aid (GIA) settlement for 2011-12. At the date of signing these accounts dialogue continues with the Scottish Government over a potential gap between the current GIA and SPSA's anticipated expenditure for the year, the latter being largely fixed in nature. SPSA does however have written confirmation from Scottish Government that the position will be monitored closely and they will address any issues before they arise.

There will in all likelihood also be further reductions in public sector funding as part of Scottish Government's three year Spending Review which will take effect from 1 April 2012.

There is therefore a degree of uncertainty surrounding whether SPSA in its entirety will be able to carry out its existing level of activities to the same degree in future years.

From the verbal and written assurances given by the Scottish Government, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS 19 and include an actuarial valuation of the pension scheme liability as explained in note 14 to the accounts. This reflects the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SCDEA. Hymans Robertson, the actuary, has collated the information from the various Local Government Pension Scheme (LGPS) funds in which SCDEA participate and has calculated the liability arising under IAS 19.

The actuary to each of the LGPS funds in which SCDEA participate conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2008, with the next formal valuation due at 31 March 2011. In preparing the projected pension expense for the year to 31 March 2011, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers. The other main financial assumptions are set out in note 14.



To the extent that the pension deficit is not met from SCDEA's sources of income it may only be met by future grant in aid from SCDEA's sponsoring department, the Scottish Government Justice Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

1.3 Change of Accounting Policy – Prior Year Adjustments

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010 onwards. The cost of capital charge is therefore not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results. See note seven for the full details.

1.4 Segmental Reporting

Income, expenditure and assets are not segmentally reported to the chief operating decision maker, and as such under IFRS 8 Operating Segments, no segmental reporting is disclosed in these accounts.

1.5 Revenue Recognition

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

Grant in Aid

SCDEA is funded by the Scottish Government. Grant in Aid is received throughout the year and is intended to meet SCDEA's estimated expenditure. It is accounted for as financing on a cash basis, not income, and is therefore credited to SCDEA's Reserves and not incorporated within the organisation's Statement of Comprehensive Net Expenditure.

Management and Consultancy Fees

Management fees are recognised when the services are rendered.

1.6 Property, Plant and Equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held for sale.

Assets classified as under construction are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

Capitalisation

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

Valuation

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.

Capitalisation of Finance Leases

Where substantially all the risks and rewards of ownership of a leased property are borne by SPSA, 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 SCDEA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Impairments

As SCDEA inherited its non-current asset base from predecessor organisations, a full physical verification and impairment review was undertaken during 2008-09, and an annual impairment review is undertaken.

1.7 Depreciation

Depreciation is provided on property, plant and equipment at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Buildings	over 20 to 50 years
Plant and equipment	over 3 to 10 years
Vehicles	over 3 to 10 years
Fixtures and fittings	over 3 to 10 years
IT Systems	over 3 to 10 years

Assets under construction are not depreciated until the asset is brought into use.

1.8 Intangible Assets

Purchased software licences are valued on a historic cost basis. Amortisation is applied at rates calculated to write off the valuation of purchased software licenses by equal instalments over the shorter of the term of the licence 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 IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.'

1.9 Financial Instruments

Measurement Basis

Financial assets and liabilities are recognised on the date on which SCDEA becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value. Any impairment of a financial asset is charged to the Statement of Comprehensive Net Expenditure when incurred. Financial assets are derecognised when SCDEA's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.



Classification

SCDEA's financial assets are classified as:

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

Cash and cash equivalents – these are amounts held with the Government Banking Service and UK commercial bank current accounts. SCDEA has no borrowings and relies primarily on grant in aid from the Justice Department 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.

SCDEA's financial liabilities are classified as:

Trade payables - these are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when SCDEA receives goods or services directly from a supplier with no intention of trading the liability.

Embedded Financial Instruments

SCDEA has no embedded derivatives that are not closely related to the host instrument.

1.10 Trade and Other Receivables

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

1.11 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.12 Trade and Other Payables

Trade payables are recognised initially at fair value.

SCDEA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, SCDEA aims to pay within 10 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

1.13 Provisions

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

1.14 Pensions

SCDEA employees are members of Local Government Pension Schemes. The schemes 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 SCDEA. 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 on a high quality corporate bond of equivalent term and currency to the liability.

No pension details are disclosed for seconded officers as they do not participate in the SCDEA local government pension scheme but in a totally separate scheme.

