



Annual Report and Accounts

For the year ended
31 March 2021

The Scottish Legal Aid Board

www.slab.org.uk

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FOREWORD FROM CHAIR AND CHIEF EXECUTIVE

Chair's Welcome

We continue to live in unprecedented times as we come to terms with the pandemic and navigating our way into economic recovery and stability. During the last twelve months SLAB has not only reacted to the impact of this public health crisis on its staff, operations and those it delivers services to but critically to look at the future in order to design and plan the safest way forward.

I would like to extend my thanks to all of SLAB's staff. In my work as Chair this year, I have seen a huge and successful effort made to ensure that the services that SLAB provides have continued during the pandemic. This has involved many staff putting themselves in the frontline of service delivery during a time of heightened health protection measures. This effort from staff has also been made at a time when many have had to deal with their own worries and challenges brought on by the virus itself but also school closures and transitioning from an office to home working environment.

I would like to express my gratitude to my fellow Board members who have continued to provide effective oversight of the organisation's work during a time of disruption and change. Measures were put in place quickly following the first lockdown to ensure that the business of the Board and its Committees was able to continue during the lockdown and beyond. Board Members have adapted to this positively and patiently.

Although we have experienced some disruption to the start of our new corporate plan we have still made good progress, and this is set out in the Performance Report below. We look forward to working closely with the Scottish Government again in 2021-22, particularly around further legal aid reforms. Some of our work on these reforms will be developing policies at our own hand, some will support the Scottish Government to develop policies that are their responsibility.

The next year will see ongoing efforts to assist the profession to successfully operate within the current system and to build a shared collective understanding of it and opportunities for improvement. We will actively and positively manage our relationships with the Law Society of Scotland, the Faculty of Advocates and Bar Associations to ensure that we know what their concerns are, identify whether there is anything within our powers we can do to address those concerns and do all that we can to improve communication and mutual understanding.

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This year saw a successful recruitment exercise for two new Board Members, ensuring that we continue to have a broad coverage of relevant skills and experience on the Board. I welcome Brigid Whoriskey and Gerry Bann to the Board from April 2021 and look forward to working with them during an important time for SLAB.

My thanks also go to Rani Dhir, our outgoing Board Member for her eight years of work on the Board.

Ray Macfarlane
Chair

Chief Executive's introduction

There is no doubt that most of us will consider 2020-21 a year to forget. The impact of Covid-19 has been felt right across the world. Here in Scotland, it has impacted hugely on individuals, businesses and public services alike.

The justice system has been hit hard by the impact of Covid with aspects of court and tribunal business all but halted for several months and then gradually restarted on a restricted basis in line with public health restrictions. This has resulted in significant impacts not only on the people at the heart of the justice system, but also the organisations that keep the cogs of the system moving, and the legal professionals that deliver vital services through the legal aid schemes.

But in a year that has been bleak in many ways there have been several positive examples of first-class service in the delivery of legal aid. Most importantly, the legal profession, including SLAB's own solicitors, have continued to deliver frontline services throughout periods of heightened public health restrictions, ensuring that the justice system has continued to operate and those in need have received the help the legal aid system is there to support.

Here at SLAB we have been committed to ensuring that we can continue to manage access to the legal aid system and pay for legally aided services carried out by solicitors and advocates. This has been a huge logistical challenge for us, particularly in the weeks following the first lockdown in March 2020. Although on the face of it most of our staff have been fortunate in that the move to remote working has been the main impact on their employment, this has not been easy. We have had to change several processes to ensure we can carry out our full range of functions away from the office. Staff have also had to adapt to a very different working environment which has often been complicated by the impacts of the pandemic, not least two rounds of school closures. We have received a number of messages from solicitors who have thanked our staff for the help and support they have been given.

We have also been committed to working with the Scottish Government and the legal profession in developing measures to support the legal profession with their cashflow as new business levels fell and it became harder to progress cases to conclusion. This report gives more details on that work.

We look forward to working with the Scottish Government and the legal profession on further legal aid reforms next year, including the next phase of work flowing from the Legal Aid Payment Advisory Panel's report and the legal aid review. We fully support the advisory panel's conclusions, including that fair and transparent remuneration for the services that solicitors provide is essential and that a clearer

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evidence base is needed to inform the development of the payment system and a process of regular ongoing review. Our job is to administer the current payment system which involves making millions of micro decisions each year on whether a fee can be paid under the regulations, and if so, what level of fee is payable under the relevant taxation standard. It is a detailed, resource intensive, and often frustrating process - for both us and the profession - and we look forward to working on a solution in collaboration with others.

Whilst the Scottish Government develops its next steps on the legal aid review, we will continue to identify changes in our own decision-making policies or processes that could improve the operation of the current legal aid system they are planning. In particular, wherever the regulations give us space to do so we aim to identify opportunities for policy or process changes that increase transparency in the operation of the legal aid schemes and simplify and, in some cases, potentially broaden access to them.

For the first time we have integrated into this report details of the range of work we have done to mainstream equality into what we do both as an employer and in the administration of the legal aid system. Our regulatory reporting requirements on our equality work are an important aspect of our corporate governance and our annual reports will now be a key way in which we report on progress going forward. We are committed to continually developing and evidencing the impact of our policies, processes and practices on our customers and our workforce so that we can improve the design of our services and harness the potential of all employees and Board members. We are in the early stages of working towards a revised set of equality outcomes which, as this report shows, are central to us also delivering our corporate priorities.

Colin Lancaster
Chief Executive and Accountable Officer

LEGAL AID IN 2020-21

The importance of legal aid

Legally aided services perform an important public function, at both individual case and collective levels. At an individual level, services paid for by legal aid enable people to enforce or protect their rights, resolve disputes, defend themselves when the state and others take action against them. It also allows people to use the remedies, processes and facilities the law provides to manage their personal affairs and relationships. At the collective level, the ability to use the law to challenge the power wielded by the state or others in a position of authority supports the rule of law and provides a firm foundation for a society based on civil, political, social and human rights.

SLAB's primary purpose

Our primary purpose is to manage access to legal aid funding by applying the rules set by the Scottish Parliament for assessing eligibility for legal aid and checking accounts submitted for payment by solicitors and advocates.

How legal aid works

The Scottish Legal Aid Board (SLAB) is the national funding body for most solicitor and advocate delivered publicly funded legal services.

SLAB is a Non-Departmental Public Body (NDPB) of the Scottish Government and was established in 1987. The Scottish Government is responsible for the overall direction of legal aid policy which finds expression in rules and regulations which form an extensive and complex body of legal aid legislation. This is the foundation of the various legal aid schemes established in our primary legislation, the Legal Aid (Scotland) Act 1986.

Legal aid in Scotland is primarily designed around case-by-case funding for services provided by solicitors and others instructed by them, such as advocates and experts.

Most services paid for through the Legal Aid Fund are delivered through the private sector. The third sector and our own in-house legal services also deliver case-by-case services but on a much smaller scale. Finally, a small amount of funding provides direct grants for projects to deliver targeted legal and advice services. The Legal Aid Fund also finances the quality assurance schemes we manage.

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Legal aid funding pays for solicitors, advocates and other necessary services to help people resolve problems by negotiation or in a court or tribunal.

Funding for legal aid cases is demand led. This means that decisions on eligibility and payment are made irrespective of any budgetary provision and the Scottish Government must make funding available if required to pay for services covered by the legal aid schemes. In this pandemic year, this has meant that a reduction in court activity and throughput has reduced demand on the Fund. These are not savings that SLAB makes or holds. All funding is managed by Scottish Government and the budget is held by them and redistributed according to spending decisions made by Ministers.

THE BASIS OF GOING CONCERN

Scottish Legal Aid Board

In line with the *Government Financial Reporting Manual*, issued annually by HM Treasury, these annual accounts are required to reflect International Accounting Standard 19 “*Employee benefits*”. This requires entities to recognise, in their accounts, the costs, assets and liabilities of pension schemes.

As explained in note 39, pensions and other benefits are payable out of grant-in-aid and are met as they fall due. However, the accounts have been prepared in line with International Accounting Standard 19 “*Employee benefits*” and include an actuarial valuation of the pension scheme liability. As a result, the statement of financial position on page 105 shows net liabilities of £123.6m (2019-20: £112m). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the organisation’s other sources of income, will be met by future funding from the Scottish Government. This is because, under the normal conventions applying to Scottish Government control over income and expenditure, such grant-in-aid may not be paid in advance of need. Funding for 2021-22, taking into account the amounts required to meet SLAB’s liabilities falling during that year, has already been included in the Scottish Government’s estimates for that year, which have been approved by the Scottish Parliament, and for future years there is no reason to believe that the Scottish Government’s full sponsorship and parliamentary approval will not be forthcoming.

The Scottish Government has given SLAB a written assurance that there are no plans to change the existing arrangements, where they fund SLAB’s administrative costs, including the provision for net pension costs, through grant-in-aid. Further, they state that there are no plans to wind up the organisation, and that if this was ever to become a possibility, then the liabilities falling due under the pension scheme would be a matter which the Scottish Government would require to recognise through the legislation that was considered by Parliament.

Scottish Legal Aid Fund

SLAB estimates the value of unbilled live cases each year to arrive at the amounts disclosed within the accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the end of the reporting period following the requirements of International Accounting Standard 37 “Provisions, contingent liabilities and contingent assets”. In estimating the provision, SLAB has adopted prudent measurement techniques based on the latest data available. No income is anticipated for cases that may successfully recover costs.

As a result of this and the inclusion of pension liabilities, the Scottish Legal Aid Fund statement of financial position on page 84 shows net liabilities of £75.4m (2019-20 £58.5m). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the organisation’s other sources of income, will be met by future funding from the Scottish Government. This is because, under the normal conventions applying to Scottish Government control over income and expenditure, such grants may not be paid in advance of need. Funding for 2021-22, taking into account the amounts required to meet SLAB’s liabilities falling during that year, has already been included in the Scottish Government’s estimates for that year, which have been approved by the Scottish Parliament. The Scottish Government has given SLAB a written assurance that they will continue to provide funding for future sums due to any solicitor or counsel out of the Legal Aid Fund, in accordance with arrangements set out in the Legal Aid (Scotland) Act 1986, which creates a statutory obligation for payment. The Scottish Government has also given SLAB a written assurance on funding future pension costs as detailed above.

Conclusion

Accordingly, it is considered appropriate to adopt a going concern basis for both the Scottish Legal Aid Fund and the Scottish Legal Aid Board in the preparation of these financial statements.

HOW WE USE THE LEGAL AID FUND

Scottish Government funding is paid to SLAB to fund legal services and our own administrative costs. The Government makes a budgetary provision for legal aid. It is an uncapped provision; the amount spent on legal aid is demand led. SLAB does not hold this budget to distribute; the Government releases this funding to us as demand requires.

We refer to the Legal Aid Fund to represent payment for legal and advice services and some supporting expenditure such as the accreditation scheme for advice agencies and peer review of solicitor legal services. If not all of the budgetary provision is required to make payments as required from the Fund (as happened this year), the remaining provision sits with Scottish Government to distribute as Ministers direct.

Most of the expenditure from the Legal Aid Fund relates to what is known as judicare funding, that is funding provided on a case-by-case basis for services provided to individual applicants for legal aid. The nature of judicare funding is that it is unplanned and non-targeted. In any one year we pay for services delivered in that year and over previous years. Most expenditure is for cases which concluded in the year payment is made. Some cases can start and conclude in the same year, whilst others will span one or more financial years.

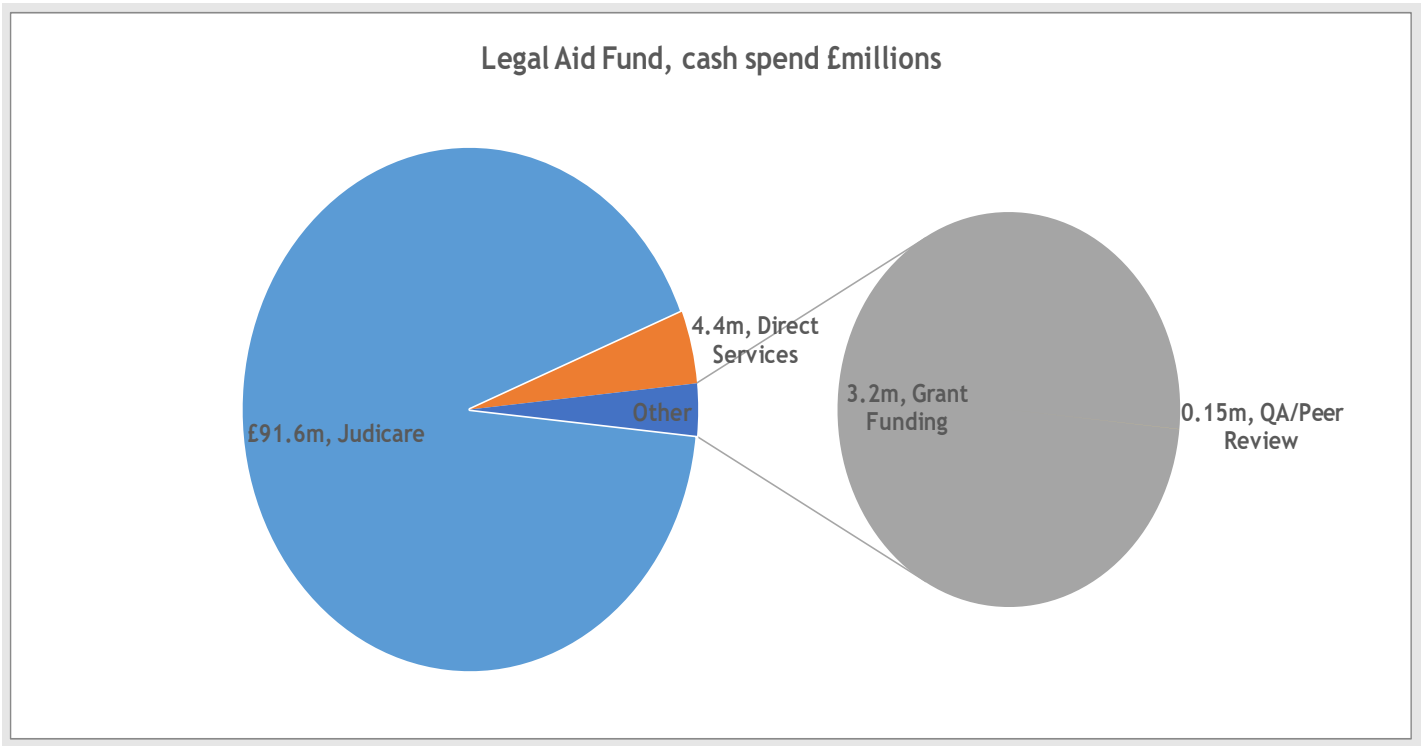
Legal aid funding is distributed via payment schemes (civil, criminal or children's legal assistance) which are not readily directed towards specific needs. It pays for legal services provided by solicitors and advocates to people who are eligible, for cases that are eligible for funding. We apply tests contained in our statutory framework to determine a person's or case eligibility.

Funding for legal services covers a mix of advice and representation. The funding can also pay for other costs incurred by legal professionals in delivering that advice and representation, such as experts' reports and mediation if required.

The Legal Aid Fund also pays for the running costs of our Direct Services which comprise the Public Defence Solicitors' Office, the Solicitor Contact Line and the Civil Legal Assistance Office. Our Direct Services provide legal services to the public, using the same eligibility tests that apply to all other applicants. The Fund directly covers the costs of staff and associated running costs, instead of case-by-case funding.

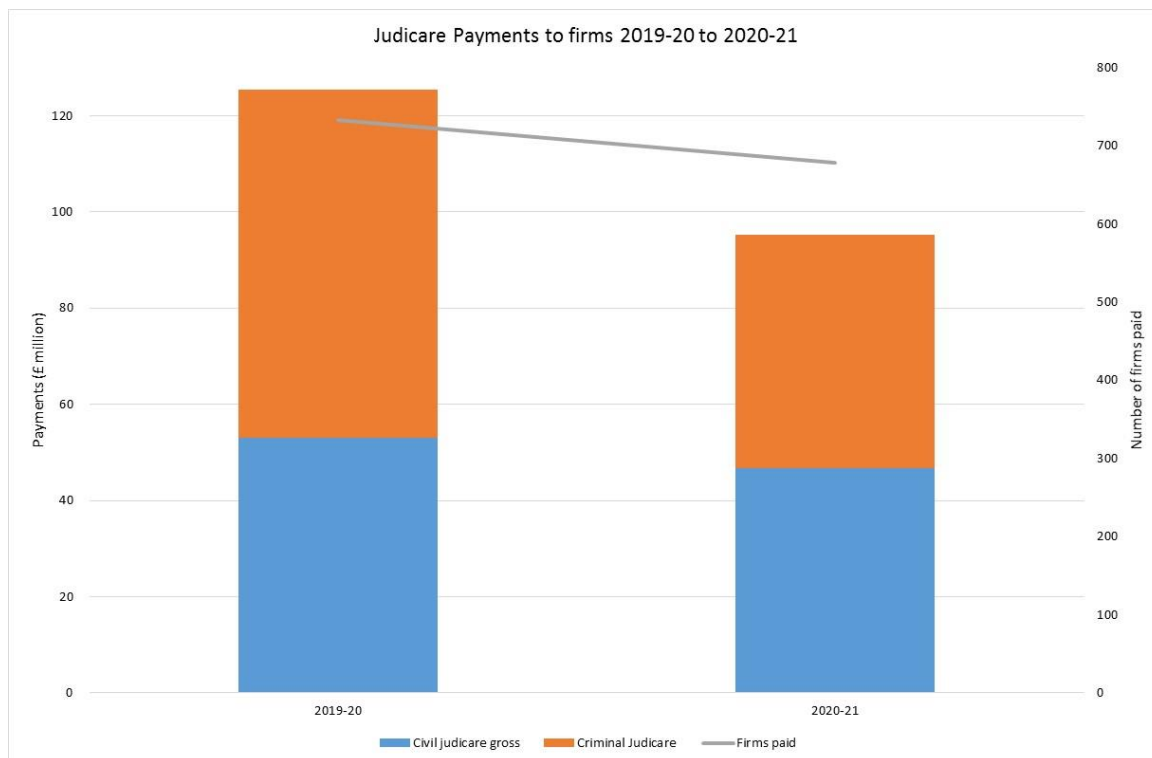
Managing the Legal Aid Fund

The cash table at page 34 details cash spend for legal aid, as this is the basis on which funding is received from the Scottish Government. The charts here relate to that cash spend.



THE PERFORMANCE REPORT

In 2020-21, 679 solicitor firms received a legal aid payment for providing services to the public, a 7% decrease from the 733 firms receiving a payment in 2019-20.



The impact of the Covid-19 pandemic and health restrictions in place on business and the courts is clear from a comparison with last year. Both the value of the sums paid and the number of firms paid reduced over the year. Gross payments reduced by 24% and the number of firms paid reduced by 7%. The biggest impact was in Criminal Legal Assistance, with a reduction of £24m gross payments, down 31% on the year. Civil Legal Assistance fell by £6m gross (11%).

This was due to a combination of reduced new case volumes and delays in progressing cases, meaning that we received fewer and lower value accounts than originally anticipated.

