

**SCOTTISH
POLICE
SERVICES
AUTHORITY**

ANNUAL REPORT & ACCOUNTS 2007-2008

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

**SCOTTISH
POLICE
SERVICES
AUTHORITY**

**SCOTTISH
CRIME &
DRUG
ENFORCEMENT
AGENCY**



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FOREWORD



The creation of the Scottish Police Services Authority (SPSA) as a result of the Police, Public Order and Criminal Justice (Scotland) Act 2006 provided the country with one single organisation that supplies support services to front line policing and contributes to enhancing the safety of the Scottish public.

SPSA exists because the criminal justice system in the 21st century is changing to meet the expectations of the Scottish public. People want more visible and responsive frontline police officers working in their communities. They also want the reassurance that Scotland's criminal justice system has the expertise to deal with the increasingly complex challenges that come with globalisation and technological change. They want a criminal justice system that acts local but anticipates global factors – and they want the police to be at the heart of that. The SPSA is an integral partner for the forces and the Scottish Government in delivering that.

I am pleased to present this, our first Annual Report and Accounts for our start up year 1 April 2007 to 31 March 2008. It details what we set out to achieve in our first year and how we have performed in relation to these targets. I believe it demonstrates what a successful year of considerable achievement we have had. I have to pay tribute to the hard work of the staff at every level of the organisation who have worked tirelessly to ensure that the business has been established and that each part of it has continued to deliver its services to a very high standard.

Let us not forget the sheer scale of the task in establishing this new organisation. Three common police services – the Scottish Criminal Record Office (SCRO), the Scottish Police Information Strategy (SPIS), and the Scottish Police College (SPC) – were transitioned into the new organisation and two new business areas (Forensic Services and Corporate Services) were created. In addition SPSA assumed responsibility for the maintenance of the Scottish Crime and Drug Enforcement Agency (SCDEA). Over 1,300 staff were involved in that initial transition bringing with them nine different sets of terms and conditions. This was followed by a further transition on 1 April 2008 involving Information Technology professionals previously based in Scottish police forces.

Such major change inevitably brings teething problems but these have been met and issues resolved in a professional and collaborative manner. I also have to thank our sponsoring department within the Scottish Government for their support and assistance and our partners in the police forces and the wider criminal justice community for their co-operation in making the birth of this new organisation the success it has been.

In terms of our financial performance, the Accounts section of this report demonstrates that we were able to undergo all this massive organisational change and still maintain service delivery at an efficient cost. Existing budgets were transferred to us from the various organisations and we have managed to deliver at least the same service at reduced cost. As promised, we have achieved 2.7% cashable efficiencies which have been re-invested in our business.

In an increasingly fast-moving world, Scottish policing needs a fleet-footed and responsive organisation to help it deal with the changing demands made of it. Overall I am confident we have demonstrated those attributes and made a very positive contribution to Scotland's criminal justice system and the country as a whole.

Finally I would like to pay tribute to Mervyn Rolfe CBE who was Convener of SPSA from January 2007 until September 2008. The organisation is grateful for the contribution he made during the crucial implementation stage and we wish him well as he pursues alternative career prospects.

George Kay

George Kay
Interim Convener
23 October 2008

CHIEF EXECUTIVE REPORT



As an organisation SPSA is a new feature in Scotland's police and criminal justice system. A new organisation but one built on traditional Scottish strengths and values – trust, commitment and creativity.

Our staff have needed to draw on all of those values in what has been a testing but fulfilling opening year. We successfully transitioned 1,300 staff into our organisation and created shared internal support services that allowed our business areas to continue to provide the necessary support services to the Scottish police forces.

We were set four clear strategic priorities and I am pleased to report we have delivered strong and tangible outcomes against each of them.

SPSA is now a fully integrated organisation supported by a single shared support service. Our structures continue to evolve as we review what we and our partners need and these have been revised accordingly. We will review these in our second year and make further improvements if necessary as our business grows and develops.

Excellent progress has been made in the integration of the Fingerprint Service into SPSA Forensic Services, with the business area delivering a fully integrated 'crime scene to court service' that is providing benefits in terms of evidence recovery and analysis for both the police and procurator fiscal services. Substantial work is underway within the service to move to a single quality accreditation system which will continue as we move forward into our second year of operation.

On 1 April 2008, we made a reality of the long-held aspiration to bring together national ICT support when 350 ICT staff transitioned from the eight Scottish police forces into SPSA – again testimony to the successful planning and preparations made.

Finally, our Efficiency Plan was submitted on schedule. We are currently implementing this from 1 April 2008 and will monitor and report on our progress quarterly.

As our organisation coped with the myriad challenges of establishing new systems and structures, our business areas continued not only to 'do the day job' but to excel – sometimes in the face of extraordinary events. The highlights of our first year have included: -

- The outstanding forensic contribution to Operation SEAGRAM after the terrorist attack on Glasgow Airport
- The implementation of a replacement Criminal History System that now operates above the industry standard
- Successful completion of the project to transition ICT staff from forces
- The achievement of the Scottish Police College in December 2007 of the United Kingdom National Training Award

As Chief Executive I feel it is important to celebrate our organisation's highlights but I also want to pay tribute to the less visible success story of our first year. To have maintained the quality of service to the police and other partners, while encountering such significant change, is the kind of success that is rarely recognised publicly, but has been an invaluable foundation for us as an organisation. For that every member of the SPSA team has my thanks.

There have been many other successes and more detail of these is provided in the appropriate business area sections within this report.

In our second year, we look forward to consolidating our performance in our core services and matching that with new innovations that will help police and other criminal justice partners stay ahead of the global and technological challenges we all face.

David Mulhern

David Mulhern
Chief Executive and Accountable Officer
23 October 2008

INTRODUCTION

The Board of the SPSA presents its annual report and accounts for the year from 1 April 2007 to 31 March 2008 for both SPSA and 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

The 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
- ICT
- Training Services via the Scottish Police College (SPC)

In addition the SPSA supports and maintains the SCDEA which was also set up under the 2006 Act

OUR VISION, PURPOSE AND VALUES

Our Vision

To be a world-class organisation that continually enhances the services it provides to policing in Scotland.

Our Purpose

To work closely with our partners and stakeholders to provide expert policing and support services to Scotland's eight police forces and criminal justice community and bring about relevant changes within policing support functions necessary to make this support more efficient.

Our Values

- We will be honest and professional ensuring that we are well informed and highly proficient across all our activities,
- We will be accessible and accountable ensuring that quality services are available when our partners and stakeholders need them,
- We will be an integral part of the Scottish Criminal Justice System, earning the trust, respect and confidence of our partners,
- We will be positive and enthusiastic colleagues,
- We will support our customers by providing services that are efficient, flexible and cost-effective.

ANNUAL REPORT

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABLE DEVELOPMENT

Stakeholder Engagement

SPSA's stakeholder engagement is conducted through a planned approach, co-ordinating our interaction with the many parties who have a vested interest in SPSA in order to achieve our strategic priorities. Stakeholders are key groups of people who are affected by any decisions, actions, policies and practices of the organisation and they can be outlined in general terms as:

Stakeholders are people inside or outside SPSA who can exert influence or pressure. They can be split into three distinct groups:

Customers – people that use or benefit from SPSA's services

Partners – people that SPSA agree to work closely with in the provision of services

Competitors – people that can potentially provide similar services to SPSA's customers

SPSA understands the impact, or potential impact, a stakeholder has on our organisation and what their interests, expectations and needs are, as well as the level of influence that each stakeholder has.

The benefit of such analysis is that it allows us to plan and deliver the services expected by our stakeholders. Our analysis also allows us to identify and address any potential issues or problems we anticipate in the future.

The engagement strategy is set in conjunction with our stakeholders identifying their main interests and concerns and how we are addressing them. Separate strategies are devised for dealing with specific issues if necessary.

Environmental Policy

In support of Scottish Government's strategic objective to improve the environment and make Scotland it a more comfortable place to live and work, we will implement an Environmental Policy in 2008/2009. We will ensure that our staff reduce their impact on our climate by saving electricity and gas and finding alternative and more efficient methods of undertaking their business activity. One of the three areas designated for best value review in year two is Environmental Management and it is hoped that following this SPSA will have a set of definitive activities to improve our performance in this area.

STAFF

Employment Policy

To ensure the success and growth of SPSA, it is vital that we have 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.

We welcome applications from all sections of the community and applicants are considered solely on their ability and potential to carry out the role.

We implement 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 equality of opportunity and compliance with all relevant legislation including equal opportunities and to operate this policy without discrimination. Statistics are maintained and monitored on a regular basis on the diverse make-up of employees and work is underway to extend this monitoring to applicants and leavers.

We maintain a flexible approach to the recruitment and selection procedure and permanent, temporary, fixed term, part time/job share/flexible working and secondment are the range of employment methods used to meet the business needs.

Applications for flexible working will be considered taking into account both the individual's and the business needs.

The detail of our establishment at 31 March 2008 is provided below:

Business Area	Establishment (FTE)		In Post (FTE)	
	Staff	Police	Staff	Police
Forensics	551	16	539	13
Criminal Justice	67	13	60	12
ICT	48	0	41	0
Scottish Police College	113	101	104	98
SCDEA	83	227	77	206
Corporate Services/Executive Support	93	0	86	0
TOTAL	955	357	907	329

In addition to our permanent staff we also employed a number of temporary and agency staff.

Learning and Development

SPSA is committed to providing a range of development opportunities to enable our 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 function of enabling employees to achieve professional qualifications.

We provide, subject to budgetary constraints and the service provision of the organisation, appropriate further and higher education opportunities to enable staff to acquire the qualifications, skills and knowledge necessary to perform the duties and responsibilities of their post. SPSA believes that such opportunities should be available to all staff that meet the criteria and will ensure that this is consistently and fairly applied.

The policy is aimed at ensuring that selection for financial support to undertake further and higher education is subject to honest, transparent and equitable assessment. SPSA's Further Education Policy does not impact in any way upon the provision of core professional training and development identified and approved via the Performance Development Review process.

One of the three areas designated for best value review in year two is learning and development and it is hoped this review will focus on areas for improvement.

Health and Safety Policy

The Chief Executive of SPSA is fully committed to the health and safety of all employees of the organisation and the manner in which it conducts its activities.

It is the policy of the SPSA to ensure the provision and maintenance of:

- Safe and healthy working conditions, equipment and systems of work for all employees of the organisation; and
- Such resources, information, training and supervision as is needed for these purposes.

SPSA also accepts its responsibilities for the health and safety of other people who may be affected by its activities.

To this end, SPSA complies with the requirements of the Health and Safety at Work Act 1974, all other relevant statutory provisions and recognised Codes of Practice. The Chief Executive expects all personnel, employed by or seconded to the organisation, to co-operate fully in the achievement of this policy.

Contractors and their employees are required to comply with the policy and other relevant statutory requirements when on the premises or carrying out work for the organisation.

LEADERSHIP AND GOVERNANCE

MINISTER

Kenny MacAskill MSP
Cabinet Secretary for Justice (From 17 May 2007)

Cathy Jamieson MSP
Minister for Justice (To 17 May 2007)

SPSA 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 nine times during the year. Topics discussed included updates from Audit and HR Committees, Business Reviews, Risk Management, Performance Management, Financial Management, Annual Report preparation and Budget.

Members of the Board during the year were:

Name	Status	Date From	Date To
Mervyn Rolfe	Independent Convener	1 January 2007	30 Sept 2008*
Alan Thompson	Independent Member	1 March 2007	
Bill Matthews	Independent Member	1 March 2007	
Colin McKerracher	Police Force Member	1 March 2007	
John Vine	Police Force Member	1 March 2007	13 Jun 2008#
Jean McFadden	Police Authority Member	1 March 2007	4 May 2007^
Gurudeo Saluja	Police Authority Member	1 March 2007	4 May 2007^
George Kay	Police Authority Member	16 October 2007	
Paul Rooney	Police Authority Member	26 October 2007	

* Mervyn Rolfe left his position at the end of September 2008

John Vine resigned from his force on this date

^ The Local Council elections in May 2007 lead to a change in nominated representatives from Police Authorities

EXECUTIVE GROUP

The following individuals have held, or currently hold, positions on the Executive Group: -

Name	Status
David Mulhern	Chief Executive
Sheila Proctor	Executive Support Manager (to 1 August 2008)
Linda Robertson	Executive Support Manager (from 4 August 2008)
Tom Nelson	Director of Forensic Services
Carol McLean	Head of Information Services – Criminal Justice
Robert Kirkwood	Chief Information Officer
Margaret Barr	Director Scottish Police College (to 22 July 2007)
John Geates	Director Scottish Police College (Interim Director from 1 April 2007; Director from 19 October 2007)
Gordon Meldrum	Director General, Scottish Crime and Drug Enforcement Agency (Interim Director General from 28 September 2007; Director General from 1 January 2008)
Graeme Pearson	Director General, Scottish Crime and Drug Enforcement Agency (to 27 September 2007)
Jo Brigham	Director of Strategy and Performance (from 22 September 2008)
Maria Kelly	Head of Corporate Management (from 3 September 2007 to 18 February 2008)
John Fanning	Head of Corporate Management (from 4 August 2008)

The group was set up to discuss ongoing business issues and determine strategic direction.

A register of interests is maintained and can be accessed via the Executive Support Manager.

AUDIT COMMITTEE

In accordance with the guidance given within the Scottish Public Finance Manual, the Board of the Scottish Police Services Authority (SPSA) has established an Audit Committee.

It is the responsibility of the Audit Committee to advise the Board and the Accountable Officer on the strategic processes for risk, control and governance by ensuring that audit and control systems and processes are in place to identify and manage the risks faced by SPSA in the conduct of its business. The Committee comprises two non-executive Board Members. The Convener of the Board may attend and the Chief Executive or his nominee will attend. The Chairman of the Audit Committee is a non-executive member of the Board other than the Convener. The Chairman and members of the Board who shall be members of the Audit Committee are appointed by the Board on the recommendation of the Convener. All members serve for a term of two years. At the conclusion of the first term of membership only, members are eligible for re-appointment for one further term of two years. During the year the members of the Audit Committee consisted of:

Name	Status	Date From	Date To
Alan Thompson	Independent Member	26 April 2007	
Gurudeo Saluja	Police Authority Member	26 April 2007	3 May 2007
Paul Rooney	Police Authority Member	26 October 2007	
Bill Matthews*	Independent Member	4 May 2007	25 Oct 07
Bill Matthews	Independent Member	6 February 2008	

* Bill Matthews represented the Board between Gurudeo Saluja leaving and the appointment of Paul Rooney. Mr Matthews has continued to attend the Audit Committee in an ex officio capacity not withstanding the appointment of Paul Rooney to the position previously held by Gurudeo Suruja.