Contributions to the schemes are calculated so as to spread the cost of pensions over employees working lives with SCDEA. 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 IAS 19 Employee benefits and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

1.15 Operating Leases

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 lease term.

1.16 Taxation

Income is recorded net of VAT where applicable but revenue and capital expenditure is stated inclusive of irrecoverable VAT. HMRC has stated that SCDEA is not required to submit annual corporation tax returns on the basis that SCDEA has no overall taxable profits as long as circumstances remain as they are.

2. Income

Income represents income receivable from sale of motor vehicles, funding for the 'Choices for Life' project and a contract to provide a key management facility to the Metropolitan Police Service.

3. Staff Numbers and Related Costs

Average number of full-time equivalent persons employed:

	2010-11			2009-10
	Permanent staff	Others	Total	Total
Permanent	141	-	141	91
Secondments	-	212	212	199
	141	212	353	290



Staff costs comprise:

	2010-11		2009-10	
	Permanent staff £'000	Others £'000	Total £'000	Total £'000
Wages and salaries	3,959	-	3,959	2,846
Social security costs	281	-	281	215
Other pension costs	610	-	610	430
Secondments	-	11,642	11,642	12,786
	4,850	11,642	16,492	16,277
IAS 19 pension	(598)	-	(598)	(188)
Total net costs	4,252	11,642	15,894	16,089

Exit Packages

During the year, five employees agreed terms under the voluntary redundancy scheme. Three employees left before 31 March 2011, and another two left after the year-end. There was no such scheme during the year 2009-10. There were a further two employees who departed under other arrangements. All exit costs are accounted for in the year of departure.

The values of the individual packages were as follows:

Value of Package (in bands of £5,000)	2010-11		2009-10	
	Voluntary Redundancy	Other Departures	Voluntary Redundancy	Other Departures
	No of employees		No of employees	
£nil - £25,000	2	2	-	-
£25,000 - £50,000	1	-	-	-
	3	2	-	-
	£'000	£'000	£'000	£'000
Total Costs	48	12	-	-

4. Other Expenditure

	2010-11 £'000	2009-10 £'000
Other staff costs	1,004	956
Property costs	215	160
Supplies and services	2,382	2,497
Transport costs	629	627
Administration costs*	3,024	3,495
Staff restructuring costs	80	-
Professional fees	28	46
Other costs	262	289
	7,624	8,070

*Administration costs include an SPSA recharge for corporate support costs of £2,756,302 (2009-10); £2,690,000) and is analysed in the table below.

Operating expenditure includes:	2010-11 £'000	2009-10 £'000
Rental of non-operating lease property	91	137
Operating Lease rentals – Land and buildings	27	33
Auditors' remuneration – audit work	31	33
Auditors' remuneration – non-audit work	-	-

SPSA recharge for corporate support costs incorporates:	2010-11 £'000	2009-10 £'000
Salaries	592	589
Property costs	1,516	1,457
ICT	509	506
Other administration costs	139	138
	2,756	2,690

5. Income from Activities

	2010-11 £'000	2009-10 £'000
Choices income	586	595
Outside students	10	-
Profit on disposal of PPE	45	5
Other income	398	497
	1,039	1,097



6. Adjustments to Statement of Cash Flows

	2010-11 £'000	2009-10 £'000
Depreciation	1,326	1,337
Interest payable - Government Procurement Card	-	2
Interest payable - finance lease	322	341
IAS 19 pension	(586)	(171)
Profit on sale of plant and equipment	(45)	(5)
Asset impairment	-	(10)
	1,017	1,494

7. Notional Cost of Capital

The cost of capital charge is not applicable for the current financial year, and the prior year accounts have been restated in order to show the comparative results.

Notional cost of capital was previously shown separately on the face of the Statement of Comprehensive Net Expenditure with the corresponding entry shown as a movement in reserves. The charge was calculated on the basis of 3.5% on the average capital employed in the previous year.

	2009-10 Restated £'000	2009-10 Original £'000
Notional cost of capital	-	(66)

This has resulted in the following changes to the Statement of Comprehensive Net Expenditure:

	2009-10 Restated £'000	2009-10 Original £'000
Amount transferred to general fund and pension reserve	24,759	24,693

The following change to the Statement of Cash Flows:

	2009-10 Restated £'000	2009-10 Original £'000
Net deficit for the year	24,759	24,693
Adjustments to Cash flow	1,494	1,428

And a further change to the Statement of Changes in Taxpayers' Equity:

	2009-10 Restated £'000	2009-10 Original £'000
Net deficit for the year	24,759	24,693

There has been no change necessary on the face of the Statement of Financial Position.