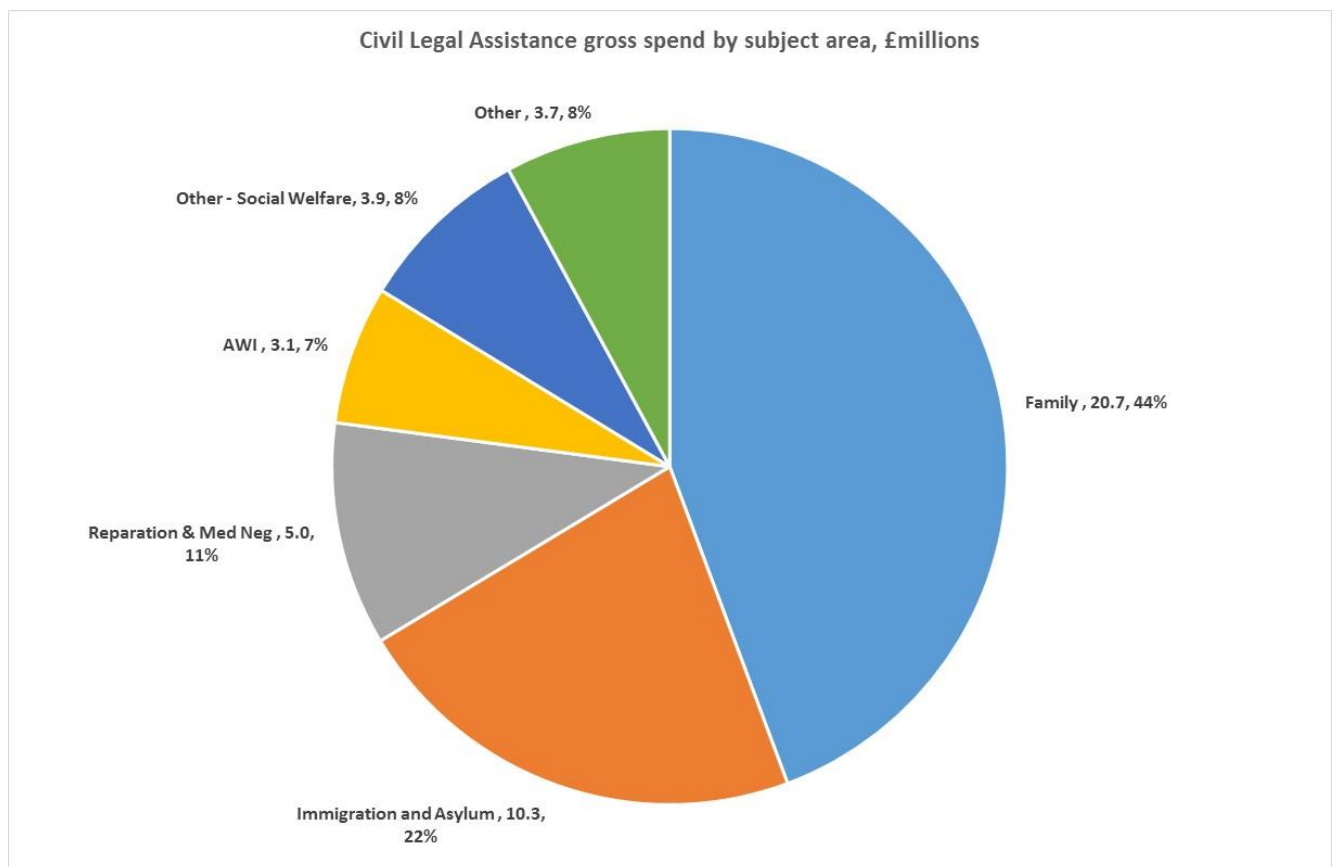
Most legal aid work has traditionally been billed at the conclusion of a case. Various schemes for the interim payment of fees and reimbursement of outlays (costs incurred by solicitors in delivering their service, such as expert reports) have been in place for many years, and while these are fairly well used by counsel and by solicitors in civil cases, they have not been widely used by solicitors in criminal legal aid. At the outset of the pandemic, the availability of interim payments was extended significantly.

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We saw peak usage of interim payments in summary criminal cases during April, May and June 2020 and a smaller peak during the second lockdown in early 2021. Most firms undertaking summary work made at least some use of the interim schemes to assist with cashflow. For solemn work, almost half of active firms made at least some use of the interim payment scheme, but not to the same extent as the summary scheme. We also saw an increase in the use of interim fees in civil cases.

The net effect of this, combined with the delays in progressing cases, is that a substantial amount of the work we had expected to pay for in 2020/21 was either not undertaken during that period (but has been deferred into a later period), or was undertaken but not billed or paid for. Both of these effects are expected to result in an increase in payments in the coming year as work is undertaken, cases conclude and accounts are submitted and paid. In other words, much of the 2020/21 reduction in payments is actually a timing issue: payments have already increased in the early part of 2021/22 and will continue to do so as ongoing workloads return to pre-covid levels and backlogs begin to be cleared.

Judicare: Civil Legal Assistance



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Civil legal assistance continues to be dominated by family disputes, both in payments and in new cases started.

Reparation and medical negligence payments increased slightly this year. These cases tend to be of longer duration and so payments in this year are less likely to be impacted by changes in advice sought in these areas this year.

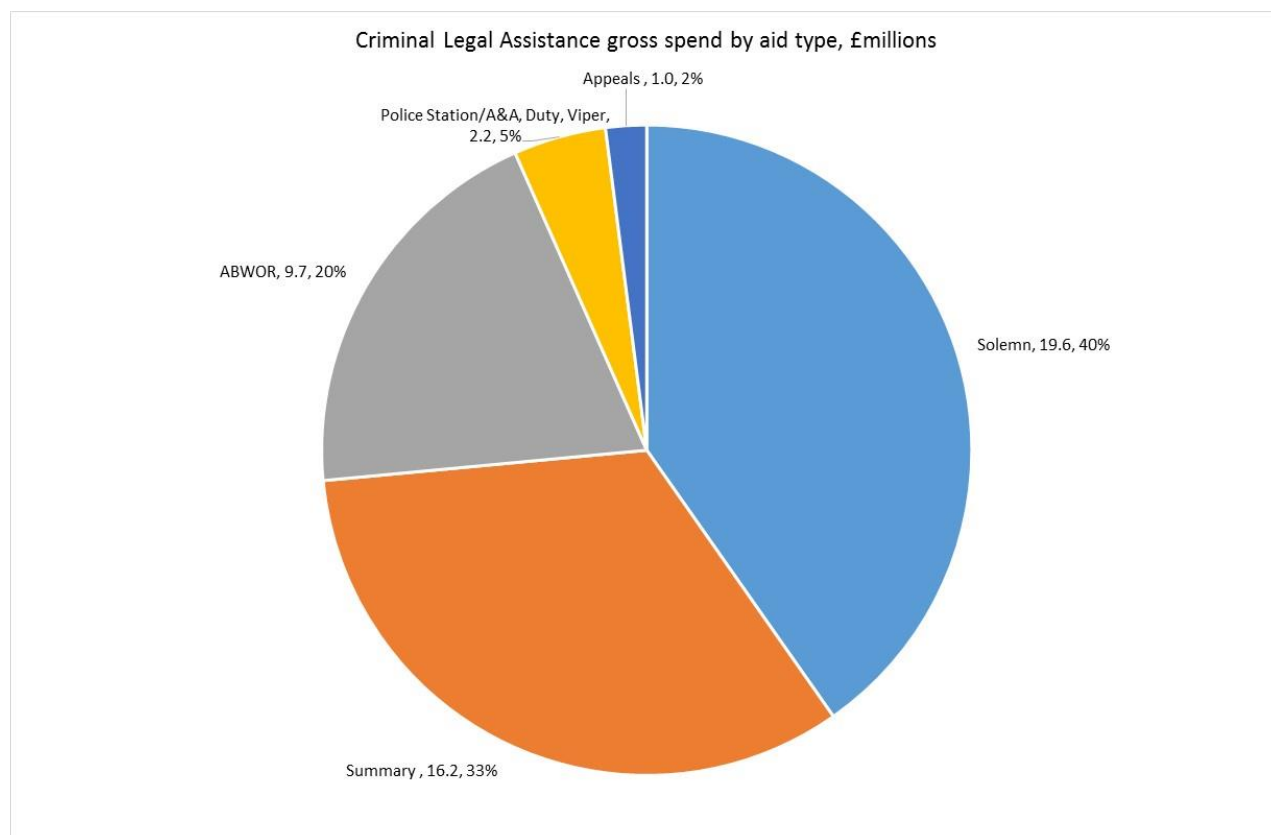
Many housing cases (part of the Social Welfare category) have been delayed due to policy decisions taken by Government to prevent homelessness during the pandemic, and so payments in this area of law fell. Similarly, AWI cases (guardianship applications for Adults with Incapacity) were not needed in the same volume as the Government postponed some requirements around renewals.

Spend on immigration and asylum cases was 22% of civil judicare spend - expenditure in this area is influenced by case numbers which are in turn impacted by general geo-political trends and immigration patterns.

The cost of delivery of judicare for social welfare cases (mental health, housing, homelessness, debt, discrimination and others) is supplemented by our grant funding and Civil Legal Assistance Offices (CLAO) services which focus on similar broad social welfare law themes.

The number of firms receiving payment for civil legal assistance reduced to 510 from 552 the previous year (8%).

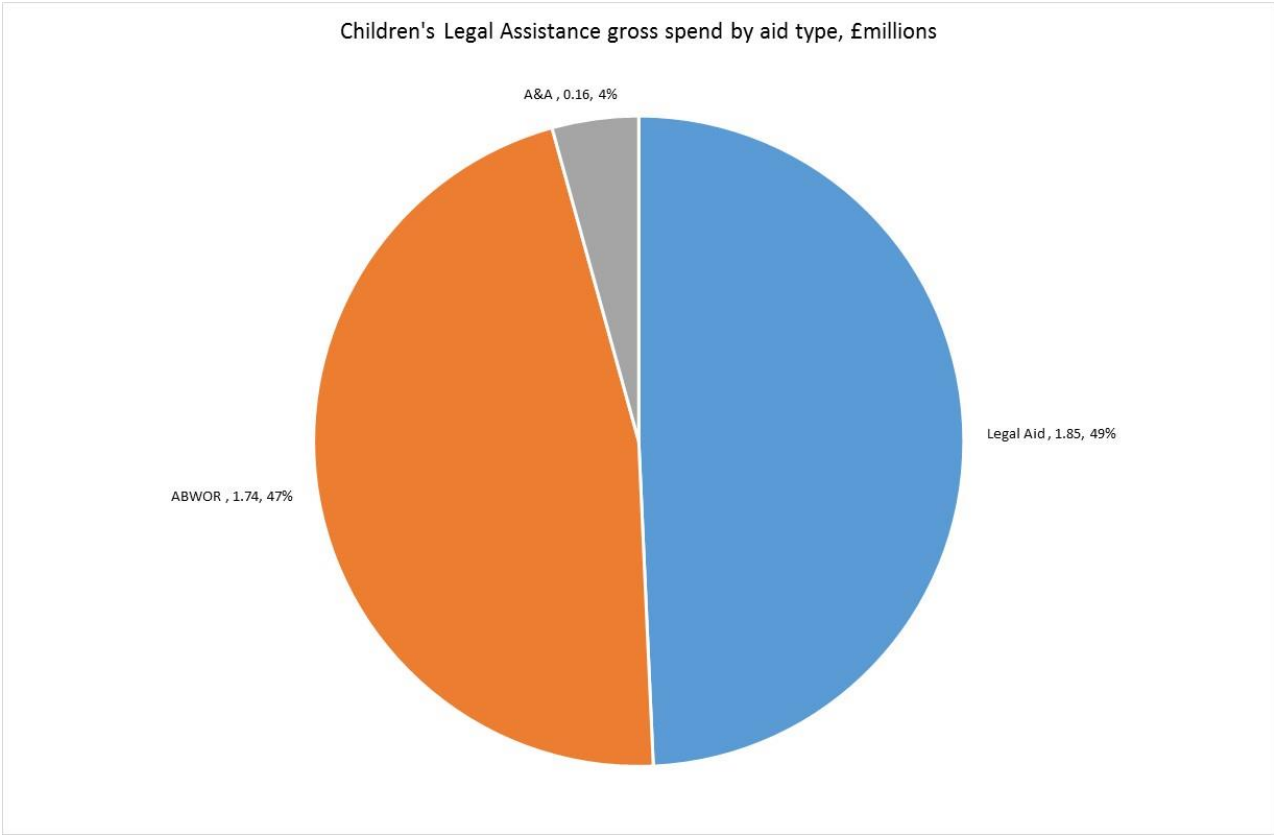
Judicare: Criminal Legal Assistance



The number of firms receiving payment for provision of criminal legal services, reduced from 438 to 402 (8%).

There was a reduction in payments in all aid types, but it was particularly significant in solemn work which fell from £33.1m to £19.6m - down 41%. Although the courts implemented recovery arrangements to keep the criminal justice system operating, there was an inevitable slow down in business concluding in court, particularly due to the challenges of running trials. The conclusion of a case in court is the normally trigger for the submission of the main account for payment.

Judicare: Children’s Legal Assistance

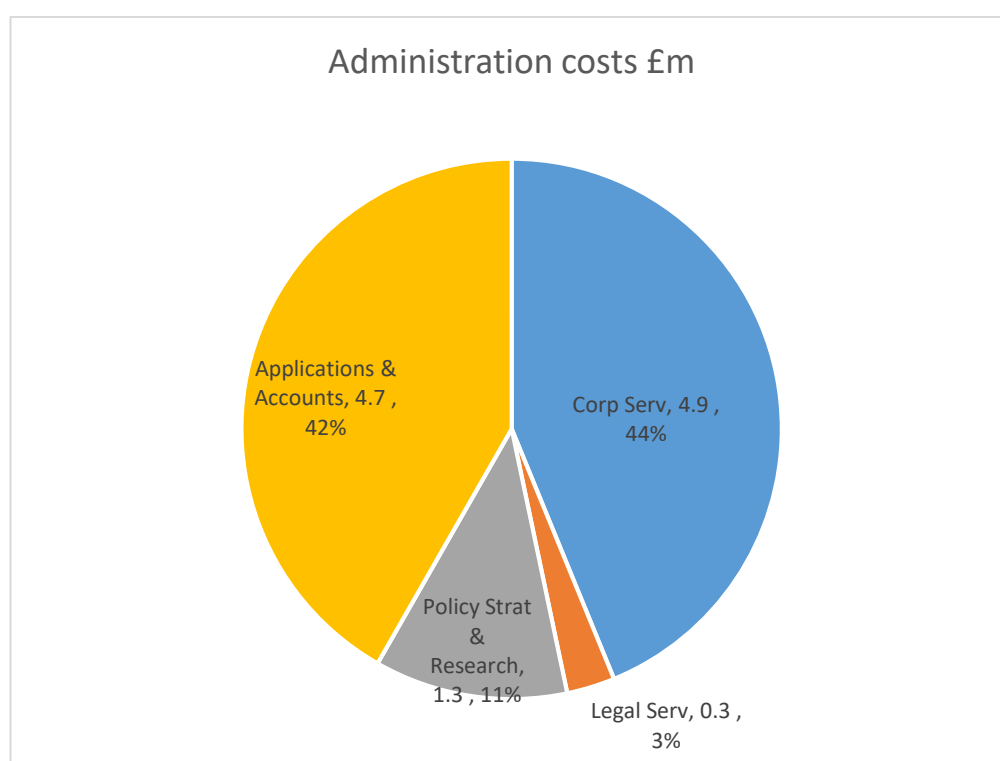


The number of firms receiving payment for provision of children’s legal services reduced from 264 to 245 (7%).

Administration of Legal Aid¹

Our administration budget is distributed across three main Directorates and a central team comprising the office of the Principal Legal Advisor which provides legal support and advice across the organisation. Our main cost centres are related to activity to consider applications and accounts we receive and supporting activity; and corporate services to support the organisation. This includes our own in-house technical team to support and develop our Legal Aid Online platform as the main interface with solicitors for application and account processing.

¹ Excludes pension costs see Table at page 35.



PERFORMANCE SUMMARY

Although the pandemic and its management and restrictions dominated the year we have made progress with our corporate plan and a range of planned activities.

As we report below, some fast-moving policy changes were made to keep the legal aid system operating.

We were also involved in extensive joint working with Scottish Government and the Law Society of Scotland. We developed a number of policy options to assist the professions with the impact of covid. These included proposals for advance payments of fees, payment of grants to assist firms to bring back furloughed staff, and payment of grants to allow for communal covid safe client meeting rooms (as the courts were unlikely to be able to accommodate client meetings in the same way as pre-covid).

While these particular options were not pursued further, Scottish Government did take forward proposals for business support grants. The power to make Business Support Grants - initially through the Coronavirus Resilience and Recovery Fund for Legal Aid (CRRF) in 2020-21 and subsequently the Legal Aid Business Support and Recovery Fund (LABS) in 2021-22 sits wholly outside SLAB's statutory functions or the scope of the Legal Aid Fund. Both CRRF and LABS were delivered through the Scottish Government's own powers and financed separately to the Legal Aid Fund.

Prior to the establishment of the CRRF, we worked closely with Scottish Government to develop a range of policy options. The option chosen by Ministers was designed to support those firms that had been impacted by a reduction in new business levels. We managed the data analysis and application process on behalf of Ministers following a request for analytical and operational support from Scottish Government Justice Directorate, applying the criteria determined by Ministers to the applications received from the profession. Payments to eligible firms were made by Scottish Government.

Following the closure of the CRRF and further discussions between Scottish Government and the profession, we again provided analytical and policy support as the Government launched LABS. Government took the application process for this fund in-house which helped us refocus resources as wider justice system activity started to recover and application and accounts volumes rose. We also provided advice on grant funding and policy support to Scottish Government in the development of a traineeship fund managed by the Law Society of Scotland.

The Corporate Plan

2020 saw the launch of our new 2020-2023 [Corporate Plan](#) and our new, refocused strategic objectives. Our Corporate Plan and [Equalities Outcomes](#) plan are aligned, meaning that several projects/workstreams contribute to the delivery of our strategic objectives and our equality outcomes. Over the course of our previous corporate plan, we focused on identifying and implementing changes which would improve our management of the legal aid system. We have reassessed our appetite for risk and articulated a clear set of guiding values. Flowing from this, we have redoubled our commitment to transparent decision making and started to build a clear framework to guide decision making on applications and accounts through our Guidance on the Administration of Legal Aid (GALA) project and consulting with the public, legal profession and our justice partners where we propose change.

In this period (2020-23), we are continuing our improvement work and progressing activity agreed with Scottish Government which furthers the broad aims of the Legal Aid Review.

Operational performance

The pandemic has disrupted the flow of applications and accounts on which we take decisions. Overall volumes have decreased, but activity in some case types has remained steady or indeed increased. This assisted us in meeting or exceeding our benchmarks for operational performance across all areas, despite the shift to homeworking and the inevitable interruptions to the working day from homeschooling and other caring responsibilities during lockdowns. Where temporary reductions in volumes resulted in any spare capacity, this was used to make good progress on improvement activity, including staff training, systems development and work on the GALA project. See page 32 on SOPOR.

Accounts

Overall volumes of accounts registered in 2020-21 (both including and excluding negotiations) were 20% lower than in 2019-20. Through the course of the year the month-on-month comparisons varied and we saw a fall in accounts registered in both lockdowns with a recovery in-between.

The reduction in June and July 2020 - delayed from the very start of the pandemic by the extensive early use of interim fees - at around 40%, was more pronounced than the second lockdown impact which was closer to 20%.

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Whilst the timing of the impacts varied slightly across aid types (in part due to differential use of interim fees, in part due to the differing timing of recovery arrangements elsewhere in the justice system), the same fluctuating pattern can be seen in all aid types. The size of impact also differs with, for example, summary fixed fees and duty at around 70% lower after the initial use of interim accounts waned than in the same months in 2019-20.

From a performance point of view our staff took well to working from home and these lower levels of accounts registered allowed them to significantly reduce our levels of accounts stocks in the first lockdown thereby improving our performance in many areas.