The Committee meets on a quarterly basis and discusses all aspects of audit (internal and external), inspections, compliance and risk management.

HR COMMITTEE

The Board of SPSA has also established a Human Resources (HR) Committee to consider and monitor strategic human resource issues.

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

It is responsible for executive and other remuneration issues which fall out with the scope of recognised collective bargaining agreements.

The HR Committee comprises two non-executive Board Members. The Convener of the Board may attend and the Chief Executive or his nominee also attends. The Chairman is a non-executive member of the Board other than the Convener. The Chairman and members of the Board who shall be members of the HR Committee are appointed by the Board on the recommendation of the Convener. All members serve for a term of two years. At the conclusion of the first term of membership only, members are eligible for re-appointment for one further term of two years. During the year the members of the HR Committee consisted of:

Name	Status	Date From
Bill Matthews	Independent Member	26 April 2007
Colin McKerracher	Police Force Member	26 April 2007
George Kay	Police Authority Member	6 February 2008

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

CORPORATE GOVERNANCE

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

Risk Management Policy

The Risk Management Policy of the SPSA is to be fully committed to effective Risk Management, adopting best practice in the identification, evaluation and control of risks, in order to:

- Integrate risk management into the culture of the SPSA
- Eliminate or reduce risks to an acceptable level
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury and damage and reduce the cost of risk
- Raise awareness of the need for risk management

By adopting its Risk Management Policy, the SPSA recognises risk management as a key function in helping to ensure it achieves its aims and objectives.

Principal risks, uncertainties and opportunities

During the 12 months to 31 March 2008, a number of key risks and uncertainties were identified reflecting the significant challenges faced during the first year of operation, including setting up the organisation, supporting the new business areas such as Forensics Services and Corporate Services, developing policies and procedures, integrating staff, establishing our baseline in terms of performance monitoring and planning the way forward particularly in relation to the transition of police ICT services in April 2008.

Mitigation of Risks

Each risk has an owner and the actions taken to mitigate the risks are tracked on a regular basis. The Risk Registers are discussed regularly at the business area management meetings, the Executive Group and the Audit Committee.

Corporate Communications undertake daily electronic media monitoring to assess any impact of news stories on SPSA and the Planning and Performance section undertake monthly Environmental Scanning in an attempt to anticipate risks for the business. The Environmental Scanning Report is circulated to all Heads and Directors.

SPSA MANAGEMENT COMMENTARY

STRATEGIC PRIORITIES

2007-2008 was the set-up year for SPSA. As such we operated to an Annual Plan only. For subsequent years we will follow a three year planning cycle running concurrently with the spending review. Our Strategic Priorities for 2007-2008 were set by Scottish Ministers and related mainly to the integration of the component parts of the new organisation and preparing the way for efficient future running of the business. SCDEA was given separate priorities and they produced their own Annual Plan. Updates on performance against these are provided in the section specific to them later in this document. SPSA has made very significant progress on our strategic priorities and an update on each is provided below:

1. Establish SPSA as an integrated national authority working as one organisation with single support services and clear and transparent structures through which the police service and other criminal justice partners can express their needs to SPSA and SPSA can take responsibility for determining how to meet those needs;

The management of SPSA approached the establishment of the organisation as one integrated service with federated business areas supported by common support services. The structure of SPSA was established and then communicated widely with all staff advised of new reporting structures where appropriate.

Corporate Services was established with existing staff matched into new roles and new staff recruited into vacant posts. The single support services provided include Finance, Procurement, Compliance, Facilities and Estates Management, Human Resources, Planning and Performance and Corporate Communications.

An Executive Group was formed within SPSA which comprises the Chief Executive, each Head of Business Area and the Executive Support Manager. This group meets informally three times per month and formally once a month.

The Chief Executive has ensured SPSA is represented at relevant stakeholder forums in policing and the wider criminal justice system and each Head of Business Area continues to attend their business specific forums which enable our stakeholders to engage and express their needs to us. Performance is monitored throughout the organisation by means of monthly performance reports and quarterly Balanced Scorecard reports and these allow us to assess how well we are meeting our customer's needs. Next year we intend to produce performance reports specifically to police forces, joint police boards, and key criminal justice partners.

Communication with staff and stakeholders was an integral part of the establishment of the organisation. A common intranet site was created as a key internal communications channel, with a new dedicated website specific to the organisation going live from 1 April 2007.

Extensive work was also undertaken prior to 1 April 2007 to establish a corporate identity and brand and this was implemented from day one.

2. Complete the integration of the Scottish Fingerprint Service into SPSA Forensic Services and carry through the delivery of the work programme established in the Scottish Fingerprint Service Action Plan for Excellence;

The Scottish Fingerprint Service has been successfully integrated into SPSA Forensic Services. Forensic Services has been arranged into four geographical areas – Aberdeen, Dundee, Edinburgh and Glasgow each with a Head of Operations. The structure of each of the Fingerprint Bureau has been revised and the Head of each Fingerprint Unit now reports to the Head of Operations at each Forensic site. Fingerprint staff are represented at Forensic management and Scientific Advisory groups. The integration is a two way process in that best practice is shared between the units.

Significant progress has been made on the delivery of the Scottish Fingerprint Service Action Plan for Excellence. The non-numeric standard for fingerprinting has been introduced, bringing Scotland in line with England and Wales. Significant improvements have been made to the working culture and environment – reducing staff absenteeism by half and annual external competence reviews have been introduced to ensure the highest standards of quality are maintained.

3. Bring forward by 30 June 2007, for agreement by Scottish Ministers, a plan for the integration of all police ICT services into SPSA by 1 April 2008;

The initial plan was submitted on schedule. Thereafter a project team was set up which met regularly to steer the implementation of the project plan through to successful completion. As well as the internal project board there was also a joint project board with ACPOS who represented the interests of the staff and assets transferring.

On 1 April 2008 350 staff successfully transferred into SPSA's Information Services – ICT business area. The successful planning of this major transition ensured that vital ICT support services to police were maintained throughout. Although there remain some outstanding issues to be resolved around the transfer, we have ensured these do not impact on service delivery and discussions are ongoing to conclude these arrangements as soon as possible.

4. Bring forward by 30 September 2007, for agreement by Scottish Ministers, a 3 year plan for the achievement of efficiencies in SPSA's operations.

The plan was submitted on schedule. The document was a summary, high level plan and work continued after submission to add detail to this. We are now developing a comprehensive document that will detail the activities to be undertaken per year and per business area to achieve the 2% efficiencies in each of the forthcoming three years. In addition we have set up an Efficiency Monitoring Group which consists of representatives from all the business areas and support services to monitor, report and track progress on the efficiencies identified.

SPSA KEY PERFORMANCE INDICATORS

In 2007-2008 SPSA set itself and each of its business areas Key Performance Indicators. Performance against these is noted below.

SPSA Corporate

We will deliver an efficient and effective service across our business areas

- Deliver 2.7% cashable efficiencies in Year 1

2.7% (£2,012,523) cashable efficiencies delivered – All reported cashable savings are quantifiable, measurable and tangible.

The 2007/08 efficiency plan was developed and maintained utilising the operating budget as a baseline to monitor potential and actual savings.

During the year savings were identified taking cognisance of the requirement to maintain and enhance the service provided by the SPSA to its stakeholders and partners. When identifying savings the key consideration was to ensure that they did not in any way undermine, reduce or decrease the ability to provide a service

The planned delivery of efficiencies by the business concentrated on three themes:-

- People
- Process
- Innovation

During the first year the focus for efficiency savings has been on People and Process. Efficiency savings in respect of innovations will become more prevalent as the organisation matures.

Savings realised from the 2007/08 efficiencies were re-invested within the organisation, i.e. the sum targeted remains within SPSA's overall base budget.

- Conduct a stakeholder satisfaction survey in Year 1.

Stakeholder satisfaction survey conducted in March 2008.

- Demonstrate service and cost efficiencies that allow the business to grow by 3% in both real and efficiency terms in 2008/09

A 3 year Efficiency Plan to realise 1.5% from 2008/11 was submitted to Scottish Ministers on 30 September 2007. This has been superseded with the requirement to realise 2% efficiency savings. A detailed Efficiency Plan is being implemented and controlled by the Efficiencies Monitoring Group. Several continuous improvement initiatives are included in the Annual Plan for 2008-2009 to achieve service efficiencies.

Training

We will deliver a national training and education service that is fit for purpose and meets the needs of our stakeholders:

- 90% uptake on every course delivered

Uptake achieved 76.5%.

- Conduct a customer survey on the lead time for and content of leadership and management training by Q3 and deliver a business case to meet that demand in 2008/09

This work forms part of the National Training Strategy to be implemented by 30 June 2008.

- Deliver an effective probationer training service by building a customer demand profile by Q3

Again, this forms part of the National Training Strategy. Evidence of the quality of the programme being delivered was provided by the National Training Award made to the probationer training programme in December 2007.

Criminal Justice

We will provide an effective national records and database infrastructure:

- Implement an effective criminal history system by July 2007.

Criminal History System implemented 22 October 2007. It is now stable and operates with 99.6% availability.

- Assess the required enhancements for the Scottish Intelligence Database system and develop a programme for implementation by Q3

A user's satisfaction survey has been completed and issues have been addressed. A list of development requirements has been produced by the ACPOS Capacity and Capability Review. Development work will be taken forward with ACPOS Crime Business Area – Intelligence Sub Group on confirmation of a new governance model.

- Present a strategy for access by criminal justice partners to those national systems which will deliver efficiencies to both the police service and wider criminal justice community in Year 1

An access document has been produced and work is ongoing to define the needs of Criminal Justice partners. This links to the Strategic Priority for next year relating to sharing information with Criminal Justice partners.

ICT

We will deliver an effective ICT infrastructure that supports our organisation

- Deliver an effective criminal history system by July 2007.

Criminal History System implemented 22 October 2007. It is now stable and operates with 99.6% availability.

- Roll out custody management in line with customer demand.

The ongoing development and associated roll-out of the Custody Management Application (CMA) continues in close liaison with our customers. Plans are in place to co-ordinate training in line with the current roll-out schedule taking cognisance of the projects dependency on the National Infrastructure Project. Procurement strategies are being developed to deliver a robust Cell Visit solution to complement CMA and provide an automatic and auditable record of officer's physical attendance at cells.

- Deliver ANPR 2 by Q3

Three forces successfully went live with the new version of the Scottish Back Office, ANPR2 before the end of the financial year. These were Fife Constabulary, Dumfries and Galloway Constabulary and Grampian Police.

The roll-out to all forces, including the addition of an interface from ANPR to the Scottish Intelligence Database (SID), was completed by the end of July 2008.

Forensics

We will provide a forensic science service that delivers integrated evidence recovery and analysis that maximises detection rates

- Implement a single quality standard around ISO 17025/17020 to the forensic operation in Year 1

The key component of this objective is the delivery of an ISO 17025 Quality Management System in fingerprints by April 2009. A plan is being put in place to achieve the objective overall. Work is continuing on the development and implementation of a new laboratory system and scene examination system within the same timeframe.

- Demonstrate direct contribution of forensics to national detection rates in Year 1.

New or alternative approaches are being developed to contribute towards improvements in detection rates. For example the development of evidence recovery techniques that have resulted in a measurable increase in the number of usable finger marks produced from crime scenes.

- Deliver an integrated training provision that meets the need of the service in Year 1

A single forensic training function has been created to focus on the delivery of forensic training products. A national Personal Development Review (PDR) process has been implemented which will provide the mechanism for developing effective training plans at individual level.

Corporate Services

SPSA will deliver corporate services through shared services

- Integrate the current business area delivery arrangements into a effective shared corporate service function by Q2

The Corporate Services function was established with a developed structure on 1 April 2007. Existing staff were matched into this structure with recruitment undertaken for the remaining posts. The function is now operating as a shared support service.

- Manage the effective implementation of corporate support IT systems by Q2

SEAS, the Scottish Executive Accounting System, was introduced as our corporate finance system in August 2007. The e-procurement facility, Ease Buy, has not been implemented due to resourcing issues with the supplier. Due to delays in development the HR system - SCOPE – was not introduced until early April 2008.

- Ensure that all relevant processes and procedures for an effective and cost-efficient service are in place by Q1

The corporate policies and procedures required either by framework documentation or legislative requirements were all completed by Q2. The remaining policies required under good business practice were completed during Q3.

FORENSIC SERVICES

BUSINESS AREAS

Each of the business areas within SPSA was allocated specific objectives in the Annual Plan for 2007-2008. The following sections deal with the performance of each area against their specified objectives, a brief operational update and a look forward to what these areas are planning in the future. As this is our first Annual Report each section begins with a brief introduction to the service provided by that area. The operational update for SCDEA is provided in the section specific to them later in this document.

INTRODUCTION

SPSA Forensic Services make an essential contribution to investigative and criminal justice processes. Effective from 1 April 2007, the creation of a national forensic service brought together forensic and fingerprint capability and scene examiners, placing us at the forefront of evidence capture and analysis. The integration of these specialist forensic solutions gives us a unique opportunity to create a world class forensic service. By harnessing the forensic intelligence gathered through our key scientific disciplines we will provide critical support to the Scottish Police Service in their day to day operations.

In meeting this ambition, we are committed to ensuring that we are fully responsive to the needs of our key stakeholders and the communities we serve.

PERFORMANCE AGAINST OBJECTIVES FOR 2007-2008 AS PER ANNUAL PLAN

- Engage with partners to identify the forensic developments sought to increase the effectiveness of crime detection

The Service has invested in new technology, for example the National Ballistics Information System (NABIS), the Nuance fingerprint development system, laser light sources and an R2S 360° imaging system. These are all geared to deliver service enhancements that will help increase the effectiveness of crime detection.

- Finalise an integration strategy to move the forensic operation onto a single quality standard

The key component of this objective is the delivery of an ISO17025 Quality Management System in fingerprints by April 2009. This is still achievable and a plan is being put in place to achieve the objective overall. Work is continuing on the development and implementation of a new laboratory system and scene examination system within the same timeframe.

- Introduce common standards across Scotland and support staff in attaining the requisite skill level to provide an integrated crime scene to court service

Work is underway to develop an approach to delivering forensic training that will allow all forensic practitioners access to appropriate training based on their role and personal development needs.