8. Property, Plant and Equipment

2010-11	Buildings £'000	IT £'000	Plant & machinery £'000	Furniture & fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation:						
At 1 April 2010	8,161	1,530	4,582	2,302	2,025	18,600
Additions	-	-	221	-	401	622
Disposals	-	-	-	-	(309)	(309)
At 31 March 2011	8,161	1,530	4,803	2,302	2,117	18,913
Depreciation						
At 1 April 2010	3,842	1,304	3,041	939	1,077	10,203
Charged in year	356	151	338	111	367	1,323
Disposals	-	-	-	-	(279)	(279)
At 31 March 2011	4,198	1,455	3,379	1,050	1,165	11,247
Net book value:						
31 March 2011	3,963	75	1,424	1,252	952	7,666
1 April 2010	4,319	226	1,541	1,363	948	8,397
Asset financing:						
Owned	-	75	1,424	1,252	952	3,703
Finance leased	3,963	-	-	-	-	3,963
Net book value at						
31 March 2011	3,963	75	1,424	1,252	952	7,666



2009-10	Buildings £'000	IT £'000	Plant & machinery £'000	Furniture & fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation:						
At 1 April 2009	8,161	1,530	4,811	2,302	1,934	18,738
Additions	-	-	200	-	343	543
Disposals	-	-	(29)	-	(252)	(281)
Asset Review	-	-	(400)	-	-	(400)
At 31 March 2011	8,161	1,530	4,582	2,302	2,025	18,600
Depreciation:						
At 1 April 2009	3,487	1,097	3,127	829	948	9,488
Charged in year	355	207	352	110	310	1,334
Disposals	-	-	(28)	-	(181)	(209)
Asset Review	-	-	(410)	-	-	(410)
At 31 March 2010	3,842	1,304	3,041	939	1,077	10,203
Net book value:						
31 March 2010	4,319	226	1,541	1,363	948	8,397
1 April 2009	4,674	433	1,684	1,473	986	9,250
Asset financing:						
Owned	-	226	1,541	1,363	948	4,078
Finance leased	4,319	-	-	-	-	4,319
Net book value at						
31 March 2010	4,319	226	1,541	1,363	948	8,397

The impairment review undertaken during 2010-11 has not resulted in any impairment charge made during the year (2009-10; £10,000).

9. Intangible Assets

2010-11	Software licences £'000
Cost or valuation:	
At 1 April 2010	7
Additions	18
At 31 March 2011	25
Amortisation:	
At 1 April 2010	5
Charged in year	3
At 31 March 2011	8
Net book value:	
31 March 2011	17
2009-10	
Cost or valuation:	
At 1 April 2009	7
Additions	-
At 31 March 2010	7
Amortisation:	
At 1 April 2009	2
Charged in year	3
At 31 March 2010	5
Net book value:	
31 March 2010	2



10. Trade and Other Receivables

(a) Analysis by Type

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
Trade receivables	56	98
Other receivables	1,697	-
Prepayments and accrued income	95	226
Total	1,848	324

(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Balances with other central government bodies	-	1	-	-
Balances with local authorities	1,822	11	-	-
Intra-government balances	1,822	12	-	-
Balances with bodies external to government	26	312	-	-
Total	1,848	324	-	-

11. Cash and Cash Equivalents

	£'000
Balance at 1 April 2010	2,609
Net change in cash and cash equivalent balances	(2,469)
Balance at 31 March 2011	140

	31 March 2011 £'000	31 March 2010 £'000
The following balances at 31 March are held at:		
Balance with Government Banking Service	-	2,557
Cash at commercial banks	122	34
Cash in hand	18	18
	140	2,609

12. Trade and Other Payables

(a) Analysis by Type

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
Trade payables	1,116	1,563
Accruals and deferred income	1,108	2,499
Current part of finance leases	352	332
	2,576	4,394
Amounts falling due after more than one year:		
Finance leases	4,918	5,270
	4,918	5,270



(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Balances with other central government bodies	132	279	64	74
Balances with local authorities	1,560	2,897	-	-
Intra-government balances	1,692	3,176	64	74
Balances with bodies external to government	884	1,218	4,854	5,196
Total	2,576	4,394	4,918	5,270

13. Provisions for Liabilities and Charges

	£'000
Balance at 1 April 2010	-
Increase in provisions during the year	14
Balance at 31 March 2011	14

Provisions for liabilities and charges relate to legal claims against SPSA.

