

The 2017/18 audit of the Scottish Police Authority



AUDITOR GENERAL 

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Introduction

1. This is the seventh report I have made to the Scottish Parliament 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 2017/18 incorporate all £1.2 billion spent by it and Police Scotland. The interim chief officer of the Scottish Police Authority is the accountable officer for this expenditure, with the vast majority being incurred by Police Scotland. A new permanent chief executive officer of the Scottish Police Authority took up post on 1 October 2018 and became the accountable officer on 5 November 2018.
2. This report draws the Parliament's attention to:
 - The auditor's opinion on the Scottish Police Authority's 2017/18 annual report and accounts.
 - The Scottish Police Authority's final revenue outturn for 2017/18.
 - An update on developments in financial reporting.
 - Progress in delivering Policing 2026.
 - The increased use of consultancy and external professional support in the delivery of key projects where the organisations lack the necessary skills and capacity.
 - An update on recent governance and leadership changes.
 - Current weaknesses in performance management arrangements.
 - Update on British Transport Police integration.

The auditor's opinion on the Scottish Police Authority's 2017/18 annual report and accounts

3. The auditor has given unqualified opinions on the Scottish Police Authority's annual report and accounts for 2017/18. The improvements in the quality of accounting that I highlighted in my 2016/17 report have been maintained.

The Scottish Police Authority's revenue outturn for 2017/18

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 2017/18, the Scottish Police Authority reported a total resource outturn (revenue and capital) of £1,126.7 million, against a budget of £1,092.4 million, resulting in an overspend of £34.3 million (*Exhibit 1*). The Scottish Government is aware of the overspend position and has accommodated it across the Scottish administration.

Exhibit 1

Performance against budget 2017/18 (£ millions)

Performance	Initial budget £m	Final budget £m	Actual outturn £m	Overspend/ (underspend) £m
Revenue DEL	1,022,380	1,022,732	1,060,683	37,951
Revenue Reform Funding	47,000	40,148	36,049	(4,099)
Total Revenue Outturn	1,069,380	1,062,880	1,096,732	33,852
Capital DEL	20,000	20,000	21,543	1,543
Capital Reform Funding	12,500	9,480	8,423	(1,057)
Total Capital Outturn	32,500	29,480	29,966	0,486
Total Resource	1,101,880	1,092,360	1,126,698	34,338

Source: Scottish Police Authority

Financial reporting

2017/18 reporting

5. The approved revenue budget for 2017/18 forecast an operating deficit of £47.2 million. The year end revenue overspend of £37.9 million represents an underspend of £9.3 million against original budget. However, this does not represent a reduction in the underlying financial deficit position as much of this underspend was due to non-recurring savings.
6. The reduction in available reform funding during the year of £9.9 million represents a missed opportunity to progress the transformational change programme as this funding will not be available in future years.
7. I welcome the conclusion from the audit team that the Scottish Police Authority now has effective budget monitoring in place and note that further improvements have been introduced in 2018/19 for capital and reform to improve the spend profile and enable budgets to be fully utilised.

