

The 2018/19 audit of the Scottish Police Authority



AUDITOR GENERAL 

Prepared for the Public Audit & Post-Legislative Scrutiny Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
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Introduction

1. This is the sixth report I have made to the Scottish Parliament, under section 22 of the Public Finance and Accountability (Scotland) Act 2000, on the Scottish Police Authority and the Police Service of Scotland (Police Scotland) since their establishment on 1 April 2013. The Scottish Police Authority's accounts for 2018/19 incorporate all £1.2 billion spent by it and Police Scotland.
2. This report draws the Parliament's attention to:
 - The appointed auditor's opinion on the Scottish Police Authority's 2018/19 annual report and accounts.
 - The Scottish Police Authority's revenue outturn for 2018/19.
 - An update on developments in financial reporting.
 - Financial sustainability challenges facing the Scottish Police Authority.
 - An update on recent leadership and governance changes.
 - Progress in developing performance management arrangements.

The auditor's opinion on the Scottish Police Authority's 2018/19 annual report and accounts

3. The auditor gave unqualified opinions on the Scottish Police Authority's annual report and accounts for 2018/19. The improvements in the quality of accounting that I highlighted last year have been maintained and the annual report and accounts have been signed off earlier than in previous years. I also note that the financial statements were of a good standard and there was strong engagement with the audit team.

The Scottish Police Authority's revenue outturn for 2018/19

4. The main financial objective for the Scottish Police Authority is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. For 2018/19 the Scottish Police Authority reported a total resource outturn (revenue and capital) of £1,169.2 million, against a budget of £1,133.6 million, resulting in an overspend of £35.6 million ([Exhibit 1, page 5](#)). This is consistent with the budget approved by the board in March 2018. The Scottish Government is aware of the overspend position and has accommodated it from elsewhere in the Scottish budget.

Exhibit 1
Performance against budget 2018/19 (£ millions)

Performance	Initial budget £m	Final budget £m	Outturn £m	Over (under) spend £m
Revenue DEL	1,039.780	1,080.056	1,115.511	35.455
Revenue Reform Funding	25.000	25.000	25.011	0.011
Total Revenue Outturn	1,064.780	1,105.056	1,140.522	35.466
Capital DEL	23.000	23.940	24.039	0.099
Capital Reform Funding	4.600	4.600	4.600	0.000
Total Capital Outturn	27.600	28.540	28.639	0.099
Total Resource	1,092.380	1,133.596	1,169.161	35.565

Source: Scottish Police Authority

Financial reporting

2018/19 reporting

5. The approved revenue budget for 2018/19 forecast an operating deficit of £35.6 million after accounting for identified savings of £10 million. The year end position is consistent with the forecast. During the year the Scottish Government made additional cash of up to £50 million available to the Scottish Police Authority. £35.9 million of this was used in year to meet its expenditure needs and support the overspend position above. The Scottish Police Authority has highlighted in its 2018/19 annual report and accounts that it will continue to need additional financial support from the Scottish Government for the years whilst it remains in a deficit position, until 2021/22.
6. The Scottish Police Authority used its total reform budget of £29.6 million for 2018/19. The majority of this was spent on professional services and in support of transformation projects and departmental reorganisations. The Scottish Government approved the use of £5.2 million reform funding to meet some of the costs of the programme to harmonise staff terms and conditions.
7. The Scottish Police Authority still needs to improve the profiling of capital expenditure, which was also included in my Section 22 report last year. Important capital projects are planned in upcoming years. Effective financial and project management of these capital developments will be essential to enable the Scottish Police Authority to implement its planned transformation on time and to budget.
8. I welcome the conclusion of the appointed auditor that the Scottish Police Authority continues to have effective budgetary processes that support the scrutiny of its finances.