14. IAS 19 Pension Liability

(a) Actuarial Methods and Assumptions

SPSA participates in a number of Scottish Local Government Pension Schemes (LGPS). LGPS is a defined benefit statutory scheme and provides benefits based on final pensionable salary. It is contracted out of the State Second Pension.

The latest formal valuation of the Scottish LGPS funds was at 31 March 2008, with the next formal valuation due as at 31 March 2011. In order to assess the value of SPSA's assets and liabilities in the Fund as at 31 March 2011 for the purposes of IAS 19, the value of SPSA's liabilities calculated at the latest valuation has been rolled forward, allowing for the different financial assumptions required under IAS 19, 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.

(b) Financial Assumptions

The financial assumptions utilised by the actuary to calculate liabilities under IAS 19 were:

	2010-11 % pa	2009-10 % pa
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increases Rate	5.1%	5.3%
Expected Return on Assets	6.9%	7.2%
Discount rate	5.5%	5.5%

The inflation assumption has been derived by considering the difference in gross redemption yields of fixed and index-linked gilt-edged securities as at 31 March 2011.

IAS 19 sets out that the discount rate used to place a value on the liabilities should be the return on a "high quality corporate bond of equivalent term and currency to the liability". The discount rate applied is equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years at the IAS 19 valuation date.

(c) Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year.

IAS 19 requires that the expected return on assets is set by the employer having taken actuarial advice. Details of the expected returns recommended by Hymans Robertson LLP, SPSA's actuaries, as at 31 March 2011, along with comparative figures as at 31 March 2010 are set out below:

Assets	31 March 2011		31 March 2010	
	Long Term Returns	Assets £'000	Long Term Returns	Assets £'000
Equities	7.5%	4,624	7.8%	3,845
Bonds	4.9%	800	5.0%	674
Property	5.5%	441	5.8%	352
Cash	4.6%	210	4.8%	146
Total		6,075		5,017



(d) Statement of Financial Position

In accordance with IAS 19, SCDEA is required to account for pension liabilities of £6,737,000 (2009-10; £7,359,000) for the financial year ended 31 March 2011 as valued by Hymans Robertson LLP. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under IAS 19 issued by the Institute and the Faculty of Actuaries.

	31 March 2011 £'000	31 March 2010 £'000
Net pension liability as at:		
Estimated assets (A)	6,075	5,017
Present value of scheme liabilities	6,737	7,359
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	6,737	7,359
Net pension liability (A-B)	(662)	(2,342)

The net pension liability as at 31 March 2009 was £156,000, and there was a net pension asset as at 31 March 2008 of £75,000.

The present value of scheme liabilities comprises of approximately £6,737,000, £nil, £nil is held with employee members, deferred pensioners and pensioners respectively as at 31 March 2011(31 March 2010; £7,359,000, £nil, £nil).

For unfunded liabilities as at 31 March 2011, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death (spouse's pension as a proportion of member's pension is now dependent on the member's pre and post April 2009 service). The liabilities as at 31 March 2011 are based on the current structure of the LGPS.

(e) Income Statement

	2010-11		2009-10	
	£'000	% of pay	£'000	% of pay
Current service cost	569	20.9%	198	9.6%
Interest on obligation	397	14.6%	245	11.9%
Expected return on employer assets	(385)	(14.2%)	(228)	(11.0%)
Past service gain	(647)	(23.8%)	-	-
Total included in "members costs"	(66)	(2.4%)	215	10.4%
Actual return on plan assets	411		1,287	

The service cost figures include an allowance for administration of 0.2% (2009-10; 0.2%) of payroll.

(f) Actuarial Gains/(Losses)

	2010-11 £'000	2009-10 £'000
Actuarial gains on plan assets	24	1,058
Actuarial gains/(losses) on obligation	1,070	(3,415)
Net actuarial gains/(losses)	1,094	(2,357)
Cumulative actuarial losses	(641)	(1,735)

The cumulative actuarial gain as at 31 March 2009 was £622,000, and at 31 March 2008 was £902,000.