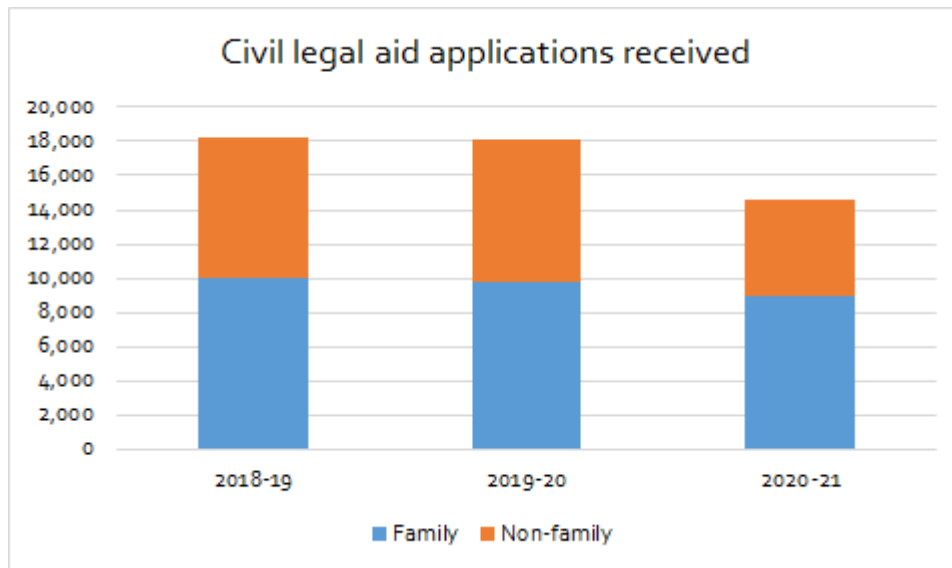
Applications

Volumes decreased in applications too. Some reductions in case volumes are related to policy decisions taken elsewhere, for example a restriction on evictions has had a clear impact on the number of people who needed advice and/or representation in the short term. Other reductions are connected to Scottish Government health protection restrictions patterns of demand and perhaps to some extent the impact of furlough on supply of services.

In civil advice & assistance (including advice & assistance for representation and ABWOR) the total number of grants decreased 23% to 44,700 from 58,100 the previous year. This was most noticeable in asylum and immigration cases, with a reduction of 10,000. By contrast, throughout 2020-21, mental health work continued at levels similar to the year before.

In civil legal aid (for court proceedings), 14,600 applications were received in the 12 months to March 2021. This is a 19% decrease on the previous 12 months. Applications recovered quickly in the summer of 2020, and March 2021 saw the highest monthly total received since August 2019.

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Within civil legal aid there was a marked difference between Family and Non-family cases. New family cases decreased by just 8% whereas non-family fell by 33%. The biggest drop on the previous year was in housing and recovery of possession applications (82% reduction in volume), and Adults with Incapacity cases fell by 21%. Scottish Government policy in both areas reduced demand - a restriction on evictions and a relaxation on the requirement for renewals of guardianship orders. The reduction in new business was most noted in Glasgow sheriff court area, where new civil court legal aid applications fell to 71% of the previous year. This drop was entirely in non-family actions.

In criminal legal assistance, the initial impact on new business was a reduction in the summary courts and both ABWOR (available for a guilty plea) and summary legal aid (available for a not guilty plea): ABWOR was down by 27% to 19,000 and summary grants fell by 17% to 33,900. By marked contrast, the number of grants of solemn criminal legal aid (for more serious cases) increased 13% to 12,500. An increase in solemn grants, which have a higher average cost per case, will counterbalance the expected reduction in summary payments in this and coming years.

The increase in new solemn business was apparent in all sheriff court areas, except for Edinburgh which maintained a steady level of activity.

Performance against our Strategic Objectives

Strategic Objective 1: Deliver a high quality user focused service

This objective is about building the delivery of our services around an understanding of what applicants for legal assistance need. We are developing specific policies and plans with our users in mind, including applicants, solicitors and advocates.

At the outset of the pandemic, we developed and implemented a four point plan to assist the profession deliver advice remotely by phone or video call to clients, and to reduce some of the requirements on solicitors. The plan drew heavily on discussions with solicitor representative groups and on submissions made to a special feedback email which we established to gather ideas and information about the problems solicitors were encountering as they worked to maintain a legal aid service to carry out essential work for people. This four-point plan resulted in us:

- Introducing a fillable fields Word version of the Civil Legal Aid financial form to support remote delivery of advice
- Revising our approach to the collection of debt, including a three-month payment break for those struggling to make payments
- Accepting applications without a client's signature, eased timescales for submission of applications and information requirements, and reduced the requirements of proof of clients' eligibility for A&A and ABWOR
- Suspending compliance audits and peer review quality assurance schemes for criminal and children's legal aid
- Allowing solicitors to obtain and submit financial verification in alternative ways

Working closely with colleagues in the Scottish Government policy changes were introduced to allow solicitors to release work-in-progress in new and existing cases to support their cash flow during the year by:

- introducing interim payments for summary criminal fixed payments (incl.ABWOR) and A&A/ABWOR
- extending interim payment provisions for solicitors and counsel in civil, children's and solemn criminal proceedings. 63% of active civil firms and 47% of active criminal firms used these interim payment schemes

Changes were also made to support measures to reduce the number of solicitors who needed to attend court by:

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- adjusting the position on appointed solicitor in criminal ABWOR to allow for delegation to another and also to be able to delegate to duty solicitor
- creation of a fee structure for written representations where they directly replace the need for any oral hearing.

The legal aid applications and accounts system is an online system, with a solicitor facing portal (the Legal Aid Online System) and an internal case management system. These systems help us manage the volumes of applications and accounts we receive and provides us with management information. Seemingly simple changes to the way legal aid applications or accounts are processed can require Information Systems development time to make the system work for solicitors. The changes which were made to support changes in the applications and accounts system to support the legal aid system during lockdown and beyond, relied heavily on IS development and diverted resources from some of our ongoing systems development work.

Despite this unplanned and urgent work, planned activity on business plan projects has delivered improvements to the service we provide or has put in place improvements which will lead to improved service to our users.

- Following on from research with members of the public (English language learners and adult literacy learners), we have reviewed our standard letters for civil legal applicants to make them easier to understand and simpler to administer; as at 9 August we had launched 43 of the 88 letters. A review of template letters for other legal aid types is now planned. This project will contribute to the delivery of equality outcome 1 ‘People with disabilities and people who speak languages other than English can access our services and funding of appropriate communication support with ease’ (workstream 4).
- We progressed the business case for a case management system for PDSO, CLAO and SCL services. We need a new case management system, and the data it can provide, to inform future design of services. It will allow us to collect and report on equalities impacts on our casework, which in turn can inform business plans for the direct services and more widely the design of SLAB systems and policies for judicare provision in the private sector. Procurement is complete and the new system and reporting metrics will be developed and implemented in 2021-22. This project will contribute to the delivery of our equality outcome 2 ‘SLAB gathers and uses equality data to inform our policies and improve our services’ (workstream 8).
- A key milestone has been reached in our customer communication needs policy. Our development of our policy statement is complete and the project

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has now entered the implementation phase. We have begun developing an overarching customer service policy and have started work to review good practice in other organisations and plan engagement with managers. These projects are also contributing to the delivery of equality outcome 1 (workstreams 2 and 3 respectively).

- A Legal Aid Online Users Group was established in 2019 with the express purpose of gathering direct feedback from the profession on the use of the Legal Aid Online system. About eight firms form the core of the user group but we actively reach out to those solicitors who contact the help desk to not only resolve the immediate issue but to also gather views on the functionality and ease of use of the system. During 2020 a substantial amount of work was done in resolving issues with the password and login process which allows individual solicitors to reset their passwords rather than rely on the firm's Legal Aid Online administrator to facilitate this. This upgrade greatly assisted the profession in their interaction with LAOL as remote working became the norm.
- In March 2021 we reviewed and revised our complaints policy in line with the Scottish Public Services Ombudsman's revised model complaints handling procedure. This came into effect in April 2021. Informed by analysis of current complaints data and internal engagement, we are currently developing our system to capture additional fields including equalities information. We are planning guidance for staff in how to identify equalities related complaints. This project will contribute to the delivery of our equality outcome 2 (workstream 7).
- We also implemented a process for staff to record feedback received from the profession about the legal aid system and our administration of it during routine and day-to-day interactions such as during telephone calls and training courses. The idea was to capture incidental feedback that might not otherwise be expressed through more formal surveys or other established routes like the complaints process. More work is required to embed this and other feedback mechanisms as the process was largely by-passed during Covid in favour of direct contact with the COVID inbox and tripartite discussions with Law Society of Scotland and Scottish Government.

Strategic Objective 2: Embed ways of working across the organisation that enhance the quality, consistency and transparency of our decisions and delivery

This objective is about improving the consistency and transparency of our decision making, meaning that it will be easier for people to anticipate and understand our decisions.

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We are making progress in providing people with a simple explanation of how we manage the legal aid system, increasing their ability to hold us to account. Two main areas of activity throughout the year has been in two large projects the Guidance on Administration of Legal Aid (GALA) project and Designing a New Working Environment (DANWE) project.

Guidance on Administration of Legal Aid (GALA)

We have reviewed a range of our policies and operational processes with the aim of making them simpler, appropriately impact assessed and with a closer alignment to our Board's approach to risk. We have delivered:

- A simplified Interests of Justice (IoJ) application process for summary criminal legal assistance and ABWOR was developed and went live on 22 March 2021. This was consulted on in October 2020 and removes a significant administrative burden for solicitors seeking legal aid for summary criminal cases in the sheriff court.
- Policy statements, solicitor guidance and decision makers' guidance on special urgency for criminal appeals, summary criminal legal aid and solemn criminal legal aid were developed and published.
- Development and launch of a new website where all current decision makers' guidance is hosted. This includes the new products on special urgency. The website is primarily for the use of SLAB staff but is also available to our customers and the profession, so that the guidance to staff on making decisions is transparent.
- Another 14 decision sets covering decisions we take in children's and civil, criminal legal aid and in accounts have been developed and will be launched in 21-22.

We have undertaken extensive policy development work to review our policies in two of our most complex decision sets: the application of the financial assessment tests across all aid types and the application of the taxation standard in accounts assessment. The latter of these is also supporting the delivery of equality outcome 1 (workstream 1). Consultation on these will be launched in 2021-22 and will invite stakeholder views on potential equality impacts and opportunities to advance equality of opportunity. Early stakeholder engagement in both has helped inform our policy development and consultation approach.

Designing a New Working Environment (DANWE)

Throughout 2020 and 2021 we worked to facilitate the move from office to home working, putting in place appropriate health and safety controls for those staff who needed to deliver services in courts and police stations.

We have also been preparing for the post-pandemic working environment through the Designing a New Working Environment (DANWE) project. The DANWE project is key to the delivery of our employee related equality outcome 3 'SLAB employees maintain good mental and physical health during the covid-19 pandemic and recovery phase' (workstream 10). We are currently undertaking a repeat of our normal staff survey which contains some key measures for this workstream and outcome. The more frequent DANWE short staff surveys have provided some key insights into how our people are coping with new working arrangements and preferences for the future. These will inform our ongoing covid-19 recovery planning. Staff engagement has already prompted a range of wellbeing initiatives, including specific support for managers to hold wellbeing discussions with their staff.

We have also commenced an extensive people policies review process. This will use a policy development review process for people policies that was developed and piloted during 2020-21.

Strategic Objective 3: Engage with users and delivery partners across the legal aid and justice system to inform good design of our system and services

This objective is about our engagement with the themes in the review of legal aid. What we are able to deliver will align with Scottish Government's policy direction for legal aid. Our key priorities under this objective are our work on reviewing our approach to financial assessment, making more explicit the rules for assessment of accounts, and working with others to develop advice for Scottish Government on fee and eligibility structures, which are both fair and easier to understand and operate.

A focus on users and good understanding of their needs is a key part of delivering this objective, but it is also about our engagement with other parts of the justice system on the legal aid implications of their policies, procedures and reforms, or the impact of legal aid changes on other parts of the system. We will engage with others where we have an interest and always with a view to protecting the interests of users of legal aid, including by pressing for consideration of user needs and appropriate impact assessment in any justice reform process.

Recover, Renew, Transform

SLAB has worked closely with justice sector partners in the Recover, Renew, Transform programme established by the Scottish Government. The strategy is aimed at creating a sustainable and resilient model for the operation of police custody, the courts, prisons and community justice in a post Covid-19 environment, within public health guidelines and which can manage both ongoing business and the significant backlog that has already built up.

Legal Aid Payment Advisory Panel

SLAB has participated fully in the Legal Aid Payment Advisory Panel, which was set up following the legal aid review as an expert panel to advise on an evidence-based approach to reviewing payment structures and levels for legal aid services.

In our role managing the legal aid system we have a joint interest with legal professionals that those payment arrangements help support a strong legal aid sector for the benefit of the public and simplify the payment process where possible.

The Panel's report has now been published and sets out the range of evidence and information it considered, the key issues raised, conclusions reached by the group and recommendations made in line with the remit and objectives. We fully support its conclusions and recommendations, including that fair remuneration levels and structures are essential to the continued effective operation of the legal aid system.

Further actions are suggested that could be taken to improve the current system of payment and how to build the evidence needed to develop an evidence guided process for fee setting and regular payment reviews in the future. We welcome this approach for Government, the professions and SLAB to work together to build a transparent system which can monitor how the market is operating, assess the health of the sector, and identify when, where and in what form investment may be required to support the delivery of advice to those who need it.

The full report is available on the Scottish Government's [website](#).

Grant Funding

A new Grant Funding programme was launched, funded by our partners in Scottish Government, Social Justice. SLAB is managing the Debt Advice Journey Programme on behalf of Scottish Government. The programme opened on 1 March 2021 and

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includes 20 projects which are designed to tackle identified problems in managing demand for advice. The programme tests ideas and new ways of working that if successful could become part of normal working arrangements for the funded agency. Projects have potential relevance for the wider advice sector, and also provide insight for Scottish Government to ways of working that could be incorporated into their longer-term commissioning.

The programme includes projects which seek to improve access to help for specific equality groups such as people from minority ethnic communities and improve access to debt advice for women. All projects include consideration of adjustments to help break down barriers across equality groups to improve access to debt help.

RISK

Risk management in SLAB

SLAB faces a range of risks and issues which reflect our role as a funder, managing statutory based schemes. We also face risks associated with our role as an employer and a public body, and the wide range of statutory obligations we have.

This section sets out the principal risks we managed in 2020-21 and up to the time of writing the report.

A new risk appetite and improvements to the risk management framework

We published a new Corporate Plan in December 2020 for the period 2020-23. This included a new set of strategic objectives. The Board set a new risk appetite policy to take us through this new corporate planning cycle.

The formal setting of a risk appetite in 2018 was the first time the Board had included risk appetite statements as part of its risk management approach. The statements were intended to help shift us to a more open approach to risk and to direct resources to reduce those risks we could not tolerate. This was with the aim of ensuring that we do not stifle innovation in the way that we manage the various parts of the legal aid system and our processes. We have made progress in this, supported by a more open approach to taking risk in order to achieve our desired objectives. For example, this open (but calibrated) approach to risk has given us space to design the GALA project and identify and pursue policy development opportunities presented by the Legal Aid Review.

Our Corporate Plan for 2020-23 anticipates change in the way we perform our functions and how we can contribute to and inform a reformed legal aid system. As a result the Board has set a medium to high risk appetite in such as areas as:

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- developing our skills and experience required to deliver a future legal aid system
- developing our targeted and direct services in order to maximise learning to inform the design of legal aid schemes and publicly funded legal assistance (PFLA) service delivery
- developing policies and processes in pursuit of modern, forward-looking and person-centred legal aid services
- Developing and proposing changes to the legal aid schemes that might increase legal aid fund expenditure in pursuit of the aims of the Legal Aid Review.

We also made improvements to the operational level assessment of risk and the completion of a refreshed risk register template by our risk managers, which better reflects the Board's risk appetite. This will help guide the appropriate treatment of risk including escalation of those risks that are outside the Board's risk appetite.

Impact of COVID-19 on the delivery of our functions, services and those in receipt of them

Most of the risks that we have been actively managing in the past 12 months have had Covid-19 as the risk cause.

Support for the legal profession and access to the system

Several changes were implemented shortly after lockdown to support the profession. These are detailed on pages 21 and 22 above. This has introduced a risk for us around the reporting of the impact of some changes. Due to the urgency of the situation, we brought in some changes with the use of quick system fixes and did not have the necessary time to develop reporting mechanisms. For example, further work is needed to develop a system report where either the interim claim(s) exceed the value of the account; or where an interim claim(s) has been made, but a final account has not been received. Absence of a system report does not preclude us from understanding the position on any one interim account - existing controls would prevent us from overpaying an account where the final account is lower than interim payments already made - but it does prevent us from reporting and understanding trends.

Understanding Scottish Government's future intentions and Parliament's position on the permanence or otherwise of the Covid-19 changes is an important determinant of the resource we will apply to this.

SLAB Remote working

From the point of the first lockdown in March 2020 we have had to manage the risk to the delivery of our services bought on by an immediate shift to remote working. Not least, this involved a huge logistical challenge to ensure that all of our staff had the necessary equipment to enable them to work from home. It is testament to the hard work of our facilities and IS teams, as well as the forbearance and resilience of our staff as a whole, that we managed to continue delivering our services to solicitors and the public with barely an interruption. As the pandemic continued, we introduced new systems - most notably MS Teams - to improve our internal and external communication and support the collaborative work that is perhaps most affected by the move to home working.

Safety and wellbeing of our staff

Putting measures in place to protect the health and safety of staff has been a key mitigation for a Covid-19 risk.

Our staff in CLAO, PDSO and SCL have continued working in and around courts, children's hearing centres, police stations etc. This has been managed as safely as possible via an individual and place based risk assessments.

Working from home full time has been a huge change for our staff. Many have had to deal with the general worry about the impacts of Covid-19 on themselves, friends or family, the challenges of home schooling and other caring responsibilities. This has come whilst managing work and having to work effectively within a busy home. Some have also found it challenging being isolated from colleagues, both in terms of the collaborative work that we do but also the lack of face-to-face contact with co-workers. To support staff we have introduced wellbeing discussions between our managers and their staff as well as making available a range of wellbeing materials through our intranet and in particular the *Wellbeing Wednesday initiative* (see page 74) supported by our HR team.

Planning a safe return to our offices has been managed through our 'Designing a New Working Environment' project. More detail on this can be found on page 25.

Impact on the justice system and resultant risk to SLAB

Covid-19 has had a huge impact on the number of cases being processed through the justice system, with courts all but closed for certain business during the early months of the lockdown and reduced activity to support health protection controls. This has contributed to a significant backlog of cases, particularly in criminal cases.

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We are partners in the Criminal Justice Board which is overseeing the development and implementation of the *Recover, Renew, Transform* programme of work.

Our engagement in that Board helps us manage the risk that change to the justice system might have unintended negative consequences on the legal aid system or divert our resources away from our main priorities. An additional element to this risk is that the uncertainty about how and to what extent business is going to recover from the Covid pandemic makes it challenging to forecast our future workloads and therefore legal aid fund expenditure.

Risk/Issue	Mitigation
Impact of COVID-19 on the delivery of our functions, services and those in receipt of them	<ul style="list-style-type: none">- DANWE project which is assessing the appropriate working environment for SLAB during the remainder of Covid-19 and beyond- Introduction of procedures (including risk assessments) to protect the health and wellbeing of staff- Changes to our administrative systems to reduce the impact of building closures- Temporary suspension of the collection of applicant contributions towards the cost of civil legal aid cases for those in financial difficulty- Implementation of measures through the Coronavirus (Scotland) Act 2020 and the Legal Aid and Advice and Assistance (Coronavirus) (Scotland) Regulations 2020- Membership of the Justice Board and Criminal Justice Board- Senior and operational level collaboration with justice sector partners on justice system reforms.