Policing 2026

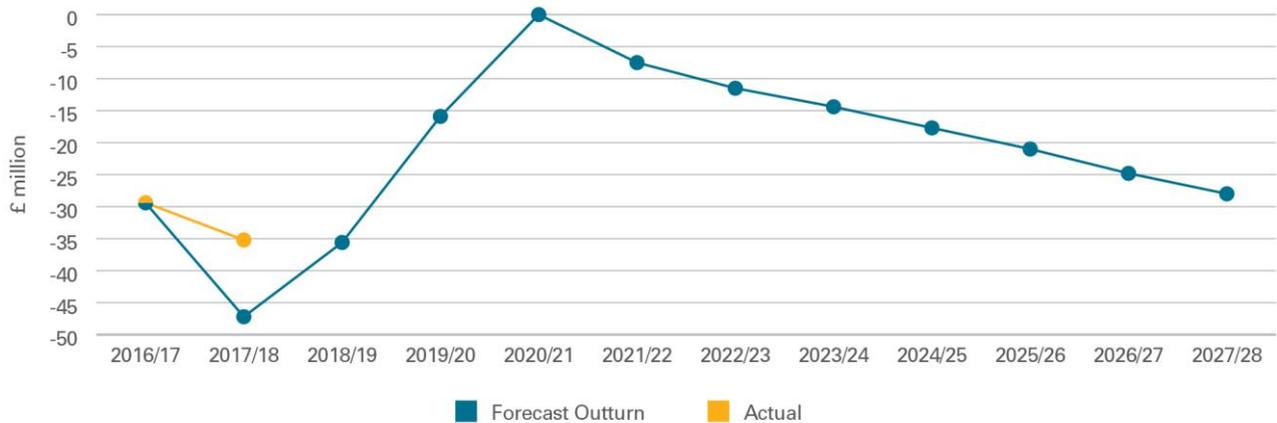
Medium to long-term financial planning

8. Last year I noted that the development of three-year and ten-year financial strategies for the Scottish Police Authority was an important first step and these have now been further developed and approved.

9. The Scottish Police Authority's Three-Year Financial Plan focuses on achieving financial balance by 2020/21. The plan is dependent on the achievement of efficiency savings by streamlining processes, reducing bureaucracy and introducing new technology.
10. The Ten-Year Financial Strategy sets out the financial parameters that need to be considered when making operational and strategic decisions. It assumes two per cent annual increases in Scottish Government funding and the continued availability of reform funding and forecasts the Scottish Police Authority will move back into an annual deficit position after 2020/21 without significant transformation and delivery of efficiencies ([Exhibit 2](#)).

Exhibit 2

Reporting of projected outturn positions



Source: Scottish Police Authority long term financial strategy

Delivering Policing 2026

11. The delivery of Policing 2026 requires the development of strong financial planning that must be underpinned and informed by other interdependent corporate strategies for workforce, estates and ICT. There has been insufficient progress in developing workforce and estates strategies and this will constrain the Scottish Police Authority's ability to achieve long-term financial sustainability.
12. In my 2016/17 section 22 report, I highlighted the critical need for an ICT strategy capable of delivering the vision described in Policing 2026. The Digital, Data and ICT Strategy and Strategic Outline Business Case, approved by the Scottish Police Authority, represents a key part of the transformation of policing in Scotland and the delivery of Policing 2026. However, a lack of clarity about how the £298 million required to implement the strategy will be funded, means that there is a risk to both the timing of its implementation and the future financial sustainability of the Scottish Police Authority.

Consultancy and external support

13. Achieving the objectives of Policing 2026 depends on a number of key strategic projects. The Scottish Police Authority and Police Scotland have determined that for some projects they do not have the capability or capacity to deliver these. Operating expenditure for 2017/18 included £4.3 million on consultancy fees, more than double the amount spent in 2016/17 (£1.9 million). Expenditure on agency staff was £4 million, a significant increase from the £1.5 million spent in 2016/17. This increased level of expenditure on external professional support indicates the process of reform and transformation that the organisation continues to undergo.
14. Given the long-term, strategic nature of the support, its impact and value for money cannot be evaluated at this time. It is essential that the Scottish Police Authority and Police Scotland have arrangements in place to monitor the spend against these contracts and ensure that the planned benefits and knowledge transfer, detailed in the original business cases, and desired contribution to the organisation's strategic objectives are achieved. This will enable the spend to reduce in future years.