OPERATIONAL UPDATE

The main focus for the year was the integration of the new service into SPSA and in particular the transition of the Scottish Fingerprint staff into the Forensic Service. A new structure was developed with Heads of Operations appointed in each geographical centre – Aberdeen, Dundee, Edinburgh and Glasgow – and each discipline reporting into them. The Heads of Operations together with the Director of Forensic Services and the Service Liaison Manager form the Forensic Executive Group and they meet regularly to discuss operational issues and monitor performance. Service Level Agreements have been developed with the eight Scottish police forces and we monitor our delivery against these. We continue to provide the forces with a Forensic Service in line with their demand and we are looking to improve the services we offer in future.

INFORMATION SERVICES – CRIMINAL JUSTICE

FUTURE DEVELOPMENTS

Our focus for the coming year will be on the delivery of further improvements which are aligned to our users needs. This will be achieved by:

- Implementing service and procedural improvements on those areas highlighted as priorities by Scottish police forces, primarily in relation to forensic intervention, capture and the effective management of core databases.
- Implementing a single set of standards and enhancing our capability and availability through more efficient use of resources.

INTRODUCTION

Criminal Justice is part of the Information Services business area and provides and manages vital integrated information systems for the eight Scottish police forces and the wider criminal justice community within Scotland. This business area is made up of a range of different services each one providing a central information support service for its customers.

The focus of our support is centered on providing and managing a range of criminal information solutions:

- Criminal History System (CHS)
- Scottish Intelligence Database (SID)
- Automatic Number Plate Recognition (ANPR)
- Violent and Sexual Offenders Register (VISOR)
- Crimestoppers Scotland Call Centre

Services are provided on a 24/7 basis ensuring that support is available to the Scottish Police Service and wider criminal justice community when required to aid the ongoing fight against crime. Given the importance of the national criminal information solutions that we host and manage our staff, systems and processes need to link to and directly engage with our customers who are involved in the provision of frontline police work in our communities and are responsible for our criminal justice system.

PERFORMANCE AGAINST OBJECTIVES FOR 2007-2008 AS PER ANNUAL PLAN

- Criminal Justice will manage the implementation of new systems to ensure business continuity and deliver service improvement

The replacement Criminal History System was delivered in October 2007 and several upgrades have been implemented to the Scottish Intelligence Database (SID). The Violent and Sexual Offender Register (VISOR) Help Desk was introduced in April 2007 to support both police and Criminal Justice Social Work (CJSW) users. Summary Justice Reform measures have been implemented throughout 2007-2008. All of these have been introduced with minimal disruption to service users.

- Criminal Justice will develop and integrate its service with the wider Criminal Justice Community

The Integration of Scottish Criminal Justice Information Systems (ISCJIS) futures study has been completed and the United Kingdom Central Authority (UKCA) European conviction sharing project is being progressed. Work is ongoing to provide a vetting service for CJSW users who require access to VISOR and research is being undertaken in relation to meeting customers' future needs.

OPERATIONAL UPDATE

We continue to provide support to users of the national systems and carry out audit and compliance duties to improve the accuracy of the data held. In addition we now provide a recruitment vetting facility for SPSA and a non-Part V vetting facility for relevant agencies. This basically covers all vetting requirements that fall out with the scope of Part V of the Police Act 1997. Disclosure Scotland undertake Part V vetting. Crimestoppers maintains its' contribution to the prevention and detection of crime and their activity is closely monitored to maximise the outcomes from the information provided.

INFORMATION SERVICES – ICT

FUTURE DEVELOPMENTS

In addition to continuing to provide existing services in 2008-2009 we will look to expand the scope of the Crimestoppers facility by providing access to inmates in Scottish Prisons and investigating the possibility of reporting to Crimestoppers via anonymous text. We will also work with other business areas within SPSA to investigate the possibility of using our expertise in database management to assist in making other recording systems such as the Tenprints Database and the DNA Database more efficient and accurate.

INTRODUCTION

The Information and Communication Technology (ICT) function is committed to the development of new generation systems for the police service and associated organisations in Scotland. The ICT functions being brought under the SPSA umbrella give us genuine opportunities to share best practice and procedures across Scotland which will benefit our stakeholders.

Performance against Objectives for 2007-2008 as per Annual Plan

- Integrate all the ICT sections of the Scottish Police Services Authority

The integration of SPSA ICT sections was effected in the main as a result of the co-location of the majority of ICT staff within Elphinstone House in Glasgow. This allowed for groups of staff with the same skill sets to work together sharing knowledge and also for the corporate identity of Information Services – ICT to be reinforced amongst staff.

- Prepare a transition plan for the integration of force ICT sections in April 2008

A transition plan was submitted on schedule in response to SPSA's third Strategic Priority. Following this a project team was set up both internally within SPSA and conjointly with ACPOS. The project teams met regularly dealing with all the transition issues and as a result 350 staff transferred successfully from the police forces to SPSA on 1st April 2008. Some issues were not resolved prior to transition but we have ensured these do not impact on service delivery and discussions are ongoing to conclude these arrangements as soon as possible.

OPERATIONAL UPDATE

The main project delivered in 2007-2008 was the replacement Criminal History System. Progress was also made in the status of Automatic Number Plate Recognition (ANPR) System, the Custody project and the Scottish Intelligence Database. In addition the ICT test and integration resources were contracted and the design for a national infrastructure was completed. The work on the technical assurance of ICT projects was commenced.

FUTURE DEVELOPMENTS

The focus for 2008-2009 will be to fully integrate the newly transitioned staff into the ICT structure and to ensure the Scottish Police Service continues to receive at least the level of service they received prior to transition. We have developed Service Level Agreements (SLAs) for Scottish police forces and have created Service Catalogues in relation to both national and local systems. We will monitor our performance against these closely and report back to forces to give them confidence in the services they receive. We will develop a National Service Desk and a suite of Key Performance Indicators that support our delivery and will review the SLAs to ensure they are relevant to our customers needs.

SCOTTISH POLICE COLLEGE

INTRODUCTION

The Scottish Police College (SPC) provides high quality learning and development opportunities for officers and staff involved in all aspects of operational policing, police leadership and performance management. SPC designs and delivers training that starts with recruits and extends to command level for chief officers. They also design and deliver basic and advanced training for detectives including surveillance, intelligence management and training for senior investigating officers (SIO). They have extensive experience of training roads policing officers in advanced driving techniques, collision investigation and pursuit management.

The Scottish Police College has a history of partnership working with other police organisations, government departments, Universities and the Scottish Qualifications Authority. They recently developed and launched a post graduate certificate in international policing with the University of Stirling and the UK Foreign and Commonwealth Office.

PERFORMANCE AGAINST OBJECTIVES FOR 2007-2008 AS PER ANNUAL PLAN

- Review existing accommodation and the options available to improve standards and capacity and develop plans to resolve any issues

This objective was superseded by the Scottish Government's announcement to provide 1,000 additional officers to the Scottish Police Service over the next three years. SPC is responsible for providing the 15 week initial training of the recruits and the focus had to turn to ensuring we had the capacity to accommodate this training as a priority. An implementation plan has been prepared to assess the impact and a group has now been set up to ensure arrangements are in place to cope with this additional requirement.

- Assess the service need for the training currently provided; examine additional local and national training needs not currently met; and scope the medium to long term training needs of the service over the next three to five years

A working group consisting of the Director of the SPC, the Chair of the ACPOS National Training Strategy Group and the Head of Training for Strathclyde Police has been set up to take this work forward. It will form part of the Operating Plan for the College for 2008-2009.

- Develop a national training strategy for the Scottish Police Service

The National Training Strategy has been developed in conjunction with ACPOS and the Scottish police forces and this will form the basis for training delivery for the Scottish Police Service. A strategic group, a monitoring group and an operational group have been set up to oversee this delivery and provide forums at relevant levels for training issues to be discussed and decisions to be made.

OPERATIONAL UPDATE

SPC has continued to provide its programme of training to the Scottish Police Service with the average uptake of courses being 76.5% (our target was 90%). A performance monitoring regime has been introduced which has helped us to focus on measuring the indicators that are important to us and this has focused our efforts in refining the service delivered.

FUTURE DEVELOPMENTS

Our prime focus for 2008-2009 will be the implementation of the National Training Strategy and the provision of training to the additional number of recruits required by the Scottish Governments' commitment. In addition we will explore shared training provision with other public sector and blue light agencies, develop the evaluation of our current training provision, and work with the Scottish police forces to increase the uptake of courses provided and to improve the efficiency of our service delivery.

CORPORATE SERVICES

INTRODUCTION

The Corporate Services function is a centrally managed service approach to supporting our entire organisation. It comprises finance, procurement, compliance, facilities and estates, human resources, planning and performance, and corporate communications.

PERFORMANCE AGAINST OBJECTIVES FOR 2007-2008 AS PER ANNUAL PLAN

- Implement a performance management framework to demonstrate that partners' needs are being met

A performance management framework has been implemented. Each business area has identified key performance measures that are important to their business. Where SLAs with customers exist the measurements from these are monitored. Monthly performance reports are produced and each business area holds regular management meetings where performance is discussed and service improvements identified.

- Implement processes to collate performance information (including financial information) to inform the 3 year plan for the achievement of efficiencies in SPSA's operations

A working group was implemented to identify the efficiency savings in each business area. A summary plan was submitted to Scottish Ministers as per SPSA's fourth Strategic Priority and a detailed plan was prepared thereafter. Work is ongoing to ensure that the planned efficiencies will actually be delivered over the next three years.

- Provide single support services to all Scottish Police Services Authority business areas

Corporate Services was created as the single shared support service for business areas within SPSA. The structure was created and staff were either job matched into this or recruited specifically. The services provided range across Finance, Procurement, Compliance, Facilities and Estates, Human Resources, Planning and Performance and Corporate Communications. All services are now being provided centrally. Some challenges have arisen in the development of corporate systems which have impacted on the level of service provided but these have now been resolved and enhanced support will be available in 2008-2009.

- Instigate a procedure for stakeholder consultation to provide a route for criminal justice partners to express their needs

Each business area has its' own forum for meeting customers needs. Corporate Services has instigated a Customer Satisfaction Survey in year one to assess initial customer reaction to the services provided. This will be used as a basis for improvements and future performance will be benchmarked against this.

OPERATIONAL UPDATE

All corporate policies and procedures are now in place. Day to day support has continued to facilitate all the usual business requirements utilising manual processes where necessary. The finance system is now operational although the electronic procurement system has been delayed due to the lack of resources at the Scottish Government to support its' implementation. The HR system will be implemented early 2008-2009 and this will greatly assist the support available.

FUTURE DEVELOPMENTS

Work will continue to develop and improve the support service available effecting improvements where possible. We will concentrate on continuous improvement techniques in year two achieving the anticipated efficiencies from the establishment of the shared service approach.

SPSA ANNUAL ACCOUNTS 2007-08

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

The 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.

Financial Performance

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

As this report is based on the first year of SPSA prior year comparisons are not available.

Source of Finance

SPSA is mainly funded by Ministers through the Justice Department. The Cash Grant in Aid budget allocated for the year was £77,061,000 of which £71,323,000 was drawn down in cash.

The remaining £5,738,000 cash was not drawn down in 2007/08 as cash was not required until April 2008/09 to cover the creditors payments associated with the 2007/08 financial year.

An additional amount of £6,023,000 was allocated to cover the non cash expenditure of depreciation and cost of capital of £3,474,000 and a notional rent for the Scottish Police College of £2,549,000.

This gives a final Resource Budget of £83,084,000.

£23,132,000 of the Cash Grant in Aid was ring fenced by the Scottish Government for expenditure on the SCDEA.

The £2,549,000 notional rent for the SPC has been charged to property cost and is fully allocated to the SPSA. £1,865,000 of the non cash budget for depreciation and cost of capital relates to the SPSA with the remaining £1,609,000 associated with the SCDEA.

The Cash Grant in Aid budget allocation to cover both revenue and capital expenditure was therefore £53,929,000 for SPSA and £23,132,000 for SCDEA, and the Resource Budget £58,343,000 for SPSA and £24,741,000 for SCDEA.

A separate annual report and accounts has been prepared for SCDEA.

SPSA generated external income of £3,860,000 during the year. The SPC earned income of £1,684,000 from conference facilities, training courses, rent of greenhouse, safety checks on motor vehicles and assisting Commonwealth Police Services. Forensic Services received income of £314,000 from laboratory services including external DNA analysis and the sale of photographs for legal purposes.

Corporate Services and Information Services received income of £1,045,000 and £817,000 respectively, mainly derived from the sub-lease of property.

Expenditure

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

The Resource Budget is intended to cover 'cash' costs, being accrued expenditure (capital and revenue) net of in-year income, and 'non cash' costs, which include depreciation and a notional cost of capital charge.

The SPSA Resource Budget for 2007/08 amounted to £58,343,000. This comprised of a Grant in Aid provision of £53,929,000 and a non cash allocation of £4,414,000

The 2007/08 'non cash' expenditure of £4,274,000 is associated with depreciation and cost of capital charges of £1,725,000 and a notional charge for the rental of the SPC of £2,549,000.

Summary of Resource Outturn

SPSA's resource expenditure against its funding provision for the year to 31 March 2008 was:

Expenditure	£000's
Board and Secretariat	687
Corporate Services	11,728
Forensic Services	24,543
Information Services – ICT	3,152
Information Services – Criminal Justice	4,279
Scottish Police College	14,000
Capital Expenditure (tangible and intangible assets)	4,209
Total Expenditure	62,598
Less: Income	
Income (operating and investment)	4,160
Total Net Expenditure	58,438
Less:	
Notional charge for rental of SPC	2,549
FRS 17 non cash pension charges appropriated from general fund	591
Net Cash Expenditure	55,298
Non Cash Expenditure	4,274
Total SPSA Expenditure	59,572
SCDEA Net Cash Expenditure	21,751
SCDEA Non Cash Expenditure	1,527
Total Expenditure	82,850
Grant in Aid Resource Budget	83,084
Underspend	234

FRS 17 Pension

SPSA moved from a pension liability as at 1 April 2007 of £8,943,000 under FRS 17 to a pension asset of £929,000 as at 31 March 2008. This is principally due to the fact that the financial assumptions at 31 March 2008 are more favourable than they were at 1 April 2007. All else being equal, this serves to reduce the liabilities and thus have a positive impact on the FRS17 position. As regards the assets, the previous 12 months have been rather turbulent for investment markets, resulting in lower than expected returns. In isolation, this would have a negative impact on the FRS 17 position. However, fortunately this has been outweighed by the improvement on the liabilities. The FRS 17 service cost in the Income and Expenditure account for 2007-08 benefited from an improvement in financial conditions during the year leading to the adoption of more favourable assumptions.