Financial pressures

We managed a significant risk to Legal Aid Fund expenditure involving a court decision from January 2020 that ruled that interest was payable on the late payment of solicitors' fees in legal aid cases. Considering the need to pay monies

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going back some years, this had the potential to significantly disrupt our operations and increase Legal Aid Fund expenditure. It would also have had significant wider implications on how we managed the future assessment of legal aid accounts and consequently our performance as reported through the SLAB Operational Performance Overview Report.

SLAB successfully appealed the case to the Sheriff Appeal Court which issued its judgement in June 2021.

Delivering our GALA project

Our GALA project is the most complex and ambitious business change project that we have undertaken. It is key to delivering benefits for solicitors and legal aid applicants, and will strengthen our corporate governance and improve our mainstreaming of the Public Sector Equality Duty.

We have transferred our previous wide ranging risks on the delivery of improvements to the risk to delivery of this project.

Our Legal Assistance Policy Committee remains a key governance arm to aspects of the policy development work and brings scrutiny and oversight to that aspect of the project.

The GALA project is currently on track, but we are alert to a risk that resources may need to be diverted onto other priorities, particularly as a result of changes in the external environment as the justice system starts to recover.

Risk/Issue	Action taken
Failure to deliver benefits from GALA project	<ul style="list-style-type: none">- Oversight from SLAB's Board and more detailed involvement from its LAPC.- Strong project management structure and processes for the project- Development of a programme of consultation on the project's work

Compliance with our statutory obligations

We have a range of statutory obligations to meet as a public body and employer. We must manage the risk that we fail to comply with these obligations. Any failure has the potential to impact on our reputation but also on those that we deliver our services to.

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Public sector equality duty

We are a listed public authority under the Equality Act 2010 (Specific Duties) (Scotland) regulations 2012 (and subsequent updates) which provides a framework to meet the public sector equality duty (PSED).

We engaged constructively with the Equality & Human Rights Commission (EHRC) during the year regarding further improvements that could be made to our assessment of the impacts of our policies and practices, and changes in our policies and practices, on those with protected characteristics and also in the mainstreaming of equalities issues into our daily functions. This resulted in SLAB entering into an agreement under Section 23 of the Equality Act 2006 in June 2021. This involves SLAB delivering a jointly agreed action plan over a period of two years. There will be no enforcement action from the EHRC.

Our GALA project has already embarked on a large-scale programme of review of our policies guiding how we apply the legal aid schemes and assessing the equalities impacts of those policies is a core element of this work.

Risk/Issue	Action taken
Finding of non-compliance with the PSED	<ul style="list-style-type: none">- Constructive engagement with the EHRC- Action plan agreed with the EHRC to improve practice

OPERATIONAL PERFORMANCE ANALYSIS

SLAB Operational Performance Overview Report (SOPOR)

To assess performance in applications we use the following key indicators:

- Time to take the first decision (First decision average duration)
- The percent of applications we can grant first time (First decision % granted)
- The level of rework that is required (% First decision with subsequent further work).

The equivalent indicators in accounts are:

- Time to pay an initial account (Average calendar days to bank)
- The percent of accounts we pay in full (% paid in full)

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- The level of negotiation that is required (Ratio of negotiations to initial assessments)

Our reporting on the indicators we use can be found in the SOPOR (SLAB Operational Performance Overview Report). The SOPOR for March 2021 presents the performance for the whole 12 months of 2020-21. The effect of the pandemic in reducing volumes across aid types must be acknowledged, particularly in criminal applications.

Civil applications performance has met or exceeded all the benchmarks set for the indicators throughout the whole year.

Criminal applications performance has been good with solemn meeting or exceeding the benchmark throughout the whole year and summary exceeding the benchmark from July onwards.

Children's has consistently met or exceeded benchmarks.

In civil accounts the benchmarks in average calendar days to bank and the percentage of accounts paid in full met or exceeded benchmarks. The level of negotiation was more mixed, but benchmarks were met and exceeded throughout most of the year and consistently so in the final five months.

Criminal accounts overall met or exceeded benchmarks although in the final two months of the year there was an increase in the duration of negotiations as firms were negotiating on older cases as a result of the impact of covid.

Children's accounts have consistently exceeded benchmarks. However, as with criminal accounts, negotiations increase in duration in some months due to firms negotiating on older cases. The ratio of negotiations to initial assessment benchmark was changed from 19.3% to 35% in April 2020. This benchmark was met or exceeded in all but one month.

In previous years the performance analysis has been supplemented by regular satisfaction surveys of the profession. These were not carried out in 2020/21 as it was felt that it would be an unnecessary burden on firms dealing with the impact of the pandemic. These resumed in mid 2021.

Operational performance overview reports for 2020-21 and the previous year are available on our website at <https://www.slab.org.uk/corporate-information/publications/performance-reports/>

Main Trends in Legal Aid Expenditure

On a cash basis, net expenditure on the Legal Aid Fund was £99.2m, compared to £130.9m in 2019-20:

	2020-21 Cash £000	2019-20 Cash £000
Civil legal assistance		
Civil legal aid	26,872	31,405
Civil A&A and ABWOR ¹	19,874	21,608
Civil Legal Assistance Office	1,163	1,414
Grant funding	3,156	2,723
Less operating income	(7,453)	(8,290)
Total net civil legal assistance cash expenditure	43,612	48,860
Criminal legal assistance		
Summary criminal legal aid	16,118	23,999
Solemn criminal legal aid	19,601	33,096
Criminal appeals	958	1,320
Criminal A&A and ABWOR	11,462	13,136
Duty scheme	435	795
Public Defence Solicitors' Office	2,328	2,282
Solicitor Contact Line	895	944
Glasgow Courts	40	60
Total criminal legal assistance cash expenditure	51,837	75,631
Children's legal assistance		
Children's legal aid	1,852	2,723
Children's A&A and ABWOR	1,906	2,601
Total children's legal assistance cash expenditure	3,758	5,324
Contempt of court	55	232
Miscellaneous	(75)	822
Total cash expenditure	99,187	130,869

¹ A&A (advice and assistance) ABWOR (advice by way of representation)

The table above details cash spend for legal aid, as this is the basis on which funding is received from the Scottish Government. However, the basis of preparation for the financial statements on pages 83 to 103 (the accruals basis) results in accounting adjustments, including the application of a work-in-progress provision, depreciation, accruals and prepayments. Some of these adjustments are estimates and details of our main assumptions are included at note 25 (Assumptions

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about the future and other major sources of uncertainty) on page 102. Once such adjustments are made, the statement of comprehensive net expenditure on page 83 shows a net cost of operations of £114.6m (2019-20: £139.4m).

Year on year Fund spend analysis

Legal aid expenditure fluctuates from year to year for a variety of reasons however, in 2020-21 the Covid-19 Pandemic is the reason for almost all variances to the previous year. Please see trends as noted on pages 10 to 15 for a detailed breakdown.

Grant Funding is increased in the year due to the Scottish Government making funds available for a new Grant Funding Stream which went live in the final quarter of 2020-21.

SLAB's administration of legal aid

SLAB's administration costs are funded through grant-in-aid from the Scottish Government. Unlike the Legal Aid Fund, the Administrative budget is capped. On a cash basis, net expenditure of the Scottish Legal Aid Board was £12.9m, compared to £12.4m in 2019-20, as shown in the statement of cash flows on page 106 on the lines "Net cash outflow from operating activities" and "Net cash outflow from investing activities". Cash spent on the organisation's administration costs was broken down as follows:

Cash Spend	2020-21 £000	2019-20 £000
Staff costs	10,856	10,632
Running costs	1,817	1,711
Capital	244	96
Total administration spend	12,917	12,439

Staff costs increased due to a large number of senior, long serving employees retiring causing pension spend to increase by £0.2m, and also the application of SG pay policy. This was partially offset by several vacancies accruing throughout the year (due to difficulties recruiting during the pandemic) and some restructuring of departments as senior employees retired. Running costs have increased due to the purchase of PPE and works carried out to ensure Thistle House complies with social distancing rules. We received permission from the Scottish Government to move

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some of our existing budget from operations to capital in order to facilitate the purchase of equipment and software for more efficient home working.

A significant amount of administrative expenditure is directed at ensuring that all legal aid expenditure is in accordance with prevailing statutory provisions, regulations, fee tables and taxation standards. This is achieved through assessment of solicitors' and advocates' accounts and determination of applications, only granting those that meet the statutory tests, and also measures to minimise fraud and abuse. We have made significant efforts to constrain administration costs whilst ensuring that fund expenditure continues to properly reflect both the intentions of Parliament and the nature and level of demand by eligible people for services that are within scope.

SLAB's administrative budget has been fairly static for over 10 years and cost pressures, including inflation and the application of SG pay policy, have had to be met through efficiency gains and reducing staff numbers where possible. During this period, workloads have increased and the Scottish Government have given SLAB additional responsibilities which have impacted our resource base so living within these budgets has been extremely challenging. Despite these pressures we have continued to deliver improvements to our operational performance and maintain appropriate controls over fund expenditure. Our ability to do so has been due to achievement of efficiencies centred on themes of digitisation and online services, improved procurement, asset/space management and the relocation of our main premises in 2015. Our efforts, whilst effective, are now nearing their limits and, in recognition of this, SLAB's administrative budget has been increased by £500k in 2021-22.

The financial statements are prepared on the accruals basis, which results in accounting adjustments to the cash spend. These adjustments comprise depreciation, disposal and purchase of assets, movements on accruals, prepayments and provisions. Once such adjustments are made, the statement of comprehensive net expenditure on page 104 shows net operating costs, including pension costs, of £17.3m (2019-20: £17.4m).

Administration outturn v Scottish Government budget

SLAB are required to manage our financial outturn against an agreed Scottish Government budget. The following table compares the outturn from the Scottish Legal Aid Board's accounts to the budget allocated to SLAB by the Scottish Government.

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SoCNE (page 104)	Outturn	Budget	Variance
	£000	£000	£000
Staff and administrative costs (net of income)	10,622	12,397	1,775
Depreciation and amortisation	446	550	104
Pension scheme service and finance costs	6,268	6,000	(268)
Net operating costs	17,336	18,947	1,611
Capital expenditure	244	250	6

The staff and administrative costs variance is mainly due to the Scottish Government's budget figure including £1.3m for cash payments we make in respect of the SLAB pension scheme (£1.8m benefits paid less £0.5m retained contributions). Under accounting rules, these payments aren't included in the net operating costs shown in the outturn figures above although they are included in the Statement of Cash Flows on page 106.

For depreciation, the outturn is broadly in line with our own internal forecasts and last year's outturn albeit at a lower amount than the Scottish Government's budget allocation. Pension scheme service and finance costs are calculated by our actuary and are only available after the end of the financial year. These costs are difficult to forecast accurately and an estimated charge was budgeted.

As mentioned previously Scottish Government funding for 2021-22 will contain an additional £500k. This will relieve budgetary pressures and ensure we can afford SG pay policy increases however we will continue to look at efficiencies to reduce pressures in future years.

CORPORATE GOVERNANCE

Anti-Corruption and Anti Bribery

SLAB is committed to conducting its business in an honest and ethical manner, in accordance with the Bribery Act 2010, SLAB operate governance by implementing and enforcing robust policies to guard against illegal behaviour. We act openly in relation to all of our dealings with colleagues and suppliers. As an organisation we will not tolerate any form of bribery or corruption and we expect individuals, firms and organisations we work with to uphold and adopt this approach. In the event of misconduct being identified, we will seek reimbursement/payment of funds and report the behaviour to the appropriate authority. There are further details about fraud, corruption and bribery in the Corporate Governance Report on page 60.

Social, community and human rights issues

Legal aid supports access to justice for those people who are unable to pay for it on their own. It can deliver life changing assistance to people in need, ensuring that human and social rights are protected and enforceable. Legal aid makes an important contribution to the Scottish Government's Purpose and aligns with its values, and in particular respect for the rule of law. Legal aid can also support a number of the National Outcomes, including: supporting respect, protection and fulfilment of human rights and freedom from discrimination; contributing to inclusive, empowered, resilient and safe communities; tackling poverty and reducing inequality. Our grant funding programmes also ensure that a range of help is available when people face difficulties with interrelated issues such as money, debt and housing.

In terms of our own workforce, we continually review policies and practices around areas such as equalities, dignity at work, working conditions and recruitment. We support the work of our employees' Charity Committee and employee volunteering. We also actively support trainees and work placements.

SLAB also ensures that all employees are paid the Scottish Living Wage, having gained Living Wage Accreditation in 2015/16.

Equality and Diversity

Mainstreaming is the process of thinking about equality in day-to-day decision making and applying it to our daily practices. The main ways that we achieve this are described below.

Leadership, governance and business planning

Commitment by leaders and senior management is a key factor in our mainstreaming approach. Our corporate equality work is governed through the following mechanisms:

Executive Team	Chaired by our Chief Executive this group reviews progress on work to achieve our equality outcomes and actions relating to equality impact assessments.
Board and Committee members	Receive an annual report on our equalities work. Board and committee papers provide decision makers with an update on equality as appropriate to the paper topic.
Business plan	During 2020-21 the development of a new business plan was delayed due to the covid-19 pandemic. Equalities considerations are a key factor in the delivery of our new business plan published in December 2020. Refreshed Executive Team reporting is being developed to incorporate oversight of progress against our equality priorities.
Equalities Project Group	Chaired by our Director of Strategic Development, this group manages our equality reporting requirements, monitors our corporate work on equality, and leads on policy specific projects including external equality projects (e.g. with other justice organisations).

Equality impact assessments

We are clear that good equality impact assessments are the key to effectively mainstreaming equality into our day to day business. Our Equality Impact Assessment (EqIA) process and guidance helps us to think about the impact of new and current policies or projects on equality groups. In addition to the six EqIAs we completed from April to October 2020, which we included in our last [Equality Outcomes Progress and Mainstreaming Report](#) (October 2020), we have published the following EqIAs:

- Solicitor Feedback Project
- Civil Financial Assessment online Form 2

We continually monitor the effectiveness of our EqIA toolkit and process. We now specifically include a quality assurance step undertaken by our Director of Strategic Development with support from our Equalities Project Group.

We have identified a need to build capacity on equality across our corporate services directorate as an initial priority (workstream 9 under equality outcome 3). This is detailed further in our [Equality Outcomes Plan 2021-23](#) and a key outcome

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will be an improvement in the quality of our EqlAs. We will be doing further work to improve our equality impact assessment process under the s23 Agreement and action plan in place with the Equality and Human Rights Commission (EHRC).

Procurement processes and award criteria

We continue to follow the Scottish Government's Procurement Journey. Our improved equality impact assessment toolkit also highlights and provides a place to record identified equality requirements that should be included in any tender process. [The Procurement Journey | Procurement Journey](#)

Advising the Scottish Government

We have previously raised items with Scottish Government as reported in previous equality reports. We continue to keep a watching brief on those items and have no new items for this report.

Stakeholder feedback

Stakeholder engagement forms a big part of our research activity. [Research](#) helps us to collect evidence where there are known inequalities or explore differences in experience, and can help SLAB increase the participation of equality groups. Our larger surveys include the proportionate and relevant collection of equality data. Surveys delayed due to the impact of Covid19 are now being developed and commissioned. These cover applicants for civil legal aid, applicants for criminal legal assistance, PDSO clients and both contacts and clients of CLAO.

We did complete a website accessibility survey which identified further changes to our website. We also completed a small qualitative piece of work with solicitor firms about their experience of using the [enhanced interim fees available](#). All three completed surveys mentioned above were complete in April 2021.

Payment of suppliers

SLAB's payment policy for suppliers in respect of its administrative expenditure is to agree payment terms when placing orders for goods and services. SLAB's standard payment terms are 30 calendar days and where other terms are agreed, these will usually be shorter. We aim to ensure that suppliers are aware of our terms and strive to comply with these subject to satisfactory performance by the supplier. SLAB is committed to meeting the Scottish Government's aspiration of paying small business administration service suppliers within 10 days. SLAB's performance for paying administrative invoices within 10 days was 94% in 2020-21 (2019-20: 94%). Performance for paying these invoices within 30 days was 97% in 2020-21 (2019-20: 99%).

Environmental impact and sustainability

The organisation established a new [Carbon Management Plan](#) which targets its asset use and planned reductions in 2016. A new baseline year of April 2015 to March 2016 was therefore set to measure the performance of our new building at Thistle House.

This CM Plan sets out our ambitions for SLAB and a roadmap for progress. Reducing carbon emissions is not just about our commitment to the environment. The same processes we use to identify carbon emissions reduction will also identify and realise financial savings through improved efficiency in the procurement and operation of our buildings and transport. The actions outlined within the plan form part of our efficiency plan to reduce consumption and provide value for money.

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The plan was produced in conjunction with the Carbon Trust and Keep Scotland Beautiful - Sustainable Scotland Network. The fundamental aim is that SLAB will have reduced its carbon emissions by 10% on a baseline of 2015. This equates to a figure of 42.6 tonnes CO₂e in 2015. The fifth year of our Carbon Management Plan concluded in March 2020, due to the Covid 19 pandemic we were unable to complete a submission on our overall carbon footprint as from 24th March 2020 working from home became the default position for the Board. No access was available to our records relating to 19-20.

However gas and electricity figures are the primary emissions source for the Board and we can report that in April 2019 - March 2020 our consumption was 291MWh below the baseline set in 2015-16 of 1,219MWh, a 24% reduction in consumption of gas and electricity.

The Scottish Legal Aid Board is committed to applying the principles of responsible environmental management in all aspects of its business operations. Specifically, it is our policy to:

- Continually improve the energy efficiency of our premises, so as to reduce both energy consumption and emissions.
- Focus on waste minimisation by introducing techniques to recover and re-use office materials.
- Work with suppliers to eliminate packaging, materials and components which generate waste.
- Manage the disposal of waste to minimise environmental harm.
- Inform and educate all our employees on environmental issues relevant to SLAB.
- Continually improve our environmental standards, by setting objectives and targets and reviewing them annually.
- Allocate environmental responsibility at Director and Management level.

It is the responsibility of all personnel of SLAB to work in partnership to maintain and improve our environment.

We have measured our organisation's carbon footprint since 2008 and in the previous Carbon Management Plan published in 2011, SLAB stated its aspiration to achieve a reduction target of 15%, based on the 2008 carbon footprint baseline, by 2015.

THE PERFORMANCE REPORT

By 2015, SLAB reduced its carbon emissions by 48% on a baseline of 2008. This equates to a figure of 259 tonnes CO2e in 2014-15.

Sustainable procurement is promoted through using and purchasing low emission vehicles, taking leases over longer periods or leasing second hand items such as photocopiers, thereby reducing both cost and environmental impact. Sustainability is formally considered as part of every tender process.

Due to the Covid 19 pandemic we were unable to complete our Environmental Impact and Sustainability report however, the report for the previous year is available at: <https://sustainablesotlandnetwork.org/reports/the-scottish-legal-aid-board>



Colin Lancaster
Chief Executive and Accountable Officer

06 December 2021

THE ACCOUNTABILITY REPORT

DIRECTORS' REPORT

Board members

Name	Start date	Period of appointment to
Tim McKay	1 April 2016	31 March 2023
Rani Dhir MBE	1 October 2012	31 March 2021
Ray Macfarlane (Chair)	1 April 2010	31 March 2022
Lesley Ward	1 April 2016	31 March 2022
Marieke Dwarshuis	1 April 2016	31 March 2023
Sarah O'Neill	1 April 2016	31 March 2024
David Sheldon QC	24 July 2017	30 September 2024
Stephen Humphreys	1 April 2018	31 March 2022
Raymond McMenamin	1 April 2018	31 March 2022
Brian Baverstock	1 April 2018	31 March 2022
Sheriff John Morris QC	1 April 2018	31 March 2022

Ray Macfarlane was re-appointed Chair from 1st April 2019. There were no new appointees in 2020-21. Rani Dhir MBE was the only member whose term ended.