Financial sustainability

Medium to long term financial planning

9. In May 2018, the board approved the Scottish Police Authority's three-year financial plan to 2020/21 and the ten-year financial strategy to 2027/28. These outlined the plan to achieve financial balance in 2020/21, but noted that the Scottish Police Authority would return to an annual deficit position without significant transformation and delivery of efficiencies. The Scottish Government was supporting this plan by providing funding to cover the deficits to 2020/21. A key factor in achieving this balance was creating additional capacity to support the reduction of police officer numbers by 750 by the end of 2020/21. Due to preparations for the impact of EU withdrawal, the Chief Constable postponed the planned reduction in police officer numbers, and the number of police officers remains the same as at the start of 2018/19. A balanced budget will now not be achieved in 2020/21 as planned.
10. The Scottish Police Authority has identified several options regarding medium-term financial planning, and these will form the basis of discussions with the Scottish Government about long-term financial sustainability. Two scenarios were presented to the board in September 2019: receive current anticipated levels of funding and adjust the size and mix of the workforce, as the current size of workforce is not sustainable within the current budget; or receive additional funding whilst maintaining current workforce numbers. There are no immediate plans to reduce the workforce in 2019/20 and the financial plans will be driven by the settlements in the Scottish draft budget. New three and ten-year financial plans are due to be presented to the board in Spring 2020 and these are expected to outline revised plans to achieve financial balance by 2021/22.

Delivering Policing 2026

11. As I reported in my Section 22 report in 2017/18, the delivery of Policing 2026 requires strong financial planning underpinned and informed by other interdependent corporate strategies for workforce, estates and ICT. The Estates Strategy was approved by the Scottish Police Authority in May 2019.

Workforce

12. Payroll costs account for more than 85 per cent of expenditure and Policing 2026 includes a focus on the restructuring of corporate services, with a review of the demand and skill mix of the workforce to be conducted by 2020 to inform future planning. In May 2019 the board approved the Framework for Strategic Workforce Planning 2019-26, which sets out a direction to support the preparation of workforce plans.
13. There remains an urgent need to prepare detailed workforce plans, including robust scenario planning, to support the transformation required to deliver Policing 2026. Until these are in place, it will be challenging to accurately determine long term financial sustainability.

Digital, Data and ICT Strategy

14. In 2018 Police Scotland produced a Digital, Data and ICT (DDICT) Strategy that set out how information technology would be used to support Policing 2026. The Strategic Business Case was approved by the board in September 2018 and recognised the need for significant investment, estimated at £298 million over the next nine years. Funding for the strategy has not been agreed with the Scottish Government and was not included in the Scottish Government Draft Budget for 2019/20.
15. The transformation change funding available for all capital projects was £12.4 million in 2018/19 and is budgeted as £25.2 million for 2019/20. This is significantly lower than the outline business case for DDICT which estimated a funding requirement for 2019/20 of £89 million. This has required projects to be assessed and prioritised based on a range of criteria. Projects which were postponed included the digital evidence platform and the national cybercrime infrastructure. The delay in implementation has delayed the delivery of the expected financial benefits and additional capacity.
16. Some key projects have been started, for example, £11 million of capital investment is funding 10,000 smartphone devices to increase the mobility of officers. A further £6 million has been invested in core operating solutions which will deliver software applications to improve how Police Scotland manages information. Limited funding is not the only factor contributing to the delays, as the timescales associated with procurement and the governance of business cases have also had an impact on project plans.

Leadership and governance

Leadership changes

17. The Scottish Police Authority's governance arrangements have been subject to many reviews since its creation in 2013. These include a review by the previous chair published in March 2016, a review by Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) during 2017 and the work commissioned by the Cabinet Secretary for Justice which was carried out by Malcolm Burr and Nicola Marchant and reported in March 2018. An HMICS inspection on the efficiency and effectiveness of the Scottish Police Authority was published in September 2019.
18. The structure of the organisation consists of the Scottish Police Authority board and committees, the Scottish Police Authority corporate function, Forensic Services and Police Scotland. 2018/19 has been a period of significant change with recruitment to key roles across all aspects of the organisation, including the appointment of:
 - seven new board members
 - a new chief executive who was appointed in October 2018 and became Accountable Officer in November 2018
 - a new Chief Constable, three new Deputy Chief Constables and several new Assistant Chief Constables.