(g) Reconciliation of Defined Benefit Obligation

	31 March 2011 £'000	31 March 2010 £'000
Opening defined benefit obligation	7,359	3,414
Current service cost	569	198
Interest on obligation	397	245
Contribution by members	176	134
Actuarial (gains)/losses	(1,070)	3,415
Past service gains	(647)	-
Estimated benefits paid	(47)	(47)
Closing defined benefit obligation	6,737	7,359

The defined benefit obligation as at 31 March 2009 was £3,414,000, and at 31 March 2008 was £3,649,000.



(h) Reconciliation of Fair Value of Employer Assets

	31 March 2011 £'000	31 March 2010 £'000
Opening fair value of employer assets	5,017	3,258
Expected return on assets	385	228
Contributions by members	176	134
Contributions by the employer	520	386
Actuarial gains	24	1,058
Benefits paid	(47)	(47)
Closing fair value of employer assets	6,075	5,017

The fair value of employer assets as at 31 March 2009 was £3,258,000, and at 31 March 2008 was £3,724,000.

(i) Reconciliation of Pension Reserve

	Note	Actuarial Gain £'000	2010-11 Pension Interest £'000	Staff Costs £'000	Total £'000	2009-10 Total £'000
As at 1 April 2010		-	-	-	(2,342)	(156)
Actuarial gain/ (loss) in year	14(f)	1,094	-	-	1,094	(2,357)
Interest on obligation	14(g)	-	(397)	-	(397)	(245)
Expected return on assets	14(h)	-	385	-	385	228
Contributions by employer	14(h)	-	-	520	520	386
Current service cost		-	-	(569)	(569)	(198)
Past service gain	14(g)	-	-	647	647	-
As at 31 March 2011		1,094	(12)	598	(662)	(2,342)

15. Grant In Aid Income

	31 March 2011 £'000	31 March 2010 £'000
Cash grant in aid:		
Total cash received during year	25,220	23,550
Non-cash grant in aid:		
Depreciation (and cost of capital for 2009-10)	1,023	1,363
Total SCDEA Resource Budget for Year	26,243	24,913

16. Capital Commitments

SCDEA had no capital commitments as at 31 March 2011 (31 March 2010; £nil).

17. Commitments Under Leases

(a) Operating Leases

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments under non-cancellable operating leases:		
Not later than 1 year	31	30
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
Total	31	30



(b) Finance Leases

The finance lease represents the lease of properties terminating between 2017 and 2023.

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments under finance leases:		
Buildings:		
Not later than 1 year	654	654
Later than 1 year and not later than 5 years	2,617	2,617
Later than 5 years	3,922	4,576
Gross finance lease liabilities	7,193	7,847
Future finance charges on finance lease	1,923	2,245
Present value of finance lease liabilities	5,270	5,602
The present value of finance lease liabilities is as follows:		
Not later than 1 year	352	332
Later than 1 year and not later than 5 years	1,636	1,542
Later than 5 years	3,282	3,728
	4,918	5,270
Present value of finance lease liabilities	5,270	5,602

18. Financial Instruments

SCDEA has no borrowings and relies primarily on grant in aid from the Justice Department for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. There is no difference between book value and fair value for the cash at bank shown in Note 11.

19. Related Party Transactions

SCDEA is a managed entity within SPSA, a Non Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. During the year, SCDEA has had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as a parent body.

In addition, SCDEA 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 Executive Group Members or related parties have undertaken any material transactions with the agency.

20. Events After the Reporting Period

An outline business case for police reform was produced by the Scottish Government during September 2011, and the Cabinet Secretary announced that, over the next few years, Scottish policing will move to a single force structure.

On the establishment of the single force, the services provided by SCDEA will be delivered within the new force and SPSA in its entirety, including SCDEA, will no longer exist as an NDPB.



**SCOTTISH CRIME AND DRUG ENFORCEMENT AGENCY
DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of section 16 of Schedule 1 of the Police, Public Order and Criminal Justice (Scotland) Act 2006, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers
Dated 28 March 2008

**ANNUAL REPORT & ACCOUNTS
2010-11**

**SCOTTISH
POLICE
SERVICES
AUTHORITY**

**SCOTTISH
CRIME &
DRUG
ENFORCEMENT
AGENCY**



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