Register of Board members' interests

SLAB keeps a register of Board members' interests, which is on our website at www.slab.org.uk/corporate-information/our-people/board-members/.

The Legal Aid (Scotland) Act 1986 requires the Board to include members of both the Law Society and the Faculty of Advocates. Details of related party transactions, including those with Board members are disclosed in notes 22 and 43.

Membership of Committees

During 2020-21, committee membership comprised:

Legal Assistance Policy Committee:

Raymond McMenamin - Convener
Ray Macfarlane
Stephen Humphreys
Marieke Dwarshuis

THE ACCOUNTABILITY REPORT - Directors Report

Sarah O'Neill
Colin Lancaster, Chief Executive

Legal Services Cases Committee:

Lesley Ward - Convener
David Sheldon QC
Rani Dhir MBE
Sheriff John Morris QC
Ray Macfarlane
Ian Dickson, Principal Legal Adviser
Marie-Louise Fox, Director of Operations

In addition, a number of legal professionals are co-opted members of the Legal Services Cases Committee.

Audit Committee:

Tim McKay - Convener
Rani Dhir MBE
Ray Macfarlane (attends but is not a member)
Brian Baverstock
Marieke Dwarshuis

Remuneration and Appointments Committee:

Brian Baverstock- Convener
Ray Macfarlane
Stephen Humphreys

Membership of the Executive Team

During 2020-21 the Executive Team has comprised:

Colin Lancaster	Chief Executive and Accountable Officer
Marie-Louise Fox	Director of Operations
Graeme Hill	Director of Corporate Services and Accounts
Anne Dickson	Director of Strategic Development
Matthew Auchincloss	Director of PDSO
Ian Dickson	Principal Legal Adviser

Employee Sickness Absence

Total employee sickness absence for 2020-21 was 5.6 days per whole time equivalent (WTE) compare to 10.0 in 2019-20. The reduction in absence overall is most likely due to the impact of Covid-19 preventative measures and working from home - with less opportunity for commonly spread illnesses impacting on staff as well as some staff perhaps feeling more able to work from home as opposed to coming into the office, if feeling under the weather.

During the pandemic, our employees have been able to enter authorised paid leave for the following COVID-19 reasons to help support health and wellbeing;

- Dependant care
- Self- isolation - unable to work
- Shielding - unable to work
- COVID-19 sickness
- Unable to work from home / no work

5.4 days per WTE were lost due to all of these Covid-19 reasons for the year, the majority due to being unable to work from home (81%) followed by dependent care (15%), with fortunately only 0.1 days due to Covid-19 sickness. As might be expected, the majority of paid leave on the basis of being unable to work from home has related to roles dependent on access to workplaces - such as mailroom and facilities and our service based in Glasgow Sheriff Court. Alternative duties and online training have been made available where possible, but inevitably as the duration of the work from home order extended, and given that we were not able to furlough staff, periods of paid leave for these staff increasingly became our only feasible option.

We have been taking a proactive holistic approach to managing absence and supporting our employees' health and well-being, particularly during the challenges of the COVID-19 pandemic. We have stepped up our efforts to increase awareness across our workforce particularly about: mental health, our employee assistance provision, having supportive wellbeing conversations, stress and work-life balance, but also financial and physical well-being. We have regular Wellbeing posts on a variety of topics as well as providing webinars, tailored by staff input, which also encourage staff to make more use of our employee assistance and occupational health support services.

We plan, as part of our People Strategy programme, to develop a Well-Being policy and continue to build a healthy workplace based on prevention - with mental health a priority, but also including financial and physical well-being, investing in managers' training to boost employee well-being and making more of occupational health support services.

Personal data related incidents

These are detailed on Page 59 in the Governance Statement.

Data security lapses

There were no major data security lapses in the year, please see the 'Significant internal control issues' section of the Corporate Governance Report on page 62.

Audit

Audit Scotland carried out the audit of the organisation's accounts for the financial year ended 31 March 2021, covering both the Scottish Legal Aid Fund and the Scottish Legal Aid Board accounts. The agreed fee for this service was £45,220, which relates solely to the provision of statutory audit services.

Representations

The Accountable Officer and the Board members who held office at the date of approval of these accounts confirm that, so far as they are each aware, there is no relevant audit information of which the organisation's auditors are unaware; and the Accountable Officer and each of the Board members have taken all the steps that he/she ought reasonably to have taken to make himself/herself aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

The Legal Aid (Scotland) Act 1986 ("the Act"), as amended by the Public Finance and Accountability (Scotland) Act 2000, states that the Scottish Legal Aid Board must prepare a statement of accounts for each financial year in the form and on the basis determined by Scottish Ministers and set out in the 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 Scottish Legal Aid Fund and the Scottish Legal Aid Board and of its income and expenditure, statement of financial position 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 must:

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies consistently
- make judgements and estimates reasonably
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and show and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the organisation will continue to operate
- The Accountable Officer also confirms that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable

The Scottish Government has designated the Chief Executive of SLAB as the Accountable Officer for the organisation. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding SLAB's assets are set out in the *Memorandum to Accountable Officers for Other Public Bodies*.

The Chief Executive is responsible for the maintenance and integrity of the corporate and financial information, including that published on SLAB's website.

THE ACCOUNTABILITY REPORT - Statement of Accounting Officer's Responsibilities

The Accountable Officer also confirms that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and that he 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 auditors are aware of that information.

GOVERNANCE STATEMENT

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports our policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to SLAB, in accordance with the responsibilities set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).

Governance Framework

SLAB is a Non-Departmental Public Body sponsored by the Scottish Government's Justice Directorate. The broad governance framework within which we operate, including the key roles and responsibilities which underpin the relationship between us and the Scottish Government are set out in a [Joint Framework Agreement](#) (*The Governance and Accountability Framework Document*).

The Board

Our Board comprises the Chair, Ray Macfarlane, and eleven other non-executive members. The role of the Board is to shape and set our strategic direction. It also sets our risk appetite and risk management framework, and provides oversight and scrutiny of the organisation's operational and financial performance. This includes the delivery of efficiency and best value.

In March 2020, as the pandemic began, the Board considered what changes it considered necessary in respect of corporate decision making. This included the suspension of face to face meetings, temporary changes to the timing and format of board and committee reports, and changes to the Board's Standing Orders to deal with risks associated with the pandemic. Meetings continue to be held remotely.

[Biographies](#) of our Board Members are available on our website.

The Board reserves to itself a range of decision making powers and delegates others to the Chief Executive through a Delegated Authority Matrix.

Membership of the Board comes from a range of public and private sector backgrounds, including solicitors and advocates. Members are appointed by Scottish Ministers.

Business at the Board and its Committees are governed through the [Standing Orders](#) which the Board approves and which are regularly reviewed.

Along with agendas and minutes of meetings, we publish on our website a [range of papers](#) considered at meetings of the Board. We also publish minutes of the Legal Assistance Policy Committee.

The SLAB Chief Executive and Directors attend Board meetings.

Board diversity and succession planning

It is widely recognised that diversity at Board level and in organisational leadership encourages innovative thinking and leads to better decision making and governance. It is therefore important that we look at gender and wider diversity at Board level across the protected characteristics and in the skills and experiences our board members bring to SLAB.

Our current gender breakdown is 36% female and 64% male based on a survey of our Board members (92% response rate). It is our understanding that the Scottish Government continues to work on the best way to provide public bodies with the equality profile of Board members. In the meantime we will continue our own work on succession planning and learn from the work of other public bodies.

Our most recent recruitment round was in October 2020 where we had vacancies for a legal and non legal member. We worked with Scottish Government to try and reach a diverse pool of potential applicants. In addition to our now established practice to advertise our Board positions with organisations that included those who could help us reach equality groups, our existing board members promoted the vacancies through the recording of their own experiences on our Board. While our actions influence the demographic of those who apply for Board member positions, the final appointment is a decision made by Scottish Ministers.

<https://www.gov.scot/publications/gender-representation-public-boards-scotland-act-2018-statutory-guidance/pages/1/>

The Board has four Standing Committees.

Audit Committee

The Board has established an Audit Committee to support it in its responsibilities on risk, governance and assurance.

The Audit Committee advises the Board and the Accountable Officer on the effectiveness of the internal control system. This includes considering risk matters

at each meeting, approving and monitoring the annual programme of internal audit work, and scrutinising financial management and the annual report and accounts.

Membership of the Committee can be found in the Director's Report.

Legal Assistance Policy Committee

The Legal Assistance Policy Committee advises the Board on the development and implementation of operational policies which inform internal decision-making guidance on registration, applications and accounts and external guidance for solicitors and applicants.

The Committee also acts as a review mechanism for cases that are decided at the Legal Services Cases Committee at first instance.

Membership of the Committee can be found in the Director's Report.

Legal Services Cases Committee

The Legal Services Cases Committee considers sensitive, high profile, high value or other specified types of case either at first instance or on review. The Committee also calls on the experience of co-opted members who are not members of the Board and external to SLAB.

Membership of the Committee can be found in the Director's Report.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee considers pay policy and the remuneration and performance of the Chief Executive and Executive Team.

Membership of the Committee can be found in the Director's Report.

Board Member attendance during 2020-21

Meeting	Board	Audit Committee	Policy Committee	Cases Committee	R&A Committee
Number of meetings	6	4	4	9	2

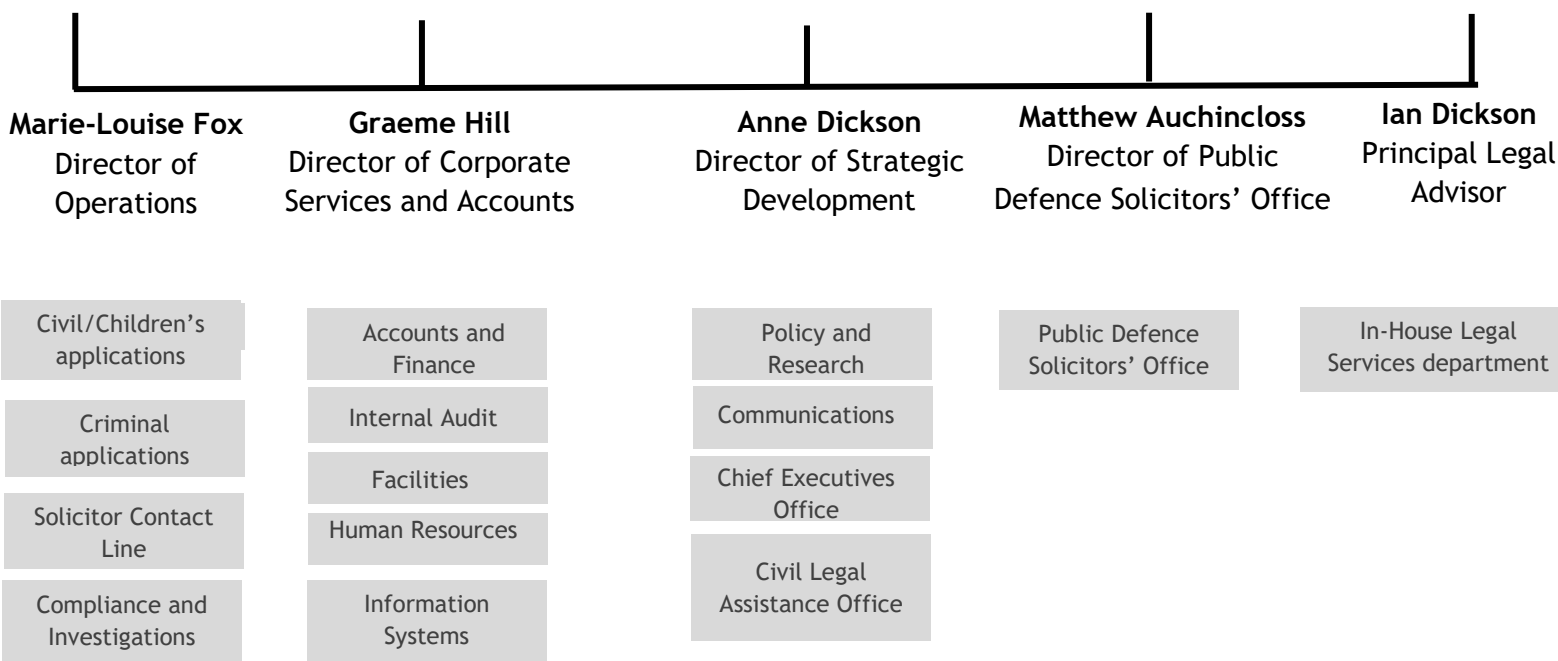
Meetings attended	Board	Audit Committee	Policy Committee	Cases Committee	R&A Committee
Ray Macfarlane	6	3	4	8	2
Tim McKay	6	4			
Meetings attended	Board	Audit Committee	Policy Committee	Cases Committee	R&A Committee
Brian Baverstock	5	4			2
Rani Dhir	6	3		7	
Marieke Dwarshuis	4	4	4		
Sheriff John Morris QC	6			9	
Raymond McMenamin	5		4		
Stephen Humphreys	6		4		2
Sarah O'Neill	6		4		
Lesley Ward	6			9	
David Sheldon QC	6			7	

Further information about the remits of the Standing Committees is included in the [Standing Orders](#).

The Executive Team

Our Executive Team comprises the Chief Executive, four Directors and the Principal Legal Advisor.

Colin Lancaster
Chief Executive and
Accountable Officer



The Executive Team meets on a weekly basis. Its role is to assist the Chief Executive in his decision making functions. The role also involves day to day oversight of the administration of the legal aid schemes, including implementation of the Corporate Plan, managing risk, developing operational and corporate policies, and managing our finances.

[Biographies](#) of the Executive Team are available on SLAB's website.

SYSTEM OF GOVERNANCE AND INTERNAL CONTROL

Our system of internal control

Our system of internal control is based on identification and treatment of risks to the delivery of our aims and objectives. Decision making across the organisation is framed by reference to our Delegated Authority Matrix. As part of our continuous

improvement programme for corporate governance, this matrix will be fully reviewed in 2021-22. The matrix documents the limits of post holders' authority in specified areas, including operational decision-making and incurring of expenditure.

Features of our system of internal control

Continuous improvement

We take a continuous improvement approach to corporate governance and our annual programme of work generally includes initiatives to review and improve specific areas of our internal control framework. In so doing we are regularly assessing our compliance with generally accepted best practice principles.

Recent reviews of elements of our corporate governance have resulted in a revised set of risk appetite statements agreed by the Board in light of the new corporate plan and changes to the way in which progress against the business plan is reported to the Board. Our complaints handling procedures were also updated in line with a revised model procedure bought in by the Scottish Public Services Ombudsman in April 2021.

In addition, our internal audit function plays an important role in auditing elements of our corporate governance arrangements. Detail of the audits carried out in 2020-21 can be found below.

Monitoring of our strategy and priorities

Our strategic objectives and key activity to deliver them are set in our [Corporate Plan](#) for 2020-23. Progress against each of the Corporate Plan's annual programmes of work is monitored by the Executive Team and [reported to the Board](#) on a quarterly basis.

Accountability for governance

The [governance and accountability framework](#) document, based on a SG document for use across all NDPBs, sets out the broad framework within which we operate and defines key roles and responsibilities which underpin the relationship between us and the Scottish Government. We are held accountable against this framework through regular accountability meetings with our sponsor department in the Scottish Government.

Operational performance

Operational performance is measured through our SLAB Operational Performance Overview Report (SOPOR). The data is scrutinised by managers and Directors in order to focus on what matters most to legal aid applicants and their solicitors. The SOPOR sets challenging performance benchmarks across the different types of legal aid applications and accounts. Performance data is considered by the Executive Team on a monthly basis and is considered by the Board at each of its meetings. In line with SLAB's corporate value on transparency, quarterly data from the SOPOR was published on our website throughout 2020-21.

Financial management

The Scottish Government sets a budget for our administration. We allocate that budget internally based on activity required to deliver our core functions and our strategic priorities. That budget allocation is discussed with and approved by the Board. We carry out quarterly budget reviews of expenditure and the Board is presented with papers detailing our financial position on a quarterly cycle to enable oversight of our financial performance.

Although the Scottish Government allocates a budget for the Legal Aid Fund, expenditure for legal aid cases is uncapped. We carry out a forecasting exercise at the start of each financial year based on analysis of previous trends in legal aid demand and discussions with partner bodies in the justice system to understand the impact of trends and pressures within the wider justice system, partners' plans and future justice system reform on legal aid expenditure. We review and update this forecast during the year and discuss this with the Board. Reports from our Financial Controller on our financial position are considered on a monthly basis by the Executive Team.

The forecasting exercise has been made all the more challenging during Covid-19. The initial lockdown caused a substantial impact on new business volumes as public health restrictions came into force and courts closed for most business. It has been challenging to assess to what extent this business has been deferred and will come through the system as restrictions ease and the courts return to pre-Covid-19 capacity. It is also difficult to assess how Covid-19 may impact on demand, for example, in housing, debt or employment related advice. Our ability to accurately forecast expenditure has also been impacted by significant shifts in the timescales over which cases are progressed, concluded and billed: much of the work that

would in normal times have been billed in 2020-21 will instead fall due in 2021-22 as the courts and the wider justice system continues to re-establish its capacity.

Internal audit

We have an internal audit service that reports on a day to day basis to the Director of Corporate Services and Accounts. Our programme of audit work is risk based, and is driven by our consideration of risk generally and specifically by the risks that are managed via our corporate and functional risk registers.

The programme of internal audit work is approved by the Audit Committee. The Head of Internal Audit is responsible to me as the Accountable Officer for internal audit matters and also has direct access to the Chair of the Audit Committee. The Head of Internal Audit reports on a quarterly basis to the Audit Committee. This includes the scrutiny of progress against implementing recommendations from internal audit reports.

The operation of our internal audit function was independently reviewed in 2019 through an External Quality Assessment of Conformance to the Public Sector Internal Audit Standards. The review was completed by CIPFA.

Key internal audit work during 2020-21 included elements of our corporate governance framework. Audits included a review of the internal controls surrounding compliance with the core principles of corporate governance, our financial forecasting model, our role in financial assessment of applications, our compliance functions and our project management of key corporate projects.

The onset of the Covid-19 pandemic accelerated the implementation of a number of planned changes to the operation of normal business. There were also changes implemented which were not previously planned but have brought benefit to the business process without impacting on the governance framework. Other changes were implemented to ensure that the profession could continue to submit applications and be paid whilst the pandemic was impacting on not only SLAB's delivery of service due to lockdown but the impact across the Justice System and Scotland as a whole. The major changes were all approved by the Executive Team prior to implementation and were reviewed as part of our planned Internal Audit review during the period. These changes will also continue to be picked up during the agreed 2021-22 plan of work which does reflect a Covid-19 risk profile identified within the planned audit engagements.

Best Value

The principles of best value are firmly embedded across all areas of our business, rather than being confined to specific projects and initiatives. A report on how we have delivered the best value principles is submitted to the Board annually. An internal audit of our approach to delivering best value was carried out in 2020-21.

Risk management

We have a risk management framework which was subject to a major review in 2018. The framework sets out how we manage risk, and the different roles and responsibilities in the risk management cycle. The framework includes a corporate risk register which sets out our biggest and cross organisation risks, and functional risk registers which include operational risks. The framework includes the Board's risk appetite in a number of areas which drives our response to the risks that we face.

Risks are aligned to our strategic objectives and a new set of corporate risks linked to our new corporate plan were agreed by the Board in March 2021 along with a revised set of risk appetite statements. Our work in developing the Board's approach to risk appetite has included improving the link between risk appetite and the operational management of risk.