Performance against Corporate Plan

SPSA published its first three year Corporate Plan 12 months after its set up. Only limited delivery dates were articulated in this plan as 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 £81,085,000 GIA incorporated in the 2007/08 annual plan for both the SPSA and SCDEA, the total GIA increased to £83,084,000 as a result of £1,999,000 sponsor department agreed variations for workload commitments including Crown Office Forensic Science and Toxicology, Senior Careers Development Service and Diploma in Police Service Leadership.

Trends

This is the inaugural year of the SPSA which was established as a Non Departmental Public Body with effect from 1 April 2007 and as such is unable to provide any commentary on trends.

Future

As a Non Departmental Public Body SPSA expects that its sponsoring department, the Scottish Government Police and Community Safety Directorate will continue its support for current operation and for changes such as the transfer of the Information Communication and Technology Functions from all Scottish Police Forces from the 1 April 2008.

SPSA, like every other government body, is expected to deliver best value and contribute to the efficient government targets which have been set at 2% for the next three financial years 2008/11. The SPSA has set up an Efficiencies Monitoring Group with representatives from all business areas with the specific remit of instigating the reviews required to ensure delivery of required efficiencies and develop a mechanism for monitoring performance of delivery against target.

The SPSA will continue to promote working in partnership with other Government bodies to maximise the opportunities for shared support services, and initiatives planned for 2008/09 include further utilisation of the Scottish Government Finance and Purchasing Systems and continued review of Payroll Services provided by Strathclyde Police.

SPSA expects to receive continuing support for capital investment from the Scottish Government where it provides a robust business case, particularly in respect of accommodation proposals.

The United Kingdom Government is moving to International Financial Reporting Standards (IFRS) effective from the 2009/10 annual accounts and HM Treasury has issued an IFRS based Financial Reporting Manual. SPSA are preparing for this introduction including the restatement of the 31 March 2008 balance sheet by 28 November 2008, and the preparation of the Government planned shadow IFRS accounts for 2008/09 by the 30 November 2009, both of which will require review by Audit Scotland.

It is planned that the SCDEA together with Glasgow Forensic Services will relocate to the proposed Gartcosh crime campus. They will be joined by partner law enforcement agencies - the Serious Organised Crime Agency (SOCA), Her Majesty's Revenue and Customs (HMRC), and the Crown Office and Procurator Fiscal Service (COPFS). This will be the first project of its kind in Scotland.

Scotland faces an ever more sophisticated threat from serious organised crime and to meet that threat an excellent collaboration between partner agencies, dedicated facilities and state of the art technology was required. The new crime campus should have clear benefits in terms of joint working and the sharing of expertise, facilities and resources. It will create a world-class response to the threat from worldwide organised crime.

Ministerial Performance Targets

SPSA is expected to satisfy the conditions and requirements set out in the financial memorandum draw 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 achieving 2.0% efficiency savings in each of the next three years 2008/11.

Capital Investments in Year

£4,209,000 was invested in fixed assets during the year. The main additions in year were 2,790,000 in ICT, £578,000 in plant and machinery and £654,000 in motor vehicles.

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

Supplier Payment Policy

SPSA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2007-08 indicates that 89% of invoices were paid within the due date.

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 1.9.

Disclosure of audit information to the auditors

So far as the Accountable Officer is aware, there is no relevant audit information of which the SPSA's auditors are unaware. The Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the 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 and Lorna Meahan, Audit Scotland was appointed as SPSA's auditor for the financial year 2007/08.

The auditors were remunerated in the sum of £40,210 in respect of statutory audit services for the financial year 2007/08.

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.



David Mulhern
Accountable Officer
23 October 2008

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 Human Resources Committee is responsible for, inter alia, executive and other remuneration issues that fall outwith the scope of recognised collective bargaining agreements.

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.

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-executives board members are generally appointed for a fixed term of three years with a maximum notice period of 1 month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of the letters of appointment for the non-executive Board members who served during the year are:

	Date of current contract/letter	Unexpired term
Mervyn Rolfe	Contract commenced 1 January 2007	21 months
Alan Thompson	Contract commenced 1 March 2007	23 months
Bill Matthews	Contract commenced 1 March 2007	23 months

Mervyn Rolfe stood down as independent convenor of the board at the end of September 2008.

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 2008:

	£000
Mervyn Rolfe	44
Alan Thompson	13
Bill Matthews	17

The remaining non-executive board members received no remuneration during 2007-08.

The salary and pension entitlements of the following members of the SPSA Executive Team were as follows:

	2007-08	
	Salary	Benefits in kind
	to nearest £100	
	£000	
Sheila Proctor	50-55	-
Tom Nelson	80-85	-
Maria Kelly	30-35	-

	Accrued pension at age 60 at 31 March 2008 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2008	CETV at 31 March 2007	Real increase in CETV	Employer contribution to partnership pension account
Sheila Proctor	30-35 plus LS of 60-65	7.5-10 plus 15-17.5	201	130	62	-
Tom Nelson	90-95 plus LS of 170-175	15-17.5 plus LS of 30-32.5	382	275	92	-

Maria Kelly joined the SPSA on 3 September 2007 and left on 18 February 2008. Due to the short length of her service she has no material pension entitlement.

Sheila Proctor left SPSA on 1 August 2008.

The seconded costs of the following members of the Executive Team were as follows:

	Salary	Pension	Ers NI	Other
	£000	£000	£000	£000
David Mulhern	100-105	10-15	10-15	0-5
Carol McLean	55-60	15-20	5-10	0-5
Margaret Barr	30-35	5-10	0-5	0-5
John Geates	90-95	15-20	10-15	0-5
Gordon Meldrum	90-95	20-25	10-15	0-5
Graeme Pearson	75-80	15-20	5-10	0-5

Margaret Barr left the SPSA on 22 July 2007

Graeme Pearson left the SCDEA on 9 November 2007

Board Members' Interests

Colin McKerracher is Chief Constable of Grampian Police, Chair of the ACPOS Business Change and Information Management Boards and Forensic Science Advisory Group.

John Vine is Chief Constable of Tayside Police, Chair of the ACPOS General Policing and Road Policing Programme Boards and retired from the board on 13 June 2008.

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

Bill Matthews is a non-executive member of the Management Board of the Crown Office and Procurator Fiscal Service and is the chair of the Audit Committee of that Board.

Paul Rooney is Convener of Strathclyde Joint Police Board and is a member of Glasgow City Council. Councillor Rooney serves as Convener of the Scottish Police Authority Conveners Forum.

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



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, Scottish Ministers have directed the 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 the 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.

Scottish Ministers have appointed the Chief Executive as the Accountable Officer for the 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 the 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.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accountable Officer for the SPSA, including the SCDEA, I have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me. The SCDEA is maintained by the SPSA but it has operational independence and its own Director General.

The Scottish Public Finance Manual (SPFM) is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve 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 and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The risk and control framework

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. At SPSA the following processes were established during the first year of operation:

- 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 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.
- The Board review and challenge the Corporate Risk Register to ensure risks are effectively identified and managed.
- Executive Group review and discuss Risk Registers and related action plans on a monthly basis.
- All business areas maintain and review their own risk registers on a monthly basis at Business Area management team meetings. These incorporate corporate, operational and project risks.
- Risk Management training provided to all business areas.
- Heads of business areas are designated risk owners and appoint risk managers to monitor and report on risk mitigation.

- Regular attendance at business area management team meetings by the Compliance Manager to review the effectiveness of the process to review and discuss 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.

4. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework.

During the 12 months to 31 March 2008, Internal Audit and Compliance reviews focussed on the effectiveness of key financial controls and governance arrangements. Several recommendations for improvement were made, which reflects the significant challenges faced during the first year of operation, including setting up the organisation, supporting the new business areas such as Forensic Services and Corporate Services, developing policies and procedures, integrating staff, establishing our baseline in terms of performance monitoring and planning the way forward particularly in relation to the transition of police ICT services in April 2008. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and can confirm that plans are in place to ensure continuous improvement of the system throughout the 12 months to 31 March 2009.

5. Significant internal control problems

There were no significant internal control problems in the year ended 31 March 2008.



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPSA, 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 2008 under the Police, Public Order and Criminal Justice (Scotland) Act 2006. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Corporate Social Responsibility, Leadership and Governance and Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements.

This other information comprises only the Foreword, Chief Executive Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers, of the state of affairs of Scottish Police Services Authority as at 31 March 2008 and of the excess of expenditure over income, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have 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
- information which comprises only the Corporate Social Responsibility, Leadership and Governance and Management Commentary included in the Annual Report is consistent with the financial statements.

Regularity

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



Lorna Meahan CA
Audit Scotland
7th Floor, Plaza Tower
East Kilbride
G74 1LW

FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007-08 £000
Income		
Corporate Services	2	1,045
Forensic Services	2	314
Information Services - ICT	2	298
Information Services - Criminal Justice	2	519
Scottish Police College	2	1,684
		3,860
Expenditure		
Board and Secretariat	3	687
Corporate Services	3	11,728
Forensic Services	3	24,543
Information Services - ICT	3	3,152
Information Services - Criminal Justice	3	4,279
Scottish Police College	3	14,000
		58,389
Excess of expenditure over income on operating activities		54,529
Depreciation	6&7	1,579
Cost of capital	5	146
Investment income		300
Excess of expenditure over income for the year		55,954
Transferred to general fund and pension reserve		55,954

All income and expenditure is derived from continuing operations.

The notes on pages 46 to 58 form part of these accounts.

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007-08 £000
Actual return less expected return on pension scheme assets	22	(4,849)
Experience gains and losses arising on the scheme liabilities	22	(3)
Changes in assumptions in underlying the present value of the scheme liabilities	22	15,315
Recognised gains and losses for the financial year		10,463

The notes on pages 46 to 58 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2008

	Note	2007-08 £000
Fixed assets:		
Tangible assets	6	7,033
Intangible assets	7	310
Debtors falling due after more than one year	9	3
Current assets:		
Stocks	8	592
Debtors	9	5,781
Cash at bank and in hand	10	869
		7,242
Creditors (amounts falling due within one year)	11	(12,524)
Net current assets		(5,282)
Total assets less current liabilities		2,064
Pension asset	21	929
		2,993
Capital and reserves:		
General fund	12	(2,681)
Government grant reserve	12	286
Pension reserve	12	929
Transferred asset reserve	12	4,459
		2,993



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

The notes on pages 46 to 58 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007-08 £000
Net cash outflow from operating activities	13	47,043
Returns on investments and servicing of finance		-
Capital expenditure and financial investment	13	2,147
Net cash outflow before financing		49,190
Financing	13	49,987
Increase in cash	13	797

The notes on pages 46 to 58 form part of these accounts.

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 2007-08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the SPSA for the purpose of giving a true and fair view has been selected. The SPSA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Tangible fixed assets

Non-property assets

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 threshold

Expenditure is capitalised provided that the fixed asset yields a benefit to the SPSA for a period of more than one year and is subject to the application of a de-minimis level of £5,875 (£5,000 plus VAT).

1.3 Depreciation

Depreciation is provided on tangible fixed assets 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:

Plant and equipment	-	over 5 to 50 years
Vehicles	-	over 3 to 5 years
Fixtures and fittings	-	over 5 to 20 years
ICT Systems:		
• computers, telecom systems and office systems	-	over 3 years
• other ICT equipment	-	over 3 to 10 years

1.4 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.

1.5 Stocks

All consumable stocks and goods for resale have been included at the lower of cost or net realisable value.

1.6 Income

Income is received from various sources and activities. Income from the sale of goods or provision of services is recognised in the period in which ownership has transferred or the period in which the service was provided to the extent that the income has become receivable. Income is stated net of VAT where applicable.

1.7 Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. 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 Income and Expenditure Account on a straight line basis over the lease term.

Scottish Police College (SPC)

Scottish Government retain legal title and accounting for the SPC at Tulliallan and charge SPSA notional rent equivalent to the capital charges on the estate.

1.8 Taxation

Income is recorded net of VAT where applicable but revenue and capital expenditure is stated inclusive of irrecoverable VAT. Professional advice has indicated that SPSA does not generate taxable profits and is not liable to corporation tax. Final confirmation of this is awaited from HMRC.

1.9 Capital charges

Charges, reflecting the cost of capital utilised by the SPSA have been included in the Income and Expenditure Account. The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for cash balances.

1.10 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 Earnings-Related Pension Fund. Assets and liabilities of the schemes are held separately from those of the 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 Income and Expenditure Account on a systematic basis over the expected average remaining lives of members of the funds in accordance with Financial Reporting Standard 17 'Retirement Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

1.11 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the SPSA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to the Scottish Government in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to the Scottish Government separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to the Scottish Government.

1.12 Provision for bad and doubtful debts

Specific provisions for bad and doubtful debts are set aside on the basis of a review of individual debts at the end of the year.

1.13 Creditors

SPSA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, SPSA aims to pay within 30 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

2. INCOME

The SPC generates income from conference facilities, training courses, rent of greenhouse, safety checks on motor vehicles and assisting Commonwealth Police Services. Forensic Services receives income from DNA testing for external sources and the sale of photographs for legal purposes. Corporate Services receive rental income from renting out accommodation at Pacific Quay, Atlantic Quay and Elphinstone House to other public sector bodies. These rental agreements are recorded on Memorandum on Terms of Occupancy organised by the Scottish Government. ICT receive income from re-charging the eight Scottish Police Forces for maintenance contracts incurred on police information systems.

3. EXPENDITURE BY CATEGORY

	2007-08
	£000
Staff costs	35,699
Other staff costs	422
Property costs	9,563
Supplies and services	7,163
Transport costs	618
Administration costs / Management charges	2,775
Recharge to SCDEA for corporate support costs	(1,748)
IT Development / Consultants	909
Lecture fees	667
Professional fees	518
Scottish Police College catering	1,459
Payments to Scottish Qualifications Authority	77
Other costs	113
Senior Careers Development Services	104
Diploma in Police Service Leadership	50
	58,389

Operating expenditure includes:

Hire of plant and equipment	1
Operating lease rentals	
• Land and buildings	1,487
• Notional rent on Tulliallan Police College	2,549
Auditors' remuneration – audit work	40
Auditors' remuneration – non-audit work	-

4. STAFF NUMBERS AND RELATED COSTS

Average number of persons employed

	2007-08		
	Number	Permanent	Others
	Total	staff	
Permanent	840	840	
Secondments	117		117
Agency	21		21
	978	840	138

Staff costs comprise:

	2007-08 £000		
	Total	Permanently employed staff	Others
Wages and salaries	23,120	23,120	
Social security costs	1,626	1,626	
Other pension costs	3,316	3,316	
Secondments	6,456		6,456
Agency staff	306		306
FRS 17 pension cost	875	875	
Total net costs	35,699	28,937	6,762

5. NOTIONAL COST OF CAPITAL

	2007-08 £000
Notional cost of capital	146

Notional cost of capital is shown separately on the face of the income and expenditure account with the corresponding credit shown as a movement in reserves. The charge is calculated on the basis of 3.5% on the average capital employed in the year.