Governance and leadership changes

15. Governance arrangements were strengthened during 2017/18. A number of key changes have now been made including introducing the practice that board and committee meetings, agendas and papers are publicly available. To improve the capacity and effectiveness of the board and its committees, seven new members have been appointed. This has provided the Scottish Police Authority the opportunity to review and strengthen its current committee structure and membership. There are new leadership teams in both the Scottish Police Authority and Police Scotland and they must build upon their early work to support the implementation of Policing 2026 and the wider delivery of policing in Scotland.
16. The 2016/17 annual audit report commented on the governance and value for money of the redundancy process for the post of the Scottish Police Authority's chief executive. The audit team in 2017/18 considered the payments and concluded they were correctly processed and accounted for. The business case pointed to the significant reduction in line management responsibilities, due to the removal of forensic services, as a key driver for making the post redundant. The Scottish Government assessed these reduced responsibilities and set a lower salary range for the interim chief officer role. In August 2018, the board announced the appointment of a new chief executive with a salary consistent with the previous chief executive role. The Scottish Government agreed this salary.
17. In February 2018, the former Chief Constable resigned after an extended leave of absence. On departure he received £28,227 for untaken annual leave and a further £54,137 payment in lieu of notice. Following receipt of legal advice to support this decision, the Scottish Police Authority applied proper governance procedures in making these payments, which are accurately disclosed in the remuneration and staff report in the annual report and accounts.

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18. The fees paid to members have increased from £0.174 million in 2016/17 to £0.244 million in 2017/18. This reflects the additional time that board members have spent on oversight of the significant change and transformation projects under way, and the time spent carrying out tasks which should be the responsibility of executive directors during a period when the Scottish Police Authority's executive capacity was limited. By strengthening the board and committee structure and increasing the executive capacity at the Scottish Police Authority, the board now has greater capacity to focus on strategic issues and external engagement.

Performance management

19. Policing in Scotland is going through a period of considerable change as it moves towards implementing its Policing 2026 vision. Given the extent of change required, it is vital that there are improvements to the performance management arrangements currently in place. Without a robust system of performance management, the Scottish Police Authority will be constrained in its ability to hold Police Scotland to account effectively. A new performance management framework is being developed which will link performance measures and key performance indicators (KPIs) to operational plans. Performance measures will encompass operational performance, corporate performance and the management of change.
20. Effectively monitoring and reporting performance against these measures and KPIs is crucial for the Scottish Police Authority to track progress and identify areas of underperformance that need to be addressed.

British Transport Police integration

21. In April 2017, the Scottish Government announced proposals to integrate the British Transport Police in Scotland into Police Scotland. In February 2018, following advice from the Joint Programme Board that was set up to oversee delivery, Scottish ministers agreed that the original proposed 'go live' date for integration of 1 April 2019 could not be met safely. During 2017/18, the Scottish Police Authority spent £0.3 million of reform funding on consultancy support for this area alongside a significant amount of staff time. Further expenditure has also been incurred in 2018/19 as part of the re-planning exercise, but no revised timescale for implementation has yet been identified. On 18 September 2018, the Cabinet Secretary for Justice advised the Scottish Parliament's Justice Committee that all options to deliver devolution are being revisited. Given the range of transformational challenges facing the Scottish Police Authority and Police Scotland there is a risk that the ongoing uncertainty continues to absorb resources at the expense of wider strategic objectives.

Conclusion

22. There have been improvements in key areas with many of the concerns highlighted in previous audit reports now being addressed. Continued progress has been made, and significant changes to the leadership teams should bring stability.

23. There are still considerable challenges ahead. Delivery of the organisation's strategic objectives as outlined in Policing 2026, and the ability to achieve financial balance in the long term depends on the successful delivery of a wide range of complex transformation projects. This requires the development of strong financial planning that must be underpinned and informed by other corporate strategies for workforce, estates and ICT. The lack of progress in developing these strategies will constrain the Scottish Police Authority's ability to achieve long-term financial sustainability. Much of the transformation required will be delivered by the Data, Digital and ICT Strategy which has now been approved by the board. However, the scale, cost and complexity of implementing this strategy should not be underestimated and a funding package to meet the estimated budget of £298 million over the next five years has not yet been agreed.

The 2017/18 audit of the Scottish Police Authority

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