The corporate risk register is reviewed on a regular basis by the Executive Team, at every meeting of the Audit Committee and by the Board twice a year. Functional risks are discussed between managers and their Directors and are also a feature of managerial reporting to meetings of the Executive Team. If risks increase or decrease in their severity or coverage, they are considered for escalation or de-escalation to or from the relevant register. Consideration of risk issues on a regular basis has also continued through our Corporate Governance and Risk Group (Chaired by our Director of Strategic Development and attended by our Director of Corporate Services and Accounts).

The Executive Team, Audit Committee and the Board considered a range of corporate risks during the year. The key risks that we dealt with can be categorised as failure to deliver improvements to legal aid, failure to respond to changes in our external environment, failings in our buildings and IT infrastructure, and non-compliance with statutory obligations.

The Board's new risk appetite framework and a new corporate plan resulted in a new corporate risk register being approved by the Board in March 2021. The new risk appetite statements led to a number of changes in the risks that the Board now focus on, and a reframing of some previous risks.

Further detail about the risks that we managed during 2020-21 can be found in the Performance Report at pages 27-32.

Information Governance and the General Data Protection Regulation

Since May 2018 we have a dedicated post of Data Protection Officer (DPO). This role reports to the Senior Information Risk Owner (SIRO) who is a director, providing access to senior management. Staff awareness training is undertaken, supported with a Cyber Security Stay Safe online course, and this forms part of our induction process for all new staff. Generic mailboxes manage data breaches which are recorded and investigated by the DPO, and all actions are signed off by the SIRO.

We process significant amounts of personal data in the discharge of our functions, some of which is highly sensitive. The extent of manual personal data processing brings with it the risk of data breaches arising from human error. As a result, a number of minor data breaches did occur during 2020-21, but were significantly down on the previous year. Data breaches of a serious nature would be reported to the Audit Committee and/or the Board. The current number of breaches recorded is small when compared to the amount of correspondence, and personal data, that we deal with in the course of our business.

We reported three data breaches to the ICO during 2020-21. Of the three, only one was considered a data breach resulting from a failed control. In the other instances, one was no longer considered a breach (files originally considered lost were subsequently recovered) and in the other on further investigation we could not establish that the breach had occurred at our end and the ICO accepted our position.

In relation to the one confirmed data breach reported, this was a confidential letter containing very sensitive information regarding charges against a PDSO client which was accessed by a third party. No action was taken by the ICO as the breach was contributed to by human error rather than systemic failure and was contained to a single data subject who was made aware. There has been no known detriment caused.

Fraud, corruption and bribery

Our organisation continues to consider its fraud risk environment within the context of its commitment to a counter fraud culture. This consideration encompasses ongoing development of measures to increase fraud awareness and minimise exposure to fraud risk. Last year we carried out a review of our counter fraud computer based training which was updated both in content and to reflect changes within the organisation and in corporate style. This year we did a similar review of our anti-fraud, bribery and corruption policy and our whistleblowing policy.

Fraud risk was an active consideration through 2020-21 on both our corporate and functional risk registers. Specific papers covering our key roles in managing fraud by applicants and solicitors in the use of the Legal Aid Fund were considered by our Audit Committee.

We have two functions that contribute to our counter fraud work through compliance audits of firms carrying out criminal legal assistance, and also the provision of assurance as to applicants' eligibility for legal assistance. Due to Covid-19 restrictions, no in person compliance audits could be carried out in 2020-21. The Quality Assurance Committees (which consider the results of peer review of legal aid files) were also unable to continue their work, but completed any outstanding reviews.

As restrictions have started to ease, some firms' staff have started to return from furlough and solicitors have access to their offices, although full access is not yet possible. We have designed a pilot to test the running of compliance audits electronically and are currently engaging with firms who would have been at the beginning of the audit plan and are known to operate electronically to work with us to co-design the process and test it out on live audits. Internal Audit are providing consultancy services to contribute to the development of the pilot and longer term scheme.

Our applicant investigations function investigated the information provided by over 550 legal aid applicants. Around a third of these investigations resulted in action being taken, including the termination of assistance. In the remaining cases there was satisfactory assurance provided that the grants of assistance could continue.

There were no reported instances of fraud involving our staff.

Reviewing the system of internal control

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

- management information received by the Executive Team
- the assessment and management of risk through a recently revised and improved risk management framework
- the controls that exist over planned expenditure and the regular reporting of actual expenditure and regular review of budgets and forecasts
- the managers within SLAB who are responsible for developing and maintaining the internal control framework
- the work of the internal auditors, who submit to me and SLAB's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control, together with recommendations for improvement
- the recommendations and advice from the Audit Committee on matters within its remit
- comments made by the external auditors in their management letter and other reports.

Our Head of Internal Audit seeks assurance over the system of internal control. This is obtained by conducting a series of audit engagements, considering the results of the previous reviews carried out, discussion with management, review of risk profiles and through membership of our Corporate Governance and Risk Group.

Annually, Directors certify to the Accountable Officer that they have reviewed and are content with the assurances provided by their managers; that they are satisfied that the controls are working; and that there are no significant matters in their area of responsibility which would require to be raised specifically in the Statement of Internal Control. The outcome of this process is shared with the Executive Team and the Audit Committee.

The Head of Internal Audit has issued an Assurance Statement to me which provides their opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied on. Their opinion is that our internal controls are satisfactory. Nothing has been identified that would warrant me not signing this

Governance Statement. The external auditors also report to me, the Audit Committee, and to the Board, any internal control issues that they identify during their normal audit activities.

The Audit Committee is content with the various assurances being provided to support this Governance Statement.

Our system of internal control accords with Scottish Government guidance and has been in place in the organisation for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Significant internal control issues

There were no significant control issues identified this year, nor any planned actions arising from previous years against which I am required to report.

However changes to the records management control framework had been planned prior to the Internal Audit review of 2019-20. The planned work to progress the effective implementation of the agreed document retention policy has not yet been completed. This impacts all areas of SLAB, and is a known ongoing control weakness. This has been recognised as a corporate risk by the Executive Team and we continue to work as an organisation to address this identified and managed gap. It is of note that training of Information Asset Owners has recently taken place, and work to analyse data across our systems, databases and drives is currently underway to determine the best course of action(s) to address the variances in retention schedules across the organisation, and facilitate the timely destruction of identified records. This year to date, the ongoing identification work has already resulted in the destruction of nearly 500,000 records.

Personal data related incidents

There were no personal data related incidents other than the aforementioned reported data breach. Please see page 59

THE ACCOUNTABILITY REPORT - Remuneration and Staff Report

REMUNERATION AND STAFF REPORT

The sections of this report marked with ** are covered by the audit opinion.

The Scottish Legal Aid Board determines the pay and conditions for staff in accordance with the Scottish Government's Public Sector Pay Policy for Staff Pay Remits.

The Scottish Government Public Sector Pay Policy sets the parameters for public sector pay increases for a range of public bodies in Scotland, including the Scottish Legal Aid Board.

SLAB is required to seek approval from the Scottish Government for its proposals within these parameters and then negotiate detailed pay settlements with trade unions and staff.

Remuneration and Appointments Committee

SLAB's Remuneration and Appointments Committee considers appointment and remuneration of the organisation's senior staff and takes an overview of remuneration issues, including annual pay policy (issued by the Scottish Government), pension policies and related matters.

Executive Team

Appointments of senior management are on a permanent basis in accordance with individual contracts:

Name (see roles on page 54)	Employment start date	Senior Appointment start date	Employment End date	Notice period
Colin Lancaster	30 June 1997	1 April 2007	-	12 weeks
Marie-Louise Fox	1 December 2008	1 October 2012	-	12 weeks
Graeme Hill	1 December 2010	27 November 2012	-	12 weeks
Anne Dickson	16 April 2012	1 December 2015	17 October 2021	12 weeks
Ian Dickson	4 February 2002	1 February 2013	-	12 weeks
Matthew Auchincloss	1 November 2003	1 April 2018	3 October 2021	12 weeks

The current Executive Team have a minimum pensionable retirement age of 60 for members of the Legal Aid (Scotland) Pension Scheme before 1 October 2008; otherwise it is 65 years of age. All contracts include notice periods as indicated above. Termination payments, where appropriate, are made under the organisation's redundancy policy which allows either for a redundancy payment or a retirement pension and lump sum if a member of the Legal Aid (Scotland) Pension Scheme, subject to satisfying age and service-related criteria.

The Chief Executive's performance is appraised by the Chairman in consultation with the Remuneration and Appointments Committee. In accordance with the Scottish Government's pay policy for senior appointments. The Chief Executive (Colin Lancaster) was eligible to receive a pay increase up to £2,000 (capped at 1.5%) from 1 April 2020.

Directors' job roles were re-evaluated during 2019-20 by an external reward consultancy, Ashworth and Black. This resulted in there now being only one pay grade for all Director level jobs. In 2020-21 all other members of the Executive Team's salaries were uplifted, in accordance with Scottish Government's pay policy, capped at £2,000, plus progression (if applicable) subject to satisfactory performance. Bonus arrangements for members of the Executive Team are similar to those of staff and they are eligible for non-consolidated performance payments for higher than satisfactory performance. Their performance is appraised by the Chief Executive under the organisation's Performance Management system which applies to all staff. No bonus payments were made in 2020-21 (2019-20: nil), in accordance with Scottish Government's pay policy for staff which continues to reflect the ongoing financial and budgetary stance.

Remuneration **

The following table provides a breakdown of remuneration for members of the Executive Team in 2020-21 and 2019-20 and has been audited by the organisation's auditors. In line with the Financial Reporting Manual, the value of pension benefits accrued during the year in the table below is calculated as the real increase in pension multiplied by 20, plus the real increase in lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. The Executive Team received no benefits in kind.

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	Salary 2020-21 £000	Salary 2019-20 £000	Pension benefits accrued 2020-21 £000	Pension benefits accrued 2019-20 £000	Single total remun- eration 2020-21 £000	Single total remun- eration 2019-20 £000
C Lancaster, Chief Executive,	115 - 120	110 - 115	46	33	160 - 165	145 - 150
M Fox, Director of Operations	90 - 95	85 - 90	43	30	135 - 140	115 - 120
G Hill, Director of Corporate Services and Accounts	90 - 95	90 - 95	30	25	120 - 125	115 - 120
A Dickson, Director of Strategic Development	85 - 90	85 - 90	34	30	120 - 125	115 - 120
I Dickson, Principal Legal Advisor	90 - 95	90 - 95	30	21	120 - 125	110 - 115
M Auchincloss, Director of PDSO	90 - 95	90 - 95	-	-	90 - 95	90 - 95

Pension Benefits **

	Real increase in pension and related lump sum £000	Accrued pension at 31 March 2021 and related lump sum £000	Cash equivalent transfer value at 31 March 2021 £000	Cash equivalent transfer value at 31 March 2020 £000	Real increase in cash equivalent transfer value* £000
C Lancaster, Chief Executive					
Pension	0.0 - 2.5	30 - 35			
Related lump sum	5.0 - 7.5	95 - 100			
Transfer value			614	554	50
M Fox, Director of Operations					
Pension	0.0 - 2.5	20 - 25			
Related lump sum	5.0 - 7.5	60 - 65			
Transfer value			368	323	38
G Hill, Director of Corporate Services and Accounts					
Pension	0.0 - 2.5	15 - 20			
Related lump sum	n/a	n/a			
Transfer value			272	234	31
A Dickson, Director of Strategic Development					
Pension	0.0 - 2.5	10 - 15			
Related lump sum	n/a	n/a			
Transfer value			228	189	33
I Dickson, Principal Legal Advisor					
Pension	0.0 - 2.5	20 - 25			
Related lump sum	2.5 - 5.0	70 - 75			
Transfer value			598	558	32

The pension benefits table above provides a breakdown of pension benefits for members of the Executive Team in 2020-21 and 2019-20 and has been audited by the organisation's auditors. Pension figures are calculated to normal retirement age, unless the individual is older, in which case it is calculated to 31 March 2021.

M Auchincloss is not enrolled in the scheme, as such there are no entries for this director in relation to pension benefits or transfer values.

Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the SLAB Pension Scheme and for which the organisation has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not take account of the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay Multiples **

The Scottish Legal Aid Board is required to disclose the relationship between the remuneration of the highest-paid officer in the organisation and the median remuneration of the organisation's workforce:

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	2020-21	2019-20
Band of highest paid director's remuneration (Chief Executive)	115-120k	110-115k
Median total remuneration	29,940	29,060
Ratio	3.9	3.9

The banded remuneration of the highest paid officer at SLAB in the financial year 2020-21 was £115-120k (2019-20: £110-115k). This was 3.9 times (2019-20: 3.9) the median remuneration of the workforce, which was £29,940 (2019-20: £29,060). The banded remuneration of the lowest paid employee at SLAB in the financial year 2020-21 was £15-20k (2019-20: £15-20k).

Remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind and severance payments. It does not include pension benefits accrued in the year, employer pension contributions and the cash equivalent transfer value of pensions.

Board members **

The remuneration for the Chairman and other Board members is determined by the Scottish Government, applying the Public Sector Pay Policy for Senior Appointments. The Chairman formally assesses the performance of Board members annually against criteria as agreed between the Chairman and the Scottish Government. The current criteria include: commitment/contribution; team working; ability to constructively challenge within the Board; contribution to strategy/policy formulation; and specific areas of contribution.

Remuneration (excluding any accrued pension benefits) of the Board members for 2020-21 was as follows:

	2020-21	2019-20
Name	£000	£000
Tim McKay	5-10	5-10
Rani Dhir MBE (until March 2021)	5-10	5-10
Ray Macfarlane (Chairman)	30-35	30-35
Lesley Ward	5-10	5-10
Marieke Dwarshuis	5-10	5-10
Sarah O'Neill	5-10	5-10
David Sheldon QC	5-10	5-10
Brian Baverstock	5-10	5-10
Stephen Humphreys	5-10	5-10
Raymond McMenamin	5-10	5-10
Sheriff John Morris QC	5-10	5-10
Paul Reid (until October 2019)	-	5-10

Board members including the Chairman are not members of the organisation's pension scheme

Appointment of the Chairman by the Scottish Government is on a part-time basis (2 days a week) for a fixed term, the current chairman's appointment began on 1 April 2016. Board members are appointed by the Scottish Government on a part-time basis (3½ days per month) for a fixed term of no more than 5 years, which is renewable for a second term but there will be no automatic renewal or extension of the appointment beyond the first term. Scottish Ministers may terminate Board appointments, giving 3 months' notice in writing prior to the intended date of termination, where appropriate.

Staff numbers and costs **

The breakdown of staff numbers and costs are as follows:

	Scottish Legal Aid Fund		Scottish Legal Aid Board	
	2020-21 Average WTE	2019-20 Average WTE	2020-21 Average WTE	2019-20 Average WTE
Permanent staff	88	81	231	235
Other staff	2	2	5	2
	<u>90</u>	<u>83</u>	<u>236</u>	<u>237</u>
	£000	£000	£000	£000
Staff costs	<u>5,394</u>	<u>4,961</u>	<u>13,248</u>	<u>12,166</u>

Further detail can be found in notes 8, 9, 10, 11 and 30 to the accounts.

Employee information and equal pay

How we gather and present our employee data

We gather information on employees and people who apply to work with us across all relevant protected characteristics; age, sex, sexual orientation, disability, religion or belief, race (including ethnic origin and national identity), gender reassignment and pregnancy and maternity (including return to work after maternity leave).

Our employee data is held by our HR department. Employees can directly provide, review and update their information via self-service access to our HR systems at their convenience and in privacy. We publish data in percentage bands to ensure individuals can not be identified.

Equality information about people who apply to work with us is gathered through our online recruitment system hosted by an external supplier. The data we receive when recruiting for an employee via an agency does not currently form part of our recruitment data.

Our full recruitment and employee equality monitoring information for the period 1 April 2020 to 31 March 2021 is published separately¹. Our data as at 31 March 2021 shows that 76% of our workforce have provided their equality information. This is a slight decrease in disclosure from 79% in 2019-20 but an increase on 65% in 2018-19.

What our employee data tells us

The demographic of our workforce remains very similar to that reported in October 2020. This reflects our ongoing and long term low levels of turnover. However, we recognise that longitudinal trends are important to monitor and we will be reviewing those.

We have found that the numbers of relevant employees are too small across the following areas to allow us to form any definite conclusions with regards to differences between equality groups:

- Numbers of employees involved in a new grievance, disciplinary action and/or dismissal
- Number of employees appraised as 'not fully effective' or 'regularly fall below requirements'
- Number of employees taking paternity or shared parental leave

In **2020-21** 100% of **maternity leavers** returned to work. Of these, 33% requested a variation to their contractual hours on return to work and all were approved on a permanent basis.

In **2020-21**, 66% of employees on long term **disability related absence** leave returned to work and 34% remained absent in the reporting period. Note that these

¹ These document are available on the Equalities and diversity page of the SLAB website
<http://www.slab.org.uk/about-us/equalities/>

figures include employees who did not declare a disability, but who were supported in the context of requiring a reasonable adjustment.

Workforce distribution by protected characteristics

The following information provides a top-line breakdown of our 2020-21 employee data by each relevant protected characteristic. Overall, our employee demographic has not changed significantly compared to our 2019-20 data. We have included comparisons to the general Scottish population as published in the Scottish Survey Core Questions 2019².

Sex: we continue to have a 65-70% female and 30-35% male gender breakdown. The 2019 population data shows that in the general population 52% are female and 48% are male and of those in employment 48.5% are female and 51.5% are male.

Age: Our employees are clustered around the middle age ranges with fewer employees aged <=24 years and 65+ years (both <5%). Around a third of our employees are aged 45-54 years (30-35%) and our next largest age group is 35-44 (25-30%). Proportionally, our age demographic is similar to the 2019 Scottish population in employment. The main difference is across the lower age ranges where we have <5% aged <=24 years and 10-15% aged 25-34 years compared to the 2019 Scottish population in employment which is 11.9% aged <=24 years and 23% aged 25-34 years.

The mean employee age is 46 years; a slight increase from 45 years in 2019/20.

Gender reassignment: We monitor data in relation to this protected characteristic but have no significant findings to report. We continue to engage with staff as appropriate.

The data for the remaining protected characteristics below represents **the 76% of our 352 employees who at 31st March 2021 had completed their equality record** (i.e. non-complete records are excluded from the calculations).

Disability: 15-20% of employees who completed their equality record declared a disability or long term health condition. This level remains higher than the 2019

² <https://www.gov.scot/publications/scottish-surveys-core-questions-2019/>

Scottish population in employment figure of 13.8 but lower than the 25.9% of people with a disability³ in the general population.

Sexual orientation: Fewer than five percent (<5%) of employees identify as lesbian, gay, bisexual, or other/ unsure. This has not changed since our October 2018 equality report. Representation in SLAB appears comparable to the 2019 Scottish population (2.9%) and people who are in employment (3.2%). However 10-15% of our employees have chosen not to disclose their sexual orientation.

Ethnic Origin: Our data tells us that:

- 85-90% of employees identify as White Scottish, British or Irish
- <5% identify as White minority ethnic
- <5% identify as non-white minority ethnic
- 5-10% selected prefer not to say

Our employee demographic is broadly comparable to the 2019 Scottish population. Our representation of people from a white minority ethnic group is slightly lower than that reported in the 2019 Scottish population (6.8%) and for those in employment (8.2%).

Religion or Belief: The number of employees identifying as Christian (35-40%) is lower than that reported for the Scottish population in 2019 (42.5%) but comparable to those in employment (36.4%). The percentage of SLAB employees declaring no religion (45-50%) is lower than the 2019 Scottish population (53.7%) and significantly lower than those in employment (60%). The number of employees identifying with other religions (collating Buddhist, Hindu, Muslim and others e.g. Jewish) is <5%, in line with the 2019 national profile of 3.1%. Our 'prefer not to say' figure is relatively high at 15-20% which represents a gap in our knowledge.

Gender pay gap

As a listed public authority, SLAB is required to publish information every two years on the percentage difference between male employees' average hourly pay and

³ The question about disability includes people who have a limiting long term physical or mental health condition.

female employees' average hourly pay (both excluding overtime). This is our gender pay gap.

One of the key strategic aims of SLAB's pay policy is to work towards making sure that pay is fair and non-discriminatory. We conduct an annual equal pay audit and apply our pay policy consistently and transparently.

In March 2021, SLAB's mean gender pay gap for all staff (i.e. full time and part time) was 13.1%. This was reported to Scottish Government as part of the pay award 2020-21 settlement. This figure continues a gradual decrease from 13.3% reported in March 2020, 14.2% reported in March 2019 and 13.8% reported in March 2018. Our median gender pay gap at March 2021 is 18.3% which remains unchanged since March 2018.

The 2020 mean gender pay gap for all employees in Scotland (as reported by Close the Gap) was 10.4%⁴ and the median pay gap in Scotland was 10.9%. Both are lower than our reported figures.

**The table below shows our gender breakdown at 31 March 2021:

	Female Headcount	Male Headcount
Executive team	2	4
Senior Managers*	3	4
Other Employees	226	114
Total	231	122

*Senior managers' salaries are the equivalent of senior civil service level. In 2020-21 six senior managers were paid within the band £60-65k, and one in £55-60k. (2019-20: six senior managers were paid within the band £60-65k, and one in £55-60k).

How we use our employee equality data

In 2019, we committed to a series of actions aimed at addressing our pay gap and which were based on analysis to investigate the potential causes of our pay gap. These actions were also identified as ways to improve how we use our employee data. Covid-19 continues to have an impact on the pace of progress of this work however we are able to provide an update as follows:

⁴ See Close the Gap's February 2021 briefing, at <https://www.closesthegap.org.uk/content/resources/Working-Paper-22---Gender-Pay-Gap-Statistics-2021.pdf>

- **Develop a programme of employee policy review supported by our corporate equality impact assessment process, and undertake a review of our recruitment policy and procedures through a gender lens**

These are connected actions. We have prioritised a subset of our people-related policies to be reviewed initially, which includes our recruitment policy and procedures. Tackling the gender pay gap will be a priority as part of the equality impact assessment process to identify any barriers to advancing equality of opportunity for men and women. We expect to have completed the review of our Special Leave policy later this year which has included consultation with employees about the potential equality impacts they want us to address.

We will also use the Scottish Government's minority ethnic recruitment toolkit to help review our recruitment policy and procedures. Our current recruitment data does suggest a potential difference in experience by equality group and we need to undertake further analysis as part of the review process to fully understand what these differences are and how we may need to improve our approach.

A key part of programme of employee policy review is to agree across our Policy, HR and Analytical teams the range of indicators we need to report to our Executive Team, and that will help us to track our progress in addition to the overall pay gap figure. These measures will be introduced and agreed as an outcome of the review and through the equality impact assessment process for each policy. The indicators will then be integrated into reports to our Executive Team and will be used to identify and prioritise future policy changes.

- **Designing a New Working Environment (DANWE)**

We have published our EqlA of the changes made for employees when the Covid-19 pandemic first started. The DANWE project continues to manage our Covid-19 recovery planning through several workstreams. We have conducted surveys with employees to understand their needs and views about long term home working and plans for a return to the workplace; we are consulting with employees on a draft Return to the Workplace policy at the time of writing this report.

- **Mainstreaming the governance, extraction and analysis of the annualised data we report as part of our public sector equality duty**

This action is completed as per this report.

The way we train our staff

Our people are vital to the delivery of a high quality service. As such, we provide support and encouragement to employees to develop their skills and knowledge throughout their career at SLAB. All employees have access to our Learning Management System (LMS) containing a suite of free equality and diversity e-learning courses and resources.

Equality and diversity is included in our corporate induction programme. This includes a group discussion with our Corporate Policy Officer (Equalities) after completion of six core equality online learning modules: Working with the Equality Act, Disability Etiquette, Challenging Behaviour, Mental Health at Work, Cultural Awareness, and Transgender Awareness (all developed by Skill Boosters).

Managers and Directors are responsible for building equalities learning and development into their departmental or individual employee needs. Examples of equality and diversity related events that have taken place since October 2020 to March 2021 include:

- Wellbeing Wednesday which is a series of articles shared on our intranet to provide employees with information and tips on how to look after their wellbeing. Topics so far have included the Health and Safety Executive 6 Standards for Stress, details about our employee assistance support, financial wellbeing, physical wellbeing ('It's ok to step away'), looking after yourself during the festive period, boosting your immune system, and access to a series of wellbeing webinars
- The introduction of a wellbeing planning tool and conversation template for all managers to use with people in their teams. These support a structured discussion around health and wellbeing between our employees and their line manager, ensuring time and space is being made to focus on wellbeing and to agree when and what support is needed
- The launch of a new wellbeing programme in our Learning Management System to cover mental, physical and financial health
- Our Human Resource team attendance at the Virtual Health and Wellbeing at Work Week Conference in March 2021

Employee sickness absence

Employee sickness absence is detailed on page 46.

Scottish Living Wage

In 2015, we obtained the Scottish Living Wage accreditation demonstrating our public commitment to the Living Wage and tackling in-work poverty in Scotland. We continue to pay at least the Scottish Living Wage to our employees.

Exit packages **

There were no exit packages during the year.

Employee communication

News items are posted to our intranet on a daily basis, ranging from Executive Team updates and internal developments to justice sector news and social club updates. A weekly update email is sent to all staff with a summary of the previous week's news and intranet posts. This can be used to inform managers and staff during team briefing sessions.

We conduct periodic employee opinion surveys to obtain staff views on issues such as communications, training and development, management practices, and quality of service. A joint consultative committee of management and union representatives meets regularly.

Health & Safety at Work

SLAB have a Health and Safety Committee, Chaired by the Director of Corporate Services and Accounts, which meets quarterly and is comprised of members of staff from every area of the business as well as representatives of the trade union and Facilities Management. The group reviews and proactively raises health and safety concerns and topics for discussion. Additional meetings, between the quarterly meetings, have been introduced this year due to the ongoing health and safety concerns around the pandemic.

Trade Union Relationships**

Trade Unions play an important role in the modern workplace and there are considerable benefits to both employers and employees when organisations and unions work well together. The Scottish Legal Aid Board is committed to working in partnership with our recognised trade union. This commitment is demonstrated

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through our bargaining framework and is supported by an ongoing recognition agreement with our recognised trade union, GMB.

In the year regular and planned discussions were held around pay and contracts leading to positive outcomes. The 2020-21 pay policy was implemented without delay in April 2020 despite the COVID-19 emergency situation. Pay policy details for 2021-22 were issued later than normal however, part one of our 2021-22 pay offer to staff was implemented in May 2021 with an agreement to continue union negotiations on the remainder of the pay policy later in the year.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year, and within the annual report. The Cabinet Office published supporting guidance on 2 June 2018 which has clarified the data which should be disclosed within the annual report and accounts.

Data for 2020-21 is shown below and has also been published on the SLAB website at www.slab.org.uk

Headcount	50 to 1,500
Number of TU representatives	4
FTE number of TU representatives	4
Number of TU representatives that spent 0% working hours on facility	2
Number of TU representatives that spent 1-50% working hours on facility time	2
Number of TU representatives that spent 51-99% working hours on facility time	0
Number of TU representatives that spent 100% working hours on facility time	0
SLAB total paybill	£12,869,700*
Total cost of facility time	£1,240
Percentage of pay spent on facility time	0.01%
Percentage of total paid facility time spent on paid Trade Union activities	0

* This is Fund and Admin combined on a cash basis, the figures on page 68 are on the accruals basis

PARLIAMENTARY ACCOUNTABILITY

The Scottish Legal Aid Board (“SLAB”) presents its accounts for the financial year ended 31 March 2021.

The organisation is a Non-Departmental Public Body set up in 1987 under the Legal Aid (Scotland) Act 1986, and is accountable to Scottish Ministers. A key objective for the organisation is to operate within its administration budget and to manage the Legal Aid Fund. Separate accounts have been prepared for the Scottish Legal Aid Fund and for the administrative income and expenditure of the Scottish Legal Aid Board.

The accounts have been prepared in a form directed by Scottish Ministers in accordance with section 5 (2) of the Legal Aid (Scotland) Act 1986, as amended by the Public Finance and Accountability (Scotland) Act 2000, and the Government Financial Reporting Manual 2020-21. In all material respects expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers.

Details of losses and special payments are disclosed in accounts notes 21 and 40. There are no contingent liabilities to disclose.

The Scottish Legal Aid Fund accounts show income of £7.5m as disclosed in note 4 to the accounts. This mainly comprises contributions made towards the cost of Legal Aid from assisted persons and expenses recovered from opponents. The Scottish Legal Aid Board accounts show income of £547k as disclosed in note 32 to the accounts. This is mainly derived from subletting space in our Thistle House head office to a number of different tenants.



Colin Lancaster
Chief Executive and Accountable Officer

06 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH LEGAL AID BOARD, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Legal Aid Board for the year ended 31 March 2021 under the Legal Aid (Scotland) Act 1986. The financial statements for the Scottish Legal Aid Fund comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and notes to the accounts, including a summary of significant accounting policies. For the Scottish Legal Aid Board, the financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and notes to the accounts including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 12 February 2021. The period of total uninterrupted appointment is 10 months. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

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- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared

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in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

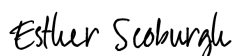
THE ACCOUNTABILITY REPORT - Independent Auditors Report

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Esther Scoburgh CPFA
Senior Audit Manager
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

06 December 2021

Scottish Legal Aid Fund
Statement of comprehensive net expenditure for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Civil legal assistance			
Civil legal aid	3	30,818	35,498
Civil advice & assistance and advice by way of representation	3	21,644	22,481
Civil Legal Assistance Office	3	1,942	1,923
Grant funding	3	3,156	2,720
Gross civil legal assistance expenditure		57,560	62,622
Less operating income	4	(7,453)	(8,290)
Total net civil legal assistance expenditure		50,107	54,332
Criminal legal assistance			
Criminal legal aid	5	44,339	61,602
Criminal advice & assistance and advice by way of representation	5	11,359	12,745
Public Defence Solicitors' Office	5	3,052	2,881
Solicitor Contact Line & Glasgow Courts	5	1,195	1,196
Total criminal legal assistance expenditure		59,945	78,424
Children's legal assistance			
Children's legal aid	6	1,880	2,753
Children's advice & assistance	6	1,915	2,662
Total children's legal assistance expenditure		3,795	5,415
Other expenditure			
Contempt of court	7	38	215
Quality assurance costs	2	37	213
Advice Standards	2	101	145
Miscellaneous legal aid expenditure	2	28	71
Bad debt (including impairment charges)	12	178	187
Total other expenditure		382	832
Net operating costs before interest		114,229	139,002
Interest paid to advocates		-	-
Pension scheme finance costs	20	353	401
Net operating costs		114,582	139,403

Scottish Legal Aid Fund
Statement of financial position as at 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Non-current assets			
Property, plant and equipment	13	52	41
Intangible assets	14	-	-
Trade and other receivables	15	8,923	8,574
Total non-current assets		<u>8,975</u>	<u>8,615</u>
Current assets			
Trade and other receivables	15	1,554	2,344
Cash and cash equivalents	16	2,701	1,387
Total current assets		<u>4,255</u>	<u>3,731</u>
Total assets		<u>13,230</u>	<u>12,346</u>
Current liabilities			
Trade and other payables	17	(2,228)	(1,776)
Provisions	19	(49,972)	(36,776)
Total current liabilities		<u>(52,200)</u>	<u>(38,552)</u>
Non-current assets less net current liabilities		<u>(38,970)</u>	<u>(26,206)</u>
Non-current liabilities			
Provisions	19	(11,965)	(12,710)
Pension scheme liability	20	(24,499)	(19,608)
Total non-current liabilities		<u>(36,464)</u>	<u>(32,318)</u>
Assets less liabilities		<u>(75,434)</u>	<u>(58,524)</u>
Taxpayers' equity			
General fund		<u>(75,434)</u>	<u>(58,524)</u>
Total taxpayers' equity		<u>(75,434)</u>	<u>(58,524)</u>

The Accountable Officer authorised these financial statements for issue on 6th December 2021.



Colin Lancaster
Chief Executive and Accountable Officer

The notes on pages 87 to 103 form part of these accounts.

06 December 2021

Scottish Legal Aid Fund
Statement of cash flows for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating cost before Scottish Government funding		(114,582)	(139,403)
Adjustments for non-cash items			
Depreciation on property, plant and equipment and amortisation of intangible assets	13 & 14	19	18
Movements in working capital			
Decrease in trade and other receivables	15	440	474
(Decrease)/increase in trade and other payables	17	453	(865)
Movements in provisions			
(Decrease)/ Increase in provisions	19	12,451	7,260
Pension scheme service and finance costs	20	1,927	1,577
Payments in respect of pension scheme	20	(44)	(79)
Net cash outflow from operating activities		(99,336)	(131,018)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(31)	(41)
Net cash outflow from investing activities		(31)	(41)
Cash flows from financing activities			
Scottish Government funding and retained pension contributions		100,680	130,636
Net cash inflow from financing activities		100,680	130,636
Net decrease in cash and cash equivalents		1,313	(423)
Cash and cash equivalents as at 1 April	16	1,387	1,810
Cash and cash equivalents as at 31 March	16	2,700	1,387

Scottish Legal Aid Fund
Statement of changes in taxpayers equity for the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Balance at 1 April		(58,524)	(45,488)
Changes in taxpayers' equity			
Net cost of operations		(114,582)	(139,403)
Net movement on pension scheme	20	(3,008)	(4,269)
Total recognised income and expense		(117,590)	(143,672)
Funding from the Scottish Government		100,500	130,457
Retained pension contributions & transfers in		180	179
Total funding		100,680	130,636
Balance at 31 March		(75,434)	(58,524)

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

1 Accounting policies

1.1 Basis of accounting

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2020-21 *Government Financial Reporting Manual* (FReM). Without limiting the information given, the accounts follow generally accepted accounting practices as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context and in accordance with the Accounts Direction given by Scottish Ministers. The accounting policies selected have been applied consistently in dealing with items considered material in relation to the accounts.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account, where material, for the revaluation of property, plant and equipment and intangible assets to fair value as determined by the relevant accounting standard. However, given the short useful economic lives and low values of property, plant and equipment and intangible assets, these assets are disclosed on a depreciated historical cost basis, which is used as a proxy for fair value.

1.3 Corresponding amounts

Corresponding amounts are shown for the primary financial statements and for the notes to the accounts. Where corresponding amounts are not directly comparable with the amount shown in the current financial year, International Accounting Standard 1 "*Presentation of Financial Statements*" requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

1.4 New accounting standards

A number of new accounting standards and amendments made to existing standards come in to force in future accounting periods and have therefore not been applied for 2020-21. The new standards considered relevant to SLAB and the anticipated impact on the accounts are as follows:

IFRS 16 - Leases

This standard comes into effect for public sector bodies for accounting periods beginning after 1 April 2022. The distinction between finance and operating leases is removed and all leases become on balance sheet.

Impact of the new standard

We have assessed the impact IFRS16 would have had on the SoCNE and SoFP if it had been applied to our existing leases for the year ending 31st March 2021.

SoCNE impacts IFRS16	£k
Depreciation expected	90
Interest expense expected	20
IAS17 rental payments expected	(62)
Increased expenditure	48

SoFP impacts IFRS16	£k
Existing IAS17 operating leases - right to use asset	795
Right to use asset	795
Existing IAS17 operating lease - lease liability	(840)
Lease liability	(840)

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

1.5 Funding

Most of the expenditure of the Scottish Legal Aid Fund is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund. All income that is not classed as funding is recognised in the period in which it is receivable. Funding for the acquisition of general property, plant and equipment received from the Scottish Government is credited to the general fund.

1.6 Principal risks and uncertainties

The principal risks and uncertainties in the Scottish Legal Aid Fund accounts relate to the estimation techniques used to calculate the value of unbilled live cases disclosed in the accounts as a provision, the bad debt estimation and pension liabilities as detailed in notes 19, 12 and 20 respectively to the accounts. Further information on sources of estimation and uncertainty can be found at note 25.

1.7 Property, plant and equipment (PPE)

Property, plant and equipment is capitalised at the cost of acquisition and installation.

The Government Financial Reporting Manual provides for entities to elect to adopt a depreciated historical cost basis as a proxy for fair value for assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for fair value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class. Given that property, plant and equipment held by the Scottish Legal Aid Fund is of low value and has a short useful economic life, there is no revaluation of property, plant and equipment.

The threshold for capitalisation of property, plant and equipment is £5,000; however, individual items of property, plant and equipment whose cost falls below the threshold but are of a similar nature are grouped and capitalised, where the value of the group exceeds the capitalisation threshold.

Subsequent costs are included in the carrying amount of the item of property, plant and equipment or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Scottish Legal Aid Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive net expenditure during the financial year in which they are incurred.

1.8 Depreciation

Depreciation is provided on all property, plant and equipment on a straight line basis, at rates calculated to write-off the re-valued cost, less estimated residual value, of each asset over its expected useful life as follows:

- office equipment and furniture: 5 years
- personal computer hardware and integral software: 3 years
- motor vehicles: 3 years
- other computer hardware: 5 years

Property, plant and equipment in the course of construction are not depreciated until the asset is brought into use.

1.9 Intangible assets

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of International Accounting Standard 38. The standard defines future economic benefit as “revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity”.

Given the short useful lives and low values of intangible assets, the Scottish Legal Aid Fund has elected to adopt a depreciated historical cost basis as a proxy for fair value for intangible assets.

When capitalising internally generated intangible assets, such as in-house developed software, directly attributable costs, including staff costs and staff-related costs, are capitalised. On first time-adoption there has been no retrospective capitalisation of internally generated assets because of the inability to apportion historic cost information to specific intangible assets.

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

Intangible assets are amortised over the shorter term of the length of life of licence and its useful economic life. Intangible assets in the course of construction are not amortised until the asset is brought into use.

1.10 Income and expenditure recognition

Income and expenditure is accounted for in the year to which it relates and not when cash payments are made or received. Where income and expenditure has been recognised but cash has not been received or paid, a receivable or payable for the corresponding amount is recorded in the Statement of Financial Position. For expenditure, only invoices over £500 are accrued or prepaid.

IFRS 15 - Revenue from contracts with customers

IFRS 15 adapted for the public sector came into effect from 1 January 2019. Due to the unusual nature of The Scottish Legal Aid Fund, all income from client contributions and awards of expenses are deemed to derive from a non-exchange contract and, as such, are not party to the guidance in relation to income recognition in line with performance objectives.

The Scottish Legal Aid Fund's primary function is to assess applications and grant legal aid funding, we deem all obligations to have been met once legal aid has been granted.

1.11 Grant Funding

SLAB administers grant funding programmes on behalf of the Scottish Government who provide ring fenced funding. The Scottish Government funding is included in the DEL (Delegated Expenditure Limit) budget for SLAB.

1.12 Operating leases

Rentals applicable to operating leases are charged to the statement of comprehensive net expenditure on a straight-line basis over the period of the lease.

1.13 Provisions for liabilities and charges

The liability to pay accounts resulting from work performed up to and including 31 March is calculated based on the number of outstanding legal aid certificates and estimates of cost and time since the certificate was issued. The amount of the provision falling due within twelve months is shown within current liabilities; the amount of the provision falling due in over twelve months is shown in non-current liabilities. The nature of our provision does not lend itself to regular repayments and, as such, present value is not utilised in the calculation.

1.14 Short term employee benefits

Short term employee benefits (such as accrued holiday pay) are valued and, if material, included in current liabilities.

1.15 Pension costs (Public Defence Solicitors' Office, Solicitor Contact Line, Glasgow Courts, Civil Legal Assistance Office staff)

The Legal Aid (Scotland) Pension Scheme 1988 (as amended) is an unfunded pension scheme providing benefits based on pensionable pay. The liabilities of the scheme are reported separately from those of the Board. Pension scheme 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. The amounts charged to the statement of comprehensive net expenditure represent both the service cost (i.e. the cost of the additional benefits earned as a result of employees' service in the current year) and the finance charge for the year arising from the interest on the scheme notional liabilities, in line with the requirements of International Accounting Standard 19 "*Employee benefits*".

1.16 VAT

The organisation is not registered for VAT and all costs are shown inclusive of irrecoverable VAT.

1.17 Losses and special payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the Scottish Legal Aid Fund not been bearing its own risks. Losses and special payments are disclosed separately in a note to the accounts (note 21).

1.18 Related party disclosures

Related party transactions are identified, considered and disclosed in line with the requirements of International Accounting Standard 24 "*Related party disclosures*" (note 22).

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

1.19 Financial instruments

The classification of financial assets is determined on initial recognition and comprises only receivables with fixed or determinate payments. Financial assets include trade and other receivables and cash at bank in the statement of financial position. Receivables are recognised at fair value less any provision for non-recovery, which is charged to the statement of comprehensive net expenditure. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or been substantially transferred from the Fund.

Financial liabilities are classified at the point of initial recognition and comprise trade and other payables. Financial liabilities are valued at fair value and derecognised when they have been extinguished i.e. discharged, cancelled or expired.

1.20 Changes in estimation techniques

There have been no material changes in estimation techniques between 2019-20 and 2021-21.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

2 Segmental analysis

	Civil legal assistance £000	Criminal legal assistance £000	Children's legal assistance £000	Total £000
Legal aid				
Solicitors' fees	20,021	35,600	1,501	57,122
Advocates' fees	3,061	4,618	236	7,915
Solicitor advocates' fees	12	1,817	-	1,829
Outlays	7,626	2,304	143	10,073
Expenses paid to successful unassisted persons	98	-	-	98
	30,818	44,339	1,880	77,037
Advice & assistance and advice by way of representation				
Solicitors' charges	16,826	11,050	1,819	29,695
Outlays	4,818	309	96	5,223
	21,644	11,359	1,915	34,918
Civil Legal Assistance Office/Public Defence Solicitors' Office/Solicitor Contact Line				
Outlays	34	155	-	189
Salaries and wages	897	2,490	-	3,387
Social security costs	87	264	-	351
Pension scheme service costs	723	851	-	1,574
Accommodation	89	140	-	229
Audit fee	2	4	-	6
Rentals under operating leases	48	121	-	169
Depreciation and amortisation	-	19	-	19
Other operating costs	62	203	-	265
	1,942	4,247	-	6,189
Grant funding	3,156	-	-	3,156
Total expenditure	57,560	59,945	3,795	121,300
Operating income	(7,453)	-	-	(7,453)
Net operating costs 2020-21	50,107	59,945	3,795	113,847
Net operating costs 2019-20	54,332	78,424	5,415	138,171

The following items, which it is either impossible or impractical to allocate between reportable segments, are required in order to reconcile the total segment measures to respective amounts included in the financial statements:

	£000
Segmental net operating costs	113,847
Contempt of court	38
Quality assurance costs	37
Advice Standards	101
Miscellaneous legal aid expenditure	28
Bad debt (including impairment charges)	178
Net operating costs before interest per statement of comprehensive net expenditure	114,229

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

3 Civil legal assistance expenditure	2020-21 £000	2019-20 £000
Civil legal aid		
Solicitors' fees	20,021	22,699
Advocates' fees	3,061	3,727
Solicitor advocates' fees	12	17
Outlays	7,626	8,900
	<u>30,720</u>	<u>35,343</u>
Expenses paid to successful unassisted persons	98	155
	<u>30,818</u>	<u>35,498</u>
Civil advice & assistance and advice by way of representation		
Solicitors' fees	16,826	16,565
Outlays	4,818	5,916
	<u>21,644</u>	<u>22,481</u>
Civil Legal Assistance Office		
Civil defence costs - outlays	34	90
Salaries and wages	897	949
Social security costs	87	94
Pension scheme service costs	723	541
Accommodation	89	113
Audit fee	2	2
Rentals under operating leases	48	41
Depreciation and amortisation	-	-
Other operating costs	62	93
	<u>1,942</u>	<u>1,923</u>
Grant funding	3,156	2,720
	<u>57,560</u>	<u>62,622</u>
Gross civil legal assistance expenditure	57,560	62,622
Less operating income (see note 4)	<u>(7,453)</u>	<u>(8,290)</u>
Total net civil legal assistance expenditure	<u>50,107</u>	<u>54,332</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2021 (see note 19).

4 Civil legal assistance income	2020-21 £000	2019-20 £000
Contributions by assisted persons ¹	1,673	2,348
Expenses recovered ²	5,206	4,964
Amounts recovered out of property recovered or preserved by assisted persons ³	(22) ⁴	94
Amounts recovered from damages	596	884
Total operating income	<u>7,453</u>	<u>8,290</u>

¹ Contributions by assisted persons is shown net of any refunds. Amongst the reasons refunds may arise are:

- the financial circumstances of the assisted person having changed;
- the total cost of the case being less than the contribution; or
- the cost of a case having been fully recovered from a third party.

² Expenses recovered are shown net of any adjustments, which may arise because the legal aid account has been taxed (re-assessed) by the Auditor of Court.

³ Included in the amounts recovered out of property recovered or preserved by assisted persons are sums relating to assets over which SLAB has taken a standard security. Under certain circumstances, SLAB will

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

securitise assets such as property until the debt is repaid. Any outstanding sum will attract interest at 8% a year, unless the rate is adjusted by an Act of Sederunt, until the balance is settled. The total value of securitised assets for 2020-21, including accrued interest, is £450k (2019-20: £438k).

⁴The negative value has been caused by low values in the year being entirely offset by reversing accounting entries from the prior year.

5 Criminal legal assistance expenditure	2020-21 £000	2019-20 £000
Criminal legal aid		
Solicitors' fees	35,600	46,224
Advocates' fees	4,618	8,971
Solicitor advocates' fees	1,817	2,525
Outlays	2,304	3,882
	<u>44,339</u>	<u>61,602</u>
Criminal advice & assistance and advice by way of representation		
Solicitors' fees	11,050	12,323
Outlays	309	422
	<u>11,359</u>	<u>12,745</u>
Public Defence Solicitors' Office (PDSO)		
Criminal defence costs - outlays	150	323
Salaries and wages	1625	1,498
Social security costs	182	170
Pension scheme service costs	648	486
Accommodation	127	132
Audit fee	3	3
Rentals under operating leases	121	86
Depreciation and amortisation	19	18
Other operating costs	177	165
	<u>3,052</u>	<u>2,881</u>
Solicitor Contact Line & Glasgow Courts (SCL)		
Criminal defence costs - outlays	3	24
Salaries and wages	866	897
Social security costs	83	84
Pension scheme service costs	203	149
Accommodation	13	13
Audit fee	1	1
Other operating costs	26	28
	<u>1,195</u>	<u>1,196</u>
Total PDSO and SCL	<u>4,247</u>	<u>4,077</u>
Total criminal legal assistance expenditure	<u>59,945</u>	<u>78,424</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2021 (see note 19).

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

6 Legal aid for children	2020-21 £000	2019-20 £000
Children's legal aid		
Solicitors' fees	1,501	2,108
Advocates' fees	236	366
Outlays	143	279
	<u>1,880</u>	<u>2,753</u>
Children's advice & assistance and ABWOR		
Solicitors' fees	1,819	2,496
Outlays	96	166
	<u>1,915</u>	<u>2,662</u>
Total children's legal assistance expenditure	<u>3,795</u>	<u>5,415</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2021 (see note 19).

7 Contempt of court	2020-21 £000	2019-20 £000
Solicitors' fees	30	200
Advocates' fees	2	7
Solicitor advocates' fees	4	1
Outlays	2	7
	<u>38</u>	<u>215</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2021.

8 Public Defence Solicitors' Office staff	2020-21 £000	2019-20 £000
Staff costs		
Staff salaries and wages	1,625	1,498
Social security costs	182	170
Pension scheme service costs	648	486
	<u>2,455</u>	<u>2,154</u>
	2020-21 Average WTE	2019-20 Average WTE
Staff numbers		
Operations and legal services	24	23
Administration and support functions	21	14
	<u>45</u>	<u>37</u>

Public Defence Solicitors' Office pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

9 Solicitor Contact Line & Glasgow Courts staff	2020-21 £000	2019-20 £000
Staff costs		
Staff salaries and wages	858	897
Social security costs	82	84
Agency/temporary/contract	8	-
Pension scheme service costs	203	149
	<u>1,151</u>	<u>1,130</u>

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

	2020-21 Average WTE	2019-20 Average WTE
Staff numbers		
Operations and legal services (SCL)	14	16
Administration and support services (GC)	3	2
	<u>17</u>	<u>18</u>

Solicitor Contact Line and Glasgow Courts pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

10 Civil Legal Assistance Office staff	2020-21 £000	2019-20 £000
Staff costs		
Staff salaries and wages	866	912
Social security costs	87	94
Agency/temporary/contract	31	37
Pension scheme service costs	723	541
	<u>1,707</u>	<u>1,584</u>

	2020-21 Average WTE	2019-20 Average WTE
Staff numbers		
Operations and legal services	12	13
Administration and support functions	12	11
Agency/temporary/contract	2	2
	<u>26</u>	<u>26</u>

Civil Legal Assistance Office pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

11 Advice Standards staff	2020-21 £000	2019-20 £000
Staff costs		
Staff salaries and wages	74	85
Social security costs	7	8
	<u>81</u>	<u>93</u>

	2020-21 Average WTE	2019-20 Average WTE
Staff numbers		
Administration and support functions	2	2
	<u>2</u>	<u>2</u>

Advice Standards pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

12 Bad debt (including impairment charges)	2020-21 £000	2019-20 £000
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Irrecoverable amounts (including impairment charges)	<u>178</u>	<u>187</u>
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The sums written off during the year were £0.5m (2019-20: £0.7m). The figures shown are the overall movement in the provision which has actually fallen this year by £365k (from £2,400k to £2,035k) the £178k increase shown is the difference between the drop of £365k plus the add-back for amounts utilised in the year of £543k.

13 Property, plant and equipment	PC/ computer hardware £000
Cost or valuation	
Balance at 1 April 2020	74
Additions	31
Disposals	-
As at 31 March 2021	<u>105</u>
Depreciation	
Balance at 1 April 2020	34
Disposals	-
Provided during year	19
As at 31 March 2021	<u>53</u>
Net book value at 31 March 2021	<u>52</u>
Net book value at 31 March 2020	<u>40</u>

These assets relate to the operation of the Public Defence Solicitors' Office and Civil Legal Assistance Office.

14 Intangible assets	Software £000
Cost or valuation	
Balance at 1 April 2020	23
As at 31 March 2021	<u>23</u>
Amortisation	
Balance at 1 April 2020	23
Provided during year	-
As at 31 March 2021	<u>23</u>
Net book value at 31 March 2021	<u>-</u>
Net book value at 31 March 2020	<u>-</u>

These assets relate to the operation of the Public Defence Solicitors' Office, Civil Legal Assistance Office and Solicitor Contact Line.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

15 Trade and other receivables	2021 £000	2020 £000
Bodies external to Government		
Contributions due from assisted persons	6,874	7,374
Expenses to be recovered	722	753
Amounts due out of property recovered or preserved by assisted persons	2,582	2,467
Prepayments and other debtors	299	323
	<u>10,477</u>	<u>10,917</u>

Amounts falling due in less than one year included above are:

Bodies external to Government		
Contributions due from assisted persons	1,169	1,916
Expenses to be recovered	22	23
Amounts due out of property recovered or preserved by assisted persons	64	81
Prepayments and other debtors	299	323
	<u>1,554</u>	<u>2,343</u>

Amounts falling due after more than one year included above are:

Bodies external to Government		
Contributions due from assisted persons	5,705	5,458
Expenses to be recovered	700	730
Amounts due out of property recovered or preserved by assisted persons	2,518	2,386
	<u>8,923</u>	<u>8,574</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 £000	2020 £000
Balance as at 1 April	2,400	2,951
Increase in provision	178	187
Provision utilised in the year	<u>(543)</u>	<u>(738)</u>
As at 31 March	<u>2,035</u>	<u>2,400</u>

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

16 Cash and cash equivalents	2021 £000	2020 £000
Cash at bank and in hand	1,577	299
Principal sums* (note 17)	1,066	1,031
Funds held under arrestment pending resolution (note 17)	57	57
	2,700	1,387

*Principal sums consist of damages and other money recovered on behalf of assisted persons. They are held in an interest bearing account until all the financial transactions for a case are concluded. Once the net liability to the Legal Aid Fund can be settled, the remaining balance due will be transferred to the assisted person. The movement in the account during the year was as follows:

	2021 £000	2020 £000
Balance as at 1 April	1,031	1,344
Received during the year	985	1,083
Interest received during year	1	3
	986	1,086
Less:		
Sums repaid to assisted persons	352	509
Interest paid to assisted persons	2	5
Amounts recovered from damages received	597	885
Amounts transferred to fund	-	-
	951	1,399
Balance as at 31 March	1,066	1,031

17 Trade and other payables	2021 £000	2020 £000
Bodies external to Government		
Accruals	148	124
Amounts due to solicitors and advocates	957	564
Principal sums (note 16)	1,066	1,031
Arrestments (note 16)	57	57
	2,228	1,776

18 Financial instruments	2021 £000	2020 £000
Financial assets		
Trade and other receivables (see note 15)	10,178	10,594
Cash	1,465	177
Financial liabilities		
Other - trade and other payables (see note 17)	(957)	(564)

The Fund is exposed to credit, liquidity and market risk. Management believes that liquidity and market risks are low. Other than interest bearing current accounts, the Fund has no interest bearing assets or liabilities, substantially eliminating the impact of changes in interest rates, and is not exposed to foreign exchange rates.

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

Expected credit loss

Trade and other receivables are primarily due from individuals, which exposes the Fund to credit risk. Credit risk is the financial loss to the Fund if an individual fails to repay their contribution or other monies due. The Fund operates a debt management process, including monitoring and escalation procedures to recover monies outstanding. Where material, a provision recognising SLAB's expected credit loss is made for non-recovery (see note 12 for movements) based on the age of debts and experience of collecting overdue debts. The maximum exposure to credit risk at 31 March 2021 was £10,178k (31 March 2020: £10,594k). Financial assets are carried at amortised cost (net of any provision for non-recovery) as an approximation of fair value.

Fair Value Hierarchy

Financial assets are assessed as Level 3 instruments in the fair value hierarchy meaning, Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. There has been no movement between hierarchy levels since the previous financial year.

19 Provisions for liabilities and charges	2021 £000	2020 £000
Provision for amounts outstanding on granted legal aid cases		
As at 1 April	49,486	42,225
Additions and increase to provision	58,265	49,965
Amounts used in the period	(24,802)	(28,839)
Unused amounts reversed in the period	(21,012)	(13,865)
As at 31 March	61,937	49,486
 Split between:		
Current liabilities	49,972	36,776
Non-current liabilities	11,965	12,710

The organisation estimates the value of unbilled live cases each year to arrive at the amounts disclosed within the accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the end of the reporting period following the requirements of International Accounting Standard 37 "*Provisions, contingent liabilities and contingent assets*". In estimating the provision, the organisation has adopted prudent measurement techniques based on the latest data available. No income is anticipated for cases that may successfully recover costs.

In 2020-21 lockdowns and social distancing due to the Covid-19 pandemic had a significant effect on the Scottish Courts system which, in turn, caused slow down of Legal Aid cases between the granting of applications and payment stages. This, along with the introduction of special Covid-19 related interim payments to assist the profession, meant the calculation method for this provision had to be adjusted slightly. It is not significantly changed from the prior year but it does differ.

20 Pension arrangements

SLAB operates a contributory defined benefit pension scheme.

The Legal Aid (Scotland) Pension Scheme 1988 (as amended) sets out the conditions for entitlement and determines the rate at which benefits are payable. The scheme is set up under paragraph 8(3) of Schedule 1 to the Legal Aid (Scotland) Act 1986 which gives SLAB power to make rules to provide pensions, allowances or gratuities for its employees. The scheme is administered on behalf of the organisation by the Scottish Public Pensions Agency, an Executive Agency of Scottish Government at a cost of £36,240 per annum.

From 1st October 2010 the scheme was split into 2 sections, the Pre October 2010 section for existing members and the Post October 2010 section for new members. The Pre October 2010 section calculates pension benefits on the best year's pensionable pay in the last three years of service whilst the Post October 2010 section uses an average of the best three years' consecutive pensionable pay in the last 10 years.

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

Although SLAB operates a single scheme for all staff, the income, costs and liabilities are apportioned between staff funded by the Scottish Legal Aid Fund, the Public Defence Solicitors' Office, Civil Legal Assistance Office and Solicitor Contact Line staff; and staff funded from the Scottish Legal Aid Board's Grant-in-Aid.

There being no assets held, the scheme is unfunded. The pensions and other benefits are met as they fall due. Scheme members pay contributions at a rate of 6% of pensionable remuneration. Contributions from Public Defence Solicitors' Office, Civil Legal Assistance Office, and Solicitor Contact Line staff were £178,000 (2019-20 £171,000). These contributions, along with transfers from other schemes, are used to offset expenditure.

An actuarial valuation of the scheme was carried out as at 31 March 2021 by Buck Consultants, the agreed fee for this service was £12,000. The major assumptions used by Buck Consultants were:

	31 March 2021	31 March 2020
Discount rate per annum	1.25%	1.80%
Revaluation of deferred pensions	2.20%	2.35%
Increases to pensions in payment	2.20%	2.35%
Long-term salary increases	See below	3.85%
Long-term inflation	2.20%	2.35%

In line with government policy, the measure of inflation used in the scheme is the Consumer Prices Index ('CPI'). The assumption adopted for salary increases is 3.10% to 31 March 2022, 3.70% from 1 April 2022 and 2.70% from February 2030 onwards.

Mortality assumptions are determined based on standard mortality tables. The assumptions are based on the Continuous Mortality Investigation Bureau's tables as recommended by our actuary, and imply the following life expectancy:

	Life expectancy in years	
	2020-21	2019-20
Male - aged 60	87.1	87.0
Female - aged 60	89.4	89.3
Male - aged 40	88.9	88.8
Female - aged 40	90.8	90.8

Analysis of the amount charged to operating costs	2020-21 £000	2019-20 £000
Current service cost (see notes 8, 9 & 10)	1,574	1,176
Finance charges on pension scheme liabilities	353	401
	<u>1,927</u>	<u>1,577</u>
Reconciliation of the liability in the scheme over the year:	2021 £000	2020 £000
Scheme liability at the beginning of the year	19,608	13,841
Movement in year		
Current service cost	1,574	1,176
Benefits paid	(45)	(79)
Finance charge	353	401
Changes in financial assumptions	1,278	3,904

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

Changes in demographic assumptions	-	194
Actuarial gain	<u>1,731</u>	<u>171</u>
Scheme liability at the end of the year	<u>24,499</u>	<u>19,608</u>

The pension liability is split between the Scottish Legal Aid Fund and the Scottish Legal Aid Board. The full liability is £159.3m (2019-20: £142.8m).

Amounts for the current and previous four years are as follows:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	<u>24,499</u>	<u>19,608</u>	<u>13,841</u>	<u>14,125</u>	<u>12,008</u>
Experience adjustments on plan liabilities	<u>(1,731)</u>	<u>(171)</u>	<u>(224)</u>	<u>110</u>	<u>452</u>

The defined benefit obligation has been calculated by our actuary using the major assumptions detailed above. Estimation