6. TANGIBLE FIXED ASSETS

	Assets under construction £000	Information technology £000	Plant & machinery £000	Furniture & fittings £000	Motor Vehicles	Total £000
Cost or valuation:						
At 1 April 2007	-	-	-	-	-	-
Transfers	-	6,065	10,605	1	1,809	18,480
Additions	123	2,566	578	64	654	3,985
Disposals	-	-	-	-	(78)	(78)
At 31 March 2008	123	8,631	11,183	65	2,385	22,387
Depreciation:						
At 1 April 2007	-	-	-	-	-	-
Transfers	-	5,098	7,680	1	1,165	13,944
Provided during the year	-	501	756	1	230	1,488
Disposals	-	-	-	-	(78)	(78)
At 31 March 2008	-	5,599	8,436	2	1,317	15,354
Net book value:						
31 March 2008	123	3,032	2,747	63	1,068	7,033
1 April 2007	-	-	-	-	-	-

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, furniture and fittings and motor vehicles.

7. INTANGIBLE FIXED ASSETS

	Software £000
Cost or valuation:	
At 1 April 2007	-
Transfers	3,812
Additions	224
At 31 March 2008	4,036
Depreciation:	
At 1 April 2007	-
Transfers	3,635
Provided during the year	91
At 31 March 2008	3,726
Net book value:	
31 March 2008	310
1 April 2007	-

8. STOCKS

	2007-08 £000
Consumables	592
Total	592

9. DEBTORS

9(a) Analysis by type

	2007-08 £000
Amounts falling due after more than one year:	
Other debtors	3
Total	3
Amounts falling due within one year:	
Trade debtors	2,099
Other debtors	249
Prepayments and accrued income	3,433
Total	5,781

9(b) Intra-Government Balances

	Amounts falling due within one year £000	Amounts falling due after more than one year £000
	2007-08	2007-08
Balances with other central government bodies	299	-
Balances with local authorities	646	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Intra-government balances	945	-
Balances with bodies external to government	4,836	3
Total debtors at 31 March	5,781	3

10. CASH

	2007-08 £000
Balance at 1 April	-
Net change in cash balances:	869
Balance at 31 March	869
The following balances at 31 March are held at:	
Balance with Office of Paymaster General	(529)
Cash at commercial banks and cash in hand	1,398
Balance at 31 March	869

11. CREDITORS

11(a) Analysis by type

	2007-08 £000
Amounts falling due within one year:	
VAT	334
Other taxation and social security	632
Trade creditors	6,848
Other creditors	452
Accruals and deferred income	4,258
	12,524

11(b) Intra-Government Balances

	Amounts falling due within one year £000	Amounts falling due after more than one year £000
	2007-08	2007-08
Balances with other central government bodies	1,047	-
Balances with local authorities	3,371	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Intra-government balances	4,418	-
Balances with bodies external to government	8,106	-
Total creditors at 31 March	12,524	-

12. CAPITAL AND RESERVES

	General Fund £000	Government grant £000	Pension £000	Transferred asset £000	Total £000
Government grant transferred in at 1 April 2007		326			326
Assets transferred in at 1 April 2007				4,459	4,459
Transfer of pension liability at 1 April 2007			(8,943)		(8,943)
Released to I&E		(40)			(40)
Grant-in aid received during the year	49,987				49,987
Transfer from income & expenditure account	(55,363)		(591)		(55,954)
Notional cost of capital	146				146
Actuarial gain			10,463		10,463
Notional rent charge for police college	2,549				2,549
At 31 March 2008	(2,681)	286	929	4,459	2,993

Transferred asset reserve:

- At the inception of SPSA, fixed assets and petty cash of £4,459,000 were transferred from Scottish Government and the eight police forces.

13. ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

Net cash flow from operating activities

	2007-08 £000
Excess of expenditure over income	(55,954)
FRS 17 pension adjustments	591
Adjustments for items not involving movement in cash	4,213
(Increase)/decrease in stock	(592)
(Increase)/decrease in debtors	(5,784)
Increase/(decrease) in creditors*	10,483
Net cash outflow from operating activities	(47,043)

Capital expenditure and financial investment

	2007-08 £000
Fixed asset additions*	(2,168)
Proceeds of disposal of fixed assets	21
Loans to other bodies	-
Repayment of loans to other bodies	-
Net cash flow from capital expenditure and financial investment	(2,147)

Financing

	2007-08 £000
Grant-in-aid received	49,987
Net cash flow from financing	49,987

Analysis of net funds

	At 31 March 2007	Cash flow	Cash transferred from predecessor organisations	At 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	-	797	72	869

*Movement in creditors and fixed asset additions have been adjusted for unpaid capital creditors at 31 March 2008 amounting to £2,041,000.

14. CAPITAL COMMITMENTS

SPSA had a capital commitment of £337k at 31 March 2008 relating to the construction of new offices and store room at the SPC at Tulliallan.

15. COMMITMENTS UNDER LEASES

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2007-08 £000
Obligations under operating leases comprise:	
Buildings:	
Expiry within 1 year	-
Expiry after 1 year but not more than 5 years	-
Expiry thereafter	1,487
Total	1,487

16. CONTINGENT LIABILITIES DISCLOSED UNDER FRS 12

There were no contingent liabilities at 31 March 2008.

17. POST BALANCE SHEET EVENTS

These financial statements were authorised for issue on 23 October 2008 by the Accountable Officer.

On 1 April 2008, 350 staff transferred from all the police forces into SPSA's Information Services to provide further opportunities to share best practice and procedures across Scotland which will benefit our stakeholders.

18. FRS 17 PENSION COSTS – ACTUARIAL METHODS AND ASSUMPTIONS

SPSA commenced participation in a number of Scottish Local Government Pension Schemes (LGPS) with effect from 1 April 2007. LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. It is contracted out of the State Second Pension.

The next formal valuation of the Scottish LGPS funds is at 31 March 2008. Normally, in preparing the FRS 17 figures the results of the latest formal actuarial valuation would be rolled over. As the results of the 31 March 2008 valuation are not yet available, the value of the SPSA's liabilities have been calculated at the date of joining (based on the membership data provided by each fund's administering authority), and rolled forward to 31 March 2008 allowing for the different financial assumptions required under FRS 17 for this year. In calculating the service cost, an allowance has been made for changes in the SPSA's pensionable payroll as estimated from contribution information. It is assumed that liabilities in respect of employee members' existing service in the LGPS transferred over to SPSA with effect from 1 April 2007 and that assets were notionally transferred to SPSA to fully fund these liabilities on ongoing valuation assumptions at 1 April 2007.

In calculating the asset share of 31 March 2008 the assets notionally allocated at date of joining have been rolled forward, allowing for the return on each fund (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from the funds by the SPSA and its employees.

In preparing the balance sheet as at 31 March 2008 and the Income and Expenditure Account to 31 March 2008, no allowance was made for the removal of the "Rule of 85" for new entrants to the LGPS from 1 December 2006 as insufficient information is available to allow for any such adjustment. The effect is likely to be immaterial in actuarial terms.

19. FRS17 PENSION COSTS – FINANCIAL ASSUMPTIONS

The financial assumptions utilised by the actuary to calculate liabilities under FRS 17 were:

Assumptions as at	31 March 2008		1 April 2007	
	Nominal % pa	Real % pa	Nominal % pa	Real % pa
Price increases	3.6%	-	3.2%	-
Salary increases	5.1%	1.5%	4.7%	1.5%
Pension increases	3.6%	-	3.2%	-
Discount rate	6.9%	3.2%	5.4%	2.1%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2008.

FRS 17 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 FRS 17 valuation date.

20. FRS17 PENSION COSTS – 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 period (i.e. as at date of joining).

FRS 17 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 2008, along with comparative figures as at date of joining, are set out below:

Assets	31 March 2008		1 April 2007	
	Long Term Returns	Assets £000	Long Term Returns	Assets £000
Equities	7.7%	33,598	7.8%	32,336
Bonds	5.7%	6,218	4.9%	5,309
Property	5.7%	4,460	5.8%	4,452
Cash	4.8%	1,698	4.9%	1,602
Total	7.1%	45,974	7.2%	43,699

21. FRS17 PENSION COSTS – BALANCE SHEET DISCLOSURES AS AT 31 MARCH 2008

In accordance with FRS17 SPSA is required to account for the net pension asset of £929,000 for the financial year ended 31 March 2008 as valued by Hymans Robertson LLP. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute and the Faculty of Actuaries.

Net pension asset as at	31 March 2008 £000	1 April 2007 £000
Estimated assets (A)	45,974	43,699
Present value of scheme liabilities	45,045	52,642
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	45,045	52,642
Net pension asset (A-B)	929	(8,943)

The present value of scheme liabilities comprises of approximately £45,045,000, £0 and £0 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2008.

The present value of unfunded liabilities comprises of £0 and £0 in respect of LGPS unfunded and teacher's pensions respectively as at 31 March 2008.

22. FRS17 PENSION COSTS – INCOME AND EXPENDITURE ACCOUNT COSTS FOR THE YEAR TO 31 MARCH 2008

Amount charged to operating profit	Year to 31 March 2008	
	£000	% of pay
Service cost	3,565	18.2%
Past Service Cost	-	-
Curtailment and settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge (A)	3,565	18.2%

Amount credited to income	Year to 31 March 2008	
	£000	% of pay
Expected return on employer assets	3,255	16.6%
Interest on Pension Scheme Liabilities	(2,971)	(15.2%)
Net Return (B)	284	1.5%
Net Revenue Account Cost (A) – (B)	3,281	16.8%

Amount recognised in statement of recognised gains and losses (SRGL)	Year to 31 March 2008	
	£000	
Actual return less expected return on pension scheme assets	(4,849)	
Experience gains and losses arising on the scheme liabilities	(3)	
Changes in assumptions in underlying the present value of the scheme liabilities	15,315	
Actuarial gain/(loss) in pension plan	10,463	
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	
Actuarial gain/(loss) recognised in SRGL	10,463	

Movements in surplus/deficit the year

	Year to 31 March 2008 £000
Surplus/(deficit) at beginning of year	(8,943)
Current Service Cost	(3,565)
Employers contributions	2,690
Contributions in respect of unfunded benefits	-
Other income	-
Other outgo (e.g. expenses, etc)	-
Past service costs	-
Impact of settlements and curtailments	-
Net return on assets	284
Actuarial gains/losses	10,463
Surplus/deficit at end of year	929

Experience gains and losses

	Year to 31 March 2008 £000
Difference between the expected and actual return on assets	(4,849)
Value of assets	45,974
Percentage of assets	(10.5%)
Experience gains/losses on liabilities	(3)
Total present value of liabilities	45,045
Percentage of the total present value of liabilities	-
Actuarial gains/losses recognised in STRGL	10,463
Total present value of liabilities	45,045
Percentage of the total present value of liabilities	23.2%

23. 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.

24. 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 10.



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 ANNUAL REPORT & ACCOUNTS 2007-08

SCDEA MANAGEMENT COMMENTARY

The SCDEA exists to prevent and detect serious and organised crime as it affects Scotland at a national and international level. Since its formation in June 2000 the Agency has achieved significant success in identifying and bringing to justice those involved in serious and organised crime, particularly drug trafficking. SCDEA remains ever vigilant in its fight against criminality and constantly strives to bring to justice those involved at the highest levels. By stripping away assets, seizing money and imprisoning those involved in serious crime, the SCDEA aims to make Scottish communities safer. In pursuing that agenda, the Agency relies on the ongoing support of the Association of Chief Police Officers in Scotland (ACPOS) and the Scottish Government.

The SCDEA plays a full part in the Scottish and United Kingdom response to all aspects of serious and organised crime through effective enforcement and non-enforcement activity. This work will continue through task force initiatives actively involving our partners in the United Kingdom and abroad. In carrying out our duties, the Agency will continue to strive to provide the highest quality of service in the prevention and investigation of serious and organised crime.

There is a real and tangible commitment across Scotland to tackling serious organised crime. Working with the Serious Organised Crime Taskforce and colleagues in law enforcement and abroad, the SCDEA is very much the bridgehead of Scotland's response to dismantling organised criminal enterprises and the associated harm they cause to our communities.

The trafficking of controlled drugs remains the bread and butter of serious organised crime. The availability of drugs on our streets has the potential to destroy the quality of life for the citizens of Scotland. The social costs of this trade are high as are the costs to our justice and health systems and our approach is to reduce these as much as possible.

The past year has seen SCDEA undertake operations related to human trafficking, firearms, fraud and money laundering whilst continuing to support the Scottish Police Service by providing specialised covert policing advice and resources.



Gordon Meldrum
Director General
Scottish Crime and Drug Enforcement Agency
23 October 2008

STRATEGIC PRIORITIES

Strategic Priorities for 2007-2008 for SCDEA were set by Scottish Ministers. All of these priorities were delivered and a description of how we achieved this is given for each below: -

1. Work with and in support of the Scottish police forces and other law enforcement agencies to tackle serious organised crime across Scotland with an emphasis on Class A drugs and money laundering.

In 2007-2008 a total of 170 arrests were made, 49 of which were in relation to Level 3 criminality. This exceeded our target of 45. 220kg of Class A drugs with an estimated street value of £15,883,653 were seized. This is three times the amount of drugs seized the previous year. In addition and as a result of six major notable operations, three Organised Crime Groups (OGC) were dismantled and prison sentences totalling in excess of 200 years were achieved.

2. Use all the provisions in the Proceeds of Crime Act 2002 to maximise identification of criminal assets for restraint and thereafter to support maximum recovery of such assets through criminal confiscation and civil recovery.

The SCDEA continues to support maximum recovery and identification for restraint of criminal assets through effective and efficient use of all available tactical options. During the period 1 April 2007 to 31 March 2008 the Agency has identified £4,659,837 of criminal assets which have been reported to the appropriate authority. This represents an 8% increase on the results achieved the previous year.

3. Produce a comprehensive intelligence picture of the extent and impact of human trafficking in Scotland, in collaboration with other law enforcement partners.

The Human Trafficking in Scotland Problem Profile was completed during April 2008. In addition the assessment of new intelligence submissions in relation to human trafficking remains ongoing given that this continues to be a priority area of activity under the SCDEA Control Strategy.

4. Bring forward by 31 December 2007, for agreement with SPSA and Scottish Ministers, a performance framework for measuring the SCDEA's effectiveness, including its success in disrupting criminal networks and reducing the harm caused by serious organised crime.

A revised Balanced Scorecard based on the SPSA corporate format was produced for the Agency during quarter one. This is now fully integrated within the SCDEA Performance Management Framework. Within the Balanced Scorecard, Key Performance Indicators have been set which have a mixture of quantitative and qualitative measures. An Action manager has been identified against each measure and the SCDEA performance Management Group has strategic responsibility in relation to driving the Performance Management Framework.

SCDEA PERFORMANCE AGAINST OBJECTIVES IN ANNUAL PLAN 2007/2008

Business Area	Commitment	Outcome
Crime Co-ordination	Identify and build partnerships with international law enforcement and judicial authorities in pursuit of the principal threats posed by serious organised crime to Scottish communities	<p>The Europol Scottish Project, commenced early in 2008, seeks;</p> <ul style="list-style-type: none"> •To maximise the potential investigative and operational benefits to Scottish Law Enforcement, from closer involvement and contribution to the work of the UK Liaison Bureau, Europol, and the Europol Analytical Workfiles (AWF's) and Europol Information System (EIS) •To develop and enhance understanding of the collaborative organised crime group (OCG) approach to serious organised crime throughout the UK and Europe by developing closer relationships with and making best use of the services of SOCA multilateral and the Europol UK Liaison Bureau
	Concentrate Crime Coordination resources on the opportunities afforded by the Proceeds of Crime Act 2002 to identify and seize criminal assets	All options for incorporating the Proceeds of Crime Act are integrated into the operational strategy of all SCDEA operations
	Fully utilise the legislative empowerment of the Director General across the full range of covert intelligence disciplines, which will significantly enhance the Agency's ability to swiftly respond to emerging threats from organised crime groups	Legislation is now in place and work is underway to enhance the Agency's utilisation of this new provision. The recent inspection of the Agency by the Office of Surveillance Commissioners commented that; 'The Agency continues to be a very professional organisation, keen to ensure that there is compliance with the legislation'

Business Area	Commitment	Outcome
Crime Co-ordination (Continued)	Appoint a dedicated non police authorising officer in terms of RIPS(A) and RIPA	Appointment made
	Appoint a Forensic Accountant to the Scottish Money laundering Unit	Appointment made
	Provide additional support to Scottish forces in connection with terrorist investigations	During Operation SEAGRAM, established in the aftermath of the terrorist attack at Glasgow airport, the SCDEA provided substantial assistance, including MAST surveillance, to Strathclyde Police and the Metropolitan Police Service. Protocols are in place to provide future support where a need is identified
Intelligence Group	Create a Central Intelligence Unit (CIU) and pool expertise from within the SCDEA, across a range of specialist functions. The CIU will provide improved co-ordination of the intelligence functions that operate within the SCDEA and partner law enforcement agencies	This is being progressed and there is a pilot project being considered for an officer from Regional Intelligence Unit (RIU) in England and Wales to be embedded in the Intelligence Office to enhance greater partnership working. Accommodation will be required to allow the CIU to be established and this is also being explored. The Serious Organised Crime Taskforce has requested that the Director General construct a proposal around a multi-agency CIU for Scottish law enforcement
	Review the SCDEA's compliance with the national Intelligence Model to ensure that the correct structures and processes are in place to best coordinate activity	Compliant with NIM Minimum Standards 1 (MS1) and progressing towards the delivery of NIM Minimum Standards 2 (MS2) over a three year incremental implementation plan (in line with mainstream ACPOS implementation)
	Increase investment and capacity in specialist covert deployments and other effective disruption tactics to support SCDEA Intelligence-led operations and exploit vulnerabilities in Organised Crime Groups operating in Scotland	There has been an increase in this area of activity in support of both SCDEA and Scottish Forces' operations There has been considerable investment in and acquisition of covert equipment in support of these operations to further enhance the Agency's capability

Business Area	Commitment	Outcome
Intelligence Group (Continued)	Progressively use criminal intelligence analysts to identify and focus SCDEA investigations to improve the quality of the Scottish and UK intelligence picture through a range of NIM compliant analytical products	Several new growth posts have been introduced within the Agency and a Quality Assurance review is being undertaken on analytical products which are now at the heart of the TTCG assessment process
	Utilise the Financial profile Unit within Scottish Money laundering Unit (SMLU) to prepare financial profiles for submission to Crown Office, thus ensuring the delivery of a consistently high quality product in this area	The Profiling Unit continues to support the SMLU and with the same resources, has increased the number of financial profiles being prepared for both proactive and re-active operations by 10%. Other police staff are being trained to assist in this role where required
	Utilise the Financial Intelligence Development Team, to research and develop Suspicious Activity Reports (SAR's), to identify potential targets and maximise intervention opportunities	Two growth posts have been introduced within this area of business, which has increased productivity by 15%
Operations Group	Co-ordinate police investigations in Scotland with European and international law enforcement partners, on behalf of the Crown Office (the 'competent authority' in terms of EU Convention and Mutual Legal Assistance)	The Agency has engaged in several parallel cross-border operations with partner agencies in Holland, Italy and Spain
	Extend interaction with Europol, Eurojust and Interpol to forge relationships and share experiences with law enforcement agencies across the EU	The Agency has provided an increased number of disseminations to Europol in respect of Suspicious Transactions and Money Laundering. An application has been made (by SCDEA Interventions) for funding from the European Commission Aegis Programme to improve structures across member states related to the investigation of money laundering offences. If funding is awarded, the Agency will lead on this work in partnership with Europol. The secondment of an Agency officer to Europol has greatly assisted with this commitment

Business Area	Commitment	Outcome
Operations Group (Continued)	Diversify operational activity to combine intelligence-led operations with complex financial investigations into Organised Crime groups who operate in Scotland, to disrupt and dismantle their capability	The strategic approach to all operational activity now includes the targeting of all aspects of OCEs business. Operation Thorn is a particular example of this approach
	Develop the skills of trained financial investigators within the Operations Group to increase effectiveness	Unfortunately this has not been achieved due to other demands and will be carried forward as ongoing work
Operational Support Group	Provide specialist support to the Scottish Police Service in relation to e-crime and assist in the development of an accurate threat assessment relative to criminality within Scotland	<p>Forensic Examinations: SCDEA e-crime continues to support Scottish police forces through the provision of forensic ICT analysis</p> <p>Child On-line Exploitation Centre (CEOP) referrals: SCDEA e-crime acts as the single point of contact for CEOP referrals to Scottish forces</p> <p>Senior Investigating Officer (SIO) Advice: Ongoing provision of SIO advice and guidance to Scottish Law Enforcement and business community on e-related criminality</p> <p>Intelligence: Provision of e-crime generated Intelligence & assessments. Identification and circulation of open source academic and specialist reports relative to ICT developments threats and opportunities</p> <p>Development of Scottish Internet Research Course: SCDEA e-crime is currently working in partnership with the Scottish Police College to deliver a bespoke Scottish Internet research course</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)	Provide advice to law enforcement and business community relative to the investigation, detection and reduction of serious organised e-crime to discourage new entrants to unlawful markets	<p>Presentations to Key Stakeholders:</p> <p>In December 2007 e-crime hosted a seminar as part of Scottish Police College Continuous Professional Development Programme</p> <p>E-Crime presented to</p> <ul style="list-style-type: none"> • SPC Senior Investigating Officer Courses • SPC Advanced Detective Officer Courses • SPC Offender Management Courses • SPC Initial Detective training courses • SPC Community Safety Course • SPC Family Protection Course • SPC Fraud Course • SPC Intel Operatives Course • SPC Intel management Course • SPC SDLP Superintendents Futures Course • Business Community through the Scottish Business Crime Centre (SBCC) • Financial Sector (directly or through SBCC) • Legal sector <p>Providing advice & guidance with law enforcement and the business community:</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)		<ul style="list-style-type: none"> • Membership of the Scottish Financial Crime Group and E-Crime Sub Groups • Membership of the ACPOS E-crime Advisory Group • Membership of the ACPO E-Crime Working Group • Membership of the national Combating Child Abuse on the Internet Group • Membership of the National E-crime Steering Group <p>Interventions:</p> <p>Liaison with SCDEA Interventions regarding developing intervention opportunities in relation to internet and ICT use – guidance has been issued to schools on safe internet use</p>
	Promote partnership and data exchange initiatives with partner agencies from the public and private sector to capture data associated with computer-enabled criminality to allow the development of crime reduction strategies	Primarily driven through the Scottish Financial Crime Group, e-crime Sub Group representing law enforcement, the Scottish Business Crime Centre and representatives of the Financial Sector
	Develop operational protocols with partner agencies in furtherance of the Scottish Police Service response to e -crime	<p>Strategic alliance with SOCA e-crime and CEOP which have not required the production of formal protocols</p> <p>Operational protocol being developed between SCDEA e-crime and CEOP regarding the referral process and obligations on the part of stakeholders after a meeting hosted by e-crime involving Scottish forces and CEOP</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)	Provide specialist support to the Scottish Police Service in relation to witness protection issues	<p>The SWLU continues to provide assistance and/or advice to all eight Scottish police forces and the SCDEA. Over the period, a significant increase in the number of persons granted Protected Person status, as defined in the Serious Organised Crime and Police Act 2005, was experienced when compared against the previous year</p> <p>The Scottish Witness Liaison Unit together with the Scottish Police College is responsible for providing Level 2 witness protection training to all Scottish police forces. In the past year 80 officers have attended this course ensuring that all Scottish Forces have a cadre of Level 2 trained officers who are fully conversant with the provisions of Serious Organised Crime and Police act 2005</p> <p>Over the past year, a review of the documentation associated with the Level 1 referral and assessment process was carried out, with a view to making the referral process more user friendly and efficient. This resulted in the creation of new standard form templates for all Level 1 referrals, associated SWLU threat assessment, risk assessment and risk management processes. The new forms are now in use and have been well received</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)	Exploit the opportunities provided by the SCDEA Forensic Science Strategy	<p>During the year, the Agency has taken up membership of the ACPOS Crime Scene Managers' Forum to enhance the Agency's influence within this field. Since joining this group the Agency has been able to influence the ACPOS Crime Scene Manager Deployment Criteria to include Agency business and to disseminate best practice documents in relation to forensic strategy development</p> <p>In addition, the Forensic Science Manager is now involved in the ACPOS Forensic Science Advisory Group and the ACPOS Drugs Sub-committee which allows the Agency's needs (in terms of forensic science) to be communicated at a high level</p> <p>Work continues to progress a recruitment plan to develop a proactive forensic capability for the Scottish Police Service. Discussion remains ongoing with SPSA Forensic Services on how this will be delivered. The recruitment phase will be delayed until these issues have been resolved as the outcome of the discussions may have a direct impact on the person specification for the post</p> <p>Working in conjunction with the SPSA Forensic Services and the National Drugs Coordinator, the Agency has coordinated the Scottish Police Service's participation in Project CHAIN, a Europe-wide forensic intelligence gathering programme for Amphetamine (profiling)</p> <p>The Agency has been involved in a National project in relation to the covert recovery of DNA material. Additionally, the Agency has been participating in an ongoing project being undertaken by the Home Office Scientific Development Branch on the retrieval of</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)		<p>fingerprints using covert methods. Further, the Agency has supported forensic strategy work in relation to Abduction and Extortion enquiries</p> <p>Each Agency Operation is supported by a forensic strategy and this approach is absolutely necessary, however, it continues to be difficult to secure forensic evidence against the principles of SCDEA Operations due to their deliberate avoidance of physical contact with any illegal commodities</p>
	Provide support and expertise in relation to the development of European and International co-operation in respect of cross-border surveillance, Joint Investigation Teams and the Schengen Information System	<p>The role of the International Liaison Officer is well established within the SCDEA. This area of business was expanded on 4 June 2007 when an SCDEA officer was seconded to the UK Liaison Bureau, Europol. This will allow the SCDEA and Scottish Forces an increased opportunity to utilise the resources that Europol has to offer in respect of the sharing of intelligence between the United Kingdom, in particular Scotland, and European Union Member States. The Europol Scottish Project lead by the SCDEA aims to maximise such opportunities.</p> <p>The placement of an officer at Europol will afford the opportunity to develop strategic and operational partnerships to ensure that the SCDEA is a key partner in the investigation of Pan-European organised crime</p> <p>SCDEA will continue to support the work of Joint Investigation Teams. It is anticipated that the Schengen Information System (SIS) will be operational mid 2010 to ensure that the UK has enhanced safety and security prior to the 2012 London Olympic Games</p>

Business Area	Commitment	Outcome
Operational Support Group (Continued)	Continue to develop the opportunities provided by the recently created Criminal Justice Unit, to improve communication and reporting lines between the SCDEA and the Crown Office and procurator Fiscal Service and to act as a single point of contact with SOCA	<p>During 2007-2008 a small Project Team was created and tasked to ensure that the SCDEA became an Independent Reporting Authority to the Crown Office and Procurator Fiscal Service (COPFS). Key to this task was identifying a suitable electronic system to manage the work associated with the Scottish criminal justice system. The development work is now at an advanced stage and directly correlates with the Summary Justice Reforms currently being introduced across Scotland. It is anticipated that SCDEA operational staff will be able to use the system post May 2008, for submission of Standard Prosecution Reports 2, National Standard Statements and associated Ancillary Reports</p> <p>The Criminal Justice Unit has also recently expanded to incorporate an ability to respond to requests from the Civil Recovery Unit. Work remains ongoing at present to develop an appropriate framework and business processes to support this work</p> <p>Work is also currently underway to explore the business benefits of developing an SCDEA Statement of Opinion capability. The Criminal Justice Unit will examine the potential benefits of incorporating statements of opinion in respect of the use and supply of illegal drugs, from a SCDEA, and/or National perspective</p>
Interventions	Build knowledge and understanding of the structures surrounding Organised Crime Groups	<p>A number of criminal business profiles have been produced to support crime co-ordination.</p> <p>Research has also been carried out on the role of enablers, facilitators and specialists who assist organised crime either directly or indirectly</p>

Business Area	Commitment	Outcome
Interventions (Continued)	Develop new initiatives aimed at disrupting and dismantling Organised Crime Groups	Target hardening activity has been conducted with a range of partners to disrupt and dismantle OCG's; for example, supporting the work of the Security Industry Authority, the Federation Against Copyright Theft (FACT), the Jewellery trade and the DIY sector (in relation to cannabis cultivations)
	Explore opportunities for partnership working with the private and public sectors	Numerous opportunities have been explored with partners across the public and private sectors; for example the utility providers (in relation to cannabis cultivations), the Institute of Chartered Accountants in Scotland, the Institute of Bankers in Scotland, SOCA, Scottish Police forces, ACPO/ACPOS, the Scottish Government, Scottish Prison Service, Scottish Ambulance Service. These and other similar collaborations have improved the ability of the SCDEA to share and receive information to maximise operational effectiveness
	Develop educational strategies aimed at reducing the opportunity for Organised Crime Groups to flourish within communities	<p>The following examples demonstrate the strategic, tactical and operational spread of Interventions activity in this area:</p> <ul style="list-style-type: none"> • Contributing to the substance misuse curriculum for Scotland's schools (under the auspices of the Scottish Government Substance Misuse Group) • Production of Internet safety resources for Learning Teaching Scotland to implement within Scotland's schools • Ethical Cocaine Campaign – targeted at population groups deemed most likely to use Cocaine

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Business Area	Commitment	Outcome
Interventions (Continued)		<ul style="list-style-type: none"> Production of the drug trends bulletin for use by partners in law enforcement and wider public agencies Production of information resources and alerts for police officers and other practitioners on a range of serious organised crime activities <p>Delivery of the national Choices for Life programme to approx 80% of Scotland's P7 schoolchildren</p>
Business Support	Assist with the Agency's legal transition in line with the provisions of the Police Public Order and Criminal Justice (Scotland) Act 2006	Work with Project Team completed and information provided to allow transition to SPSA
	Prepare for the Agency's relocation to a new law enforcement campus	Agency staff have contributed to the project work streams, the business benefits case and risk management issues
	Implement a Human Resource Management system to effectively manage personnel seconded or recruited to the SCDEA	Work is ongoing in conjunction with SPSA CSD to deliver SCOPE throughout the SCDEA

OPERATIONAL UPDATE

In addition to delivering against Strategic Priorities and Annual Plan objectives SCDEA have continued to support Scottish forces in operations to target serious and organised crime. Several high profile results have been achieved and these have been reported in the media. We continue to work with our partners in communities. Last year we worked with the utility companies to seek out cannabis farms and once again delivered a successful "Choices for Life" event aimed at the education of children of Primary 7 school age. More detail on our operations is given in our Annual Performance Report published separately.

FUTURE DEVELOPMENTS

As well as continuing to focus on our key performance indicators of maximising arrests involving Level 3 criminality, maximising the seizure of Class A drugs, and maximising the identification of criminal assets for restraint we will be an integral part of the new Serious Organised Crime taskforce which will be targeted at undermining criminal activity in Scotland. It is our intention to lead a joint initiative with the Road Haulage Association to crack down on human trafficking and the smuggling of illegal goods including drugs. We will deliver a Serious Organised Crime Mapping Exercise and in conjunction with ACPOS develop the Interventions Strategy. We will also deliver Choices for Life for 2008 and participate in at least five community based interventions projects. At the same time we will achieve the efficiencies required of us by the Scottish Government.

FINANCIAL REVIEW

Statutory Background

The 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 the SCDEA.

Basis of Accounts

The Police, Public Order and Criminal Justice (Scotland) Act 2006, Schedule 1, Section 16 (1) requires the SPSA to prepare a statement of accounts for the 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.

Financial Performance

The Financial Reporting Manual (FRM) issued by Treasury sets out the format of our annual accounts. A reporting requirement of FRM is that Grant in Aid (GIA) is included in the General Fund in the balance sheet rather than included in the Income and Expenditure account for the year. All other income and expenditure is included in the Income and Expenditure Account. The impact of this is the Income and Expenditure account shows a deficit which is transferred to the General Fund and is funded by GIA held there.

As this report is based on the first year of SCDEA being part of the SPSA prior year comparisons are not available.

Source of Finance

SCDEA is mainly funded by Ministers through the Justice Department.

The total SPSA Resource Budget was £83,084,000.

Cash Grant in Aid of £23,132,000 was ring fenced by the Scottish Government for SCDEA from the budget allocated to the SPSA.

In addition the SPSA allocated an additional non cash budget of £1,609,000 to the SCDEA. This was to cover the cost of depreciation and cost of capital.

This gives a total Resource Budget of £24,741,000 for SCDEA.

SCDEA generated external income of £144,000 during the year primarily from the sale of vehicles and received funding of £281,000 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 is intended to cover 'cash' costs, being accrued expenditure (capital and revenue) net of in-year income, and 'non cash' costs, which include depreciation and a notional cost of capital charge.

The SCDEA Resource Budget for 2007/08 amounted to £24,741,000. This comprised of a Grant in Aid provision of £23,132,000 and a non cash allocation of £1,609,000

The 2007/08 'non cash' expenditure of £1,527,000 is associated with depreciation, cost of capital and the net book value of disposed assets.

Summary of Resource Outturn

SCDEA's resource expenditure against its funding provision for the year to 31 March 2008 was:

Expenditure	£000's
Director and administrative support	4,403
Interventions	817
Crime co-ordination	
- Operations	7,058
- Intelligence	5,171
- Operations Support	2,310
- Technical Support Unit	1,559
Choices for life	281
Capital Expenditure (tangible and intangible assets)	719
Total Expenditure	22,318
Less:	
Income (operating and investment)	447
Total Net Expenditure	21,871
Less:	
FRS 17 non cash pension charges appropriated from general fund	74
Net book value of disposed assets	46
Net Cash Expenditure	21,751
Non Cash Expenditure	1,527
Total SCDEA Expenditure	23,278
SPSA Net Cash Expenditure	55,298
SPSA Non Cash Expenditure	4,274
Total Expenditure	82,850
Grant in Aid Resource Budget	83,084
Underspend	234

FRS 17 Pension

SCDEA moved from a pension liability as at 1 April 2007 of £753,000 under FRS 17 to a pension asset of £75,000 as at 31 March 2008. This is principally due to the fact that the financial assumptions at 31 March 2008 are more favourable than they were at 1 April 2007. All else being equal, this serves to reduce the liabilities and thus have a positive impact on the FRS17 position. As regards the assets, the previous 12 months have been rather turbulent for investment markets, resulting in lower than expected returns.

In isolation, this would have a negative impact on the FRS 17 position. However, fortunately this has been outweighed by the improvement on the liabilities. The FRS 17 service cost in the Income and Expenditure account for 2007-08 benefited from an improvement in financial conditions during the year leading to the adoption of more favourable assumptions.

Performance against Corporate Plan

SPSA is responsible for maintaining the SCDEA. The Corporate Plan produced by SPSA 12 months after its set up also covered strategic direction for SCDEA. Both organisations, however, articulate detailed delivery in their respective Annual Plans. The Annual Report for SCDEA provides detail on their performance against the objectives in their Annual Plan.

Trends

This is the inaugural year of the SCDEA under the Police, Public Order and Criminal Justice (Scotland) Act 2006 and as such is unable to provide any commentary on trends.

Future

SCDEA expects that its sponsoring department, the Scottish Government Police and Community Safety Directorate will continue its current level of support.

SCDEA, like every other government body, is expected to deliver best value and contribute to the efficient government targets which have been set at 2% for the next three financial years 2008/11. The SCDEA will be an active member of the Efficiencies Monitoring Group set up by the SPSA with the specific remit of instigating the reviews required to ensure delivery of required efficiencies and develop a mechanism for monitoring performance of delivery against target.

The SCDEA will continue to promote working in partnership with other Government bodies to maximise the opportunities for shared support services, and initiatives planned for 2008/09 include further utilisation of the Scottish Government Finance and Purchasing Systems and continued review of Payroll Services provided by Strathclyde Police.

SCDEA expects to receive continuing support for capital investment from the Scottish Government where it provides a robust business case, particularly in respect of accommodation proposals.

The United Kingdom Government is moving to International Financial Reporting Standards (IFRS) effective from the 2009/10 annual accounts and HM Treasury has issued an IFRS based Financial Reporting Manual. SCDEA are preparing for this introduction including the restatement of the 31 March 2008 balance sheet by 28 November 2008, and the preparation of the Government planned shadow IFRS accounts for 2008/09 by the 30 November 2009, both of which will require review by Audit Scotland.

2012 will see the co-location of the SCDEA together with Glasgow Forensic Services to Gartcosh crime campus. They will be joined by partner law enforcement agencies - the Serious Organised Crime Agency (SOCA), Her Majesty's Revenue and Customs (HMRC), and the Crown Office and Procurator Fiscal Service (COPFS). This will be the first project of its kind in Scotland.

Scotland faces an ever more sophisticated threat from serious organised crime and to meet that threat an excellent collaboration between partner agencies, dedicated facilities and state of the art technology was required. The new crime campus should have clear benefits in terms of joint working and the sharing of expertise, facilities and resources. It will create a world-class response to the threat from worldwide organised crime.

Ministerial Performance Targets

SCDEA is expected to satisfy the conditions and requirements set out in the financial memorandum draw 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 achieving 2.0% efficiency savings in each of the next three years 2008/11.

Corporate Governance Body

Information on the SCDEA's internal corporate governance body has not been disclosed under FReM 7.2.20 as individuals lives may be at risk.

Capital Investments In Year

£719,000 was invested in fixed assets during the year. The additions in year were £271,000 in ICT, £175,000 in plant and machinery and £273,000 in motor vehicles.

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 and 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 30 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2007-08 indicates that 89% of invoices were paid within the due date.

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 1.8.

Disclosure of audit information to the auditors

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

Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, SCDEA's auditors are appointed by the Auditor General and Lorna Meahan, Audit Scotland was appointed as SCDEA's auditor for the financial year 2007/08.

The auditors were remunerated in the sum of £30,180 in respect of statutory audit services for the financial year 2007/08.

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.



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

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 Human Resources Committee is responsible for, inter alia, executive and other remuneration issues that fall outwith the scope of recognised collective bargaining agreements.

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.

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-executives 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, for whatever reason, there is no provision for compensation.

Details of the letters of appointment for the non-executive Board members who served during the year are:

	Date of current contract/letter	Unexpired term
Mervyn Rolfe	Contract commenced 1 January 2007	21 months
Alan Thompson	Contract commenced 1 March 2007	23 months
Bill Matthews	Contract commenced 1 March 2007	23 months

Mervyn Rolfe stood down as independent convener of the board at the end of September 2008.

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 2008:

	£000
Mervyn Rolfe	44
Alan Thompson	13
Bill Matthews	17

The remaining non-executive board members received no remuneration during 2007-08.

The seconded costs of the SPSA Chief Executive and the SCDEA Director General was:

	Salary £000	Pension £000	Ers NI £000	Other £000
David Mulhern	100-105	10-15	10-15	0-5
Gordon Meldrum	90-95	20-25	10-15	0-5
Graeme Pearson	75-80	15-20	5-10	0-5

Graeme Pearson left SCDEA on the 9th November 2007.

Gordon Meldrum - Depute Director General from 1 April 2007 to 27 September 2007.
- Interim Director General from 28 September 2007 to 31 December 2007.
- Director General from 1 January 2008 to 31 March 2008.

Board Members Interests

Colin McKerracher is Chief Constable of Grampian Police, Chair of the ACPOS Business Change and Information Management Boards and Forensic Science Advisory Group.

John Vine is Chief Constable of Tayside Police, Chair of the ACPOS General Policing and Road Policing Programme Boards.

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

Bill Matthews is a non-executive member of the Management Board of the Crown Office and Procurator Fiscal Service and is the Chair of the Audit Committee of that Board.

Paul Rooney is Convener of Strathclyde Joint Police Board and is a member of Glasgow City Council. Councillor Rooney serves as Convener of the Scottish Police Authority Conveners Forum.

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

Corporate Governance Body

Information on the SCDEA's internal corporate governance body has not been disclosed under FReM 7.2.20 for personal security reasons.



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Police, Public Order and Criminal Justice (Scotland) Act 2006, Scottish Ministers have directed the 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 the 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.

Scottish Ministers have appointed the Chief Executive of SPSA as the Accountable Officer for the 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 the 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.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

The Scottish Public Finance Manual (SPFM) is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve 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 and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The risk and control framework

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. SCDEA follows SPSA's Risk Management Policy and Strategy under which the following processes have been established:

- 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 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.
- The Board review and challenge the Corporate Risk Register to ensure risks are effectively identified and managed.
- Executive Group review and discuss Risk Registers and related action plans on a monthly basis.
- All business areas maintain and review their own risk registers on a monthly basis at Business Area management team meetings. These incorporate corporate, operational and project risks.
- Risk Management training provided.
- Heads of business areas are designated risk owners and appoint risk managers to monitor and report on risk mitigation.

- Regular attendance at business area management team meetings by the Compliance Manager to review the effectiveness of the process to review and discuss 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 and SCDEA are 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.

4. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework.

During the 12 months to 31 March 2008, Internal Audit and Compliance reviews focussed on the effectiveness of key financial controls and governance arrangements as they operate within SPSA's overall financial control environment. Several recommendations for improvement were made, which reflects the significant challenges faced by SPSA during its first year of operation, including setting up the organisation, supporting the new business areas such as Forensics Services and Corporate Services, developing policies and procedures, integrating staff, establishing our baseline in terms of performance monitoring and planning the way forward particularly in relation to the transition of police ICT services in April 2008. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and can confirm that plans are in place to ensure continuous improvement of the system throughout the 12 months to 31 March 2009.

5. Significant internal control problems

There were no significant internal control problems in the year ended 31 March 2008.



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCDEA, 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 2008 under the Police, Public Order and Criminal Justice (Scotland) Act 2006. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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.

Respective responsibilities of the Board, Accountable Officer and auditor

The Board and Accountable Officer are responsible for preparing the Annual Report, as under the FReM, which includes the Remuneration Report, and the financial statements in accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Corporate Social Responsibility, Leadership and Governance, Management Commentary, Strategic Priorities, Performance against Annual Plan, Operational Update and Future Development included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements.

FINANCIAL STATEMENTS

This other information comprises the Foreword, SPSA Chief Executive Report the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with Police, Public Order and Criminal Justice (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers, of the state of affairs of Scottish Crime and Drug Enforcement Agency as at 31 March 2008 and of the excess of expenditure over income, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have 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
- information which comprises only Corporate Social Responsibility, Leadership and Governance, Management Commentary, Strategic Priorities, Performance against Annual Plan, Operational Update and Future Development included in the Annual Report is consistent with the financial statements.

Regularity

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



Lorna Meahan CA
Audit Scotland
7th Floor, Plaza Tower
East Kilbride
G74 1LW

23 October 2008

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007-08 £000
Income		
Director and administrative support	2	144
Choices for life	2	281
		425
Expenditure		
Director and administrative support	3	4,403
Interventions	3	817
Crime co-ordination		
- Operations	3	7,058
- Intelligence	3	5,171
- Operations Support	3	2,310
- Technical Support Unit	3	1,559
Choices for life	3	281
		21,599
Excess of expenditure over income on operating activities		21,174
Depreciation	6&7	1,362
Cost of capital	5	119
Investment income		22
		22,633
Excess of expenditure over income for the year		22,633
Transferred to general fund and pension reserve	11	22,633

All income and expenditure is derived from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

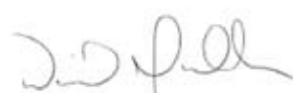
	Note	2007-08 £000
Actual return less expected return on pension scheme assets	20	(400)
Changes in assumptions in underlying the present value of the scheme liabilities	20	1,302
Recognised gains and losses for the financial year		902

The notes on pages 89 to 100 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2008

	Note	2007-08 £000
Fixed assets:		
Tangible assets	6	5,226
Intangible assets	7	51
Debtors falling due after more than one year	-	-
Current assets:		
Debtors	8	531
Cash at bank and in hand	9	4,142
		4,673
Creditors (amounts falling due within one year)	10	(5,088)
Net current liabilities		(415)
Total assets less current liabilities		4,862
Pension asset	19	75
		4,937
Capital and reserves:		
General fund	11	(1,104)
Pension reserve	11	75
Transferred asset reserve	11	5,966
		4,937

The notes on pages 89 to 100 form part of these accounts.



David Mulhern
Chief Executive and Accountable Officer
23 October 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007-08 £000
Net cash outflow from operating activities	12	16,830
Capital expenditure and financial investment	12	364
Net cash outflow before financing		17,194
Financing	12	21,336
Increase in cash	12	4,142

The notes on pages 89 to 100 form part of these accounts.

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 2007-08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of SCDEA for the purpose of giving a true and fair view has been selected. SCDEA's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Tangible fixed assets

Non-property assets

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, furniture and fittings and motor vehicles.

Capitalisation threshold

Expenditure is capitalised provided that the fixed asset 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 £5,875 (£5,000 plus VAT).

1.3 Depreciation

Depreciation is provided on tangible fixed assets, other than land, 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:

Plant and equipment	over 5 to 50 years
Vehicles	over 3 to 5 years
Fixtures and fittings	over 5 to 20 years
ICT Systems:	
• computers, telecom systems and office systems	over 3 years
• other ICT equipment	over 3 to 10 years

1.4 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.

1.5 Income

Income represents income receivable from sale of motor vehicles and is stated net of value added tax and funding for the 'Choices for Life' project.

1.6 Taxation

Revenue and capital expenditure in these accounts is stated inclusive of irrecoverable VAT. Professional advice has indicated that SCDEA does not generate taxable profits and is not liable to corporation tax. Final confirmation of this is awaited from HMRC.

1.7 Capital charges

Charges, reflecting the cost of capital utilised by the SCDEA have been included in the Income and Expenditure Account. The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for cash balances.

1.8 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 Earnings-Related Pension Fund. Assets and liabilities of the Schemes are held separately from those of the 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 Income and Expenditure Account on a systematic basis over the expected average remaining lives of members of the funds in accordance with Financial Reporting Standard 17 'Retirement Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

1.9 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, SCDEA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to the Scottish Government in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to the Scottish Government separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to the Scottish Government.

1.10 Creditors

SCDEA complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, SCDEA aims to pay within 30 days from receipt of the goods and services or the presentation of a valid invoice, whichever is the later.

2. INCOME

Income represents income receivable from sale of motor vehicles and funding for the 'Choices for Life' project.

3. EXPENDITURE BY CATEGORY

	2007-08 £000
Staff costs	15,852
Other staff costs	188
Property costs	154
Supplies and services	2,051
Transport costs	531
Administration costs*	2,501
Consultants	16
Professional fees	25
Other	281
	21,599
Operating expenditure includes:	
Hire of plant and equipment	197
Operating lease rentals	
• Land and buildings	219
Auditors' remuneration – audit work	30
Auditors' remuneration – non-audit work	-

* Includes SPSA recharge for corporate support costs of £1.748m.

4. STAFF NUMBERS AND RELATED COSTS

Average number of persons employed

	2007-08	Permanent staff	Others
	Number		
	Total		
Permanent	77	77	
Secondments	201		201
Agency	1		1
	279	77	202

Staff costs comprise:

	2007-08	Permanently employed staff	Others
	£000		
	Total		
Wages and salaries	2,182	2,182	
Social security costs	130	130	
Other pension costs	222	222	
Secondments	13,193		13,193
Agency staff	29		29
FRS 17 pension cost	96	96	
Total net costs	15,852	2,630	13,222

5. NOTIONAL COST OF CAPITAL

	2007-08
	£000
Notional cost of capital	119

Notional cost of capital is shown separately on the face of the income and expenditure account with the corresponding credit shown as a movement in reserves. The charge is calculated on the basis of 3.5 per cent on the average capital employed in the year.

6. TANGIBLE FIXED ASSETS

	Information technology	Plant & machinery	Furniture & fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation:					
At 1 April 2007	-	-	-	-	-
Transfers	1,196	4,486	2,302	2,188	10,172
Additions	264	175	-	273	712
Disposals	-	-	-	(755)	(755)
At 31 March 2008	1,460	4,661	2,302	1,706	10,129
Depreciation:					
At 1 April 2007	-	-	-	-	-
Transfers	542	2,105	597	1,046	4,290
Provided during year	286	532	119	385	1,322
Disposals	-	-	-	(709)	(709)
At 31 March 2008	828	2,637	716	722	4,903
Net book value:					
31 March 2008	632	2,024	1,586	984	5,226
1 April 2007	-	-	-	-	-

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, furniture and fittings and motor vehicles.

7. INTANGIBLE FIXED ASSETS

	Software
	£000
Cost or valuation:	
At 1 April 2007	-
Transfers	300
Additions	7
At 31 March 2008	307
Depreciation:	
At 1 April 2007	-
Transfers	216
Provided during year	40
At 31 March 2008	256
Net book value:	
31 March 2008	51
1 April 2007	-

8. DEBTORS

8(a) Analysis by type

	2007-08 £000
Amounts falling due within one year:	
Prepayments and accrued income	531
Total	531

8(b) Intra-Government Balances

	Amounts falling due within one year £000 2007-08	Amounts falling due after more than one year £000 2007-08
Balances with other central government bodies	-	-
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Intra-government balances	-	-
Balances with bodies external to government	531	-
Total debtors at 31 March	531	-

9. CASH

	2007-08 £000
Balance at 1 April	-
Net change in cash balances:	4,142
Balance at 31 March	4,142

The following balances at 31 March are held at:

Balance with Office of Paymaster General	4,140
Cash at commercial banks and cash in hand	2
Balance at 31 March	4,142

10. CREDITORS

10(a) Analysis by type

	2007-08 £000
Amounts falling due within one year:	
VAT	26
Trade creditors	2,363
Accruals and deferred income	2,699
	5,088

10(b) Intra-Government Balances

	Amounts falling due within one year £000 2007-08	Amounts falling due after more than one year £000 2007-08
Balances with other central government bodies	43	-
Balances with local authorities	2,971	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	1	-
Intra-government balances	3,015	-
Balances with bodies external to government	2,073	-
Total creditors at 31 March	5,088	-

11. CAPITAL AND RESERVES

	General Fund £000	Transferred assets £000	Pension £000	Total £000
Assets transferred from police forces at 1 April 2007		5,966		5,966
Transfer of pension liability at 1 April 2007			(753)	(753)
Grant-in aid received during the year	21,336			21,336
Transfer from income & expenditure account	(22,559)		(74)	(22,633)
Notional cost of capital	119			119
Actuarial gain			902	902
At 31 March 2008	(1,104)	5,966	75	4,937

12. ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

Net cash flow from operating activities

	2007-08 £000
Excess of expenditure over income	(22,633)
FRS 17 pension adjustments	74
Adjustments for items not involving movement in cash	1,366
(Increase)/decrease in debtors	(531)
Increase/(decrease) in creditors*	4,894
Net cash outflow from operating activities	(16,830)

Capital expenditure and financial investment

	2007-08 £000
Fixed asset additions*	(525)
Proceeds of disposal of fixed assets	161
Loans to other bodies	-
Repayment of loans to other bodies	-
Net cash flow from capital expenditure and financial investment	(364)

Financing

	2007-08 £000
Grant-in-aid received	21,336
Net cash flow from financing	21,336

Analysis of net funds

	At 31 March 2007	Cash flow	Other changes	At 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	-	4,142	-	4,142

*Movement in creditors and fixed asset additions have been adjusted for unpaid capital creditors at 31 March 2008 amounting to £194,000.

13. COMMITMENTS UNDER LEASES

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2007-08 £000
Obligations under operating leases comprise:	
Buildings:	
Expiry within 1 year	-
Expiry after 1 year but not more than 5 years	-
Expiry thereafter	219
Total	219

14. CONTINGENT LIABILITIES DISCLOSED UNDER FRS 12

There were no contingent liabilities at 31 March 2008.

15. POST BALANCE SHEET EVENTS

These financial statements were authorised for issue on 23 October 2008 by the Accountable Officer.

16. FRS 17 PENSION COSTS – ACTUARIAL METHODS AND ASSUMPTIONS

SCDEA commenced participation in a number of Scottish Local Government Pension Schemes (LGPS) with effect from 1 April 2007. LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. It is contracted out of the State Second Pension.

The next formal valuation of the Scottish LGPS funds is at 31 March 2008. Normally, in preparing the FRS 17 figures the results of the latest formal actuarial valuation would be rolled over. As the results of the 31 March 2008 valuation are not yet available, the value of the SCDEA's liabilities have been calculated at the date of joining (based on the membership data provided by each fund's administering authority), and rolled forward to 31 March 2008 allowing for the different financial assumptions required under FRS 17 for this year. In calculating the service cost, an allowance has been made for changes in the SCDEA's pensionable payroll as estimated from contribution information. It is assumed that liabilities in respect of employee members' existing service in the LGPS transferred over to SCDEA with effect from 1 April 2007 and that assets were notionally transferred to SCDEA to fully fund these liabilities on ongoing valuation assumptions at 1 April 2007. In calculating the asset share of 31 March 2008 the assets notionally allocated at date of joining have been rolled forward, allowing for the return on each fund (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from the funds by the SCDEA and its employees.

In preparing the balance sheet as at 31 March 2008 and the Income and Expenditure Account to 31 March 2008, no allowance was made for the removal of the "Rule of 85" for new entrants to the LGPS from 1 December 2006 as insufficient information is available to allow for any such adjustment. The effect is likely to be immaterial in actuarial terms.

17. FRS17 PENSION COSTS – FINANCIAL ASSUMPTIONS

The financial assumptions utilised by the actuary to calculate liabilities under FRS 17 were:

Assumptions as at	31 March 2008		1 April 2007	
	Nominal % pa	Real % pa	Nominal % pa	Real % pa
Price increases	3.6%	-	3.2%	-
Salary increases	5.1%	1.5%	4.7%	1.5%
Pension increases	3.6%	-	3.2%	-
Discount rate	6.9%	3.2%	5.4%	2.1%

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2008.

FRS 17 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 FRS 17 valuation date.

18. FRS17 PENSION COSTS – 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 period (i.e. as at date of joining).

FRS 17 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, SCDEA's actuaries, as at 31 March 2008, along with comparative figures as at date of joining, are set out below:

Assets	31 March 2008		1 April 2007	
	Long Term Returns	Assets £000	Long Term Returns	Assets £000
Equities	7.7%	2,749	7.8%	2,623
Bonds	5.7%	509	4.9%	423
Property	5.7%	335	5.8%	331
Cash	4.8%	131	4.9%	136
Total	7.1%	3,724	7.2%	3,513

19. FRS17 PENSION COSTS – BALANCE SHEET DISCLOSURES AS AT 31 MARCH 2008

In accordance with FRS17 SCDEA is required to account for the net pension asset of £75,000 for the financial year ended 31 March 2008 as valued by Hymans Robertson LLP. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute and the Faculty of Actuaries.

Net pension asset as at	31 March 2008	1 April 2007
	£000	£000
Estimated assets (A)	3,724	3,513
Present value of scheme liabilities	3,649	4,266
Present value of unfunded liabilities	-	-
Total value of liabilities (B)	3,649	4,266
Net pension asset (A-B)	75	(753)

The present value of scheme liabilities comprises of approximately £3,649,000, £0 and £0 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2008.

The present value of unfunded liabilities comprises of £0 and £0 in respect of LGPS unfunded and teacher's pensions respectively as at 31 March 2008.

20. FRS17 PENSION COSTS – INCOME AND EXPENDITURE ACCOUNT COSTS FOR THE YEAR TO 31 MARCH 2008

Amount charged to operating profit	Year to	
	£000	% of pay
Service cost	334	18.6%
Past Service Cost	-	-
Curtailed and settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge (A)	334	18.6%

Amount credited to income	Year to	
	£000	% of pay
Expected return on employer assets	263	14.7%
Interest on Pension Scheme Liabilities	(241)	(13.5%)
Net Return (B)	22	1.2%
Net Revenue Account Cost (A) – (B)	312	17.4%

Amount recognised in statement of recognised gains and losses (SRGL)	Year to	
	£000	% of pay
Actual return less expected return on pension scheme assets	(400)	
Experience gains and losses arising on the scheme liabilities	-	
Changes in assumptions in underlying the present value of the scheme liabilities	1,302	
Actuarial gain/(loss) in pension plan	902	
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	
Actuarial gain/(loss) recognised in SRGL	902	

Movements in surplus/deficit the year	Year to	
	£000	% of pay
Surplus/(deficit) at beginning of year	(753)	
Current Service Cost	(334)	
Employers contributions	238	
Contributions in respect of unfunded benefits	-	
Other income	-	
Other outgo (e.g. expenses, etc)	-	
Past service costs	-	
Impact of settlements and curtailments	-	
Net return on assets	22	
Actuarial gains/losses	902	
Surplus/deficit at end of year	75	

Experience gains and losses	Year to	
	£000	% of pay
Difference between the expected and actual return on assets	(400)	
Value of assets	3,724	
Percentage of assets	(10.7%)	
Experience gains/losses on liabilities	-	
Total present value of liabilities	3,649	
Percentage of the total present value of liabilities	-	
Actuarial gains/losses recognised in STRGL	902	
Total present value of liabilities	3,649	
Percentage of the total present value of liabilities	24.7%	

21. RELATED PARTY TRANSACTIONS

SCDEA is 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.

22. 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 9.



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.

A handwritten signature in black ink, appearing to be "QA".

Signed by the authority of the Scottish Ministers

Dated 28 March 2008

NOTES

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SERVICES
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