Scottish Police Authority corporate function

19. At the start of 2018/19 many of the key posts within the Scottish Police Authority corporate function were filled by temporary staff seconded from other public sector bodies to provide some stability during a period of recruitment and restructuring. In May 2018 the board approved the Scottish Police Authority Improvement Plan 2018/19 which identified the four priority areas of:
 - improving services to the board and committees
 - improving internal governance, policies and procedures
 - strengthening external relationships and procedures
 - building the capacity and capability of the Scottish Police Authority corporate function.
20. Implementing the improvement plan was the initial focus of the new chief executive appointed in October 2018. Despite this, the chair reported to the board in June 2019 that there had been no progress in building the capacity and capability of the Scottish Police Authority corporate function. Following an extended period of absence by the chief executive, interim arrangements were put in place to cover both the chief executive and Accountable Officer duties in line with the Scottish Public Finance Manual. In September 2019, the chief executive resigned, and the Scottish Police Authority agreed to pay his contractual notice period of three months.
21. The lack of stability in the chief executive role over the last two years has limited progress in developing the Scottish Police Authority corporate function. The Scottish Police Authority announced on 24 September 2019 that an interim chief executive will take up post, and that this role will include Accountable Officer responsibilities. This role is expected to be extended until November 2020. There is now an urgent need to articulate clearly how it will be developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012.
22. The chair wrote to the Cabinet Secretary for Justice on 4 December 2019, tendering her resignation from the Scottish Police Authority. The current vice chair will assume chairing responsibilities of the Scottish Police Authority until a new chair is appointed.
23. The former chair committed significant time to the role. Since taking up post, in December 2017, the former chair's input increased from 12 days per month to 20 days per month during 2018/19, with associated remuneration of £125,000. The Scottish Government agreed this level of input.
24. The former chair's increased input reflects the significant recruitment noted above, along with work undertaken to develop the board and a lack of stability in the chief executive role, but the former chair and some other board members operated in a more executive capacity than I would expect. This reflects their view of the role of the Scottish Police Authority and the current capacity of the corporate function. The level of input should decrease over the next year as the corporate function develops.

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25. The new chair should engage with the Scottish Government on the time required to fulfil the role, based on a common understanding of how the Scottish Police Authority should operate in accordance with the legislation.

Future strategic priorities for policing

26. The Scottish Government published Protecting Scotland's Future: the Government's Programme for Scotland 2019/20, in September 2019. This re-confirmed the commitment to protect the police revenue budget for the lifetime of the Parliament (to 2021). It also identified that consultation will take place on the future strategic priorities which Ministers set for Police Scotland and the Scottish Police Authority. This will include consideration of the sustainability of policing in Scotland.

Openness and transparency

27. The auditor concluded that the Scottish Police Authority operates in an open and transparent manner. Board meetings and most committee meetings are held in public and board meetings are streamed live, with papers available on the Scottish Police Authority's website.

Performance management

28. In my [2017/18 section 22 report](#), I highlighted the need for improvements in the performance management systems to enable the Scottish Police Authority to measure progress in implementing Policing 2026. In March 2019, the board approved a revised Police Scotland Performance Framework for 2019/20. The framework is outcome focused and includes a range of impact measures designed to support performance monitoring. A review of performance reporting has also been completed and a new style of report was introduced in August 2019. The audit team will review these during 2019/20.
29. The Scottish Police Authority has a process in place for assessing the performance of Police Scotland using Police Scotland generated information, but should also consider a broader evidence base, including benchmarking against other forces as appropriate. However, without a corporate plan and supporting framework it has no way to assess its own performance in holding Police Scotland to account.

Conclusion

30. There have been improvements in key areas, and some of the concerns highlighted in previous audit reports have been addressed. There is now a need to build on this progress. There are still considerable challenges ahead for the Scottish Police Authority. Financial balance will no longer be achieved as planned by 2020/21, and the Scottish Police Authority will need to secure support from the Scottish Government for this extended timescale. This should inform revised medium and long-term financial plans detailing the new arrangements for achieving financial balance, particularly the workforce strategy and detailed workforce plans, including robust scenario planning, to support the transformation required to deliver Policing 2026.

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31. I remain concerned about the capacity and capability of the Scottish Police Authority corporate function, which must be developed to allow the organisation to fulfil its responsibilities. Clearly defining the roles and responsibilities of the Scottish Police Authority and of the corporate function should be a priority for the new chair and the interim chief executive. There is now an urgent need to formally agree a common understanding of how the Scottish Police Authority will be developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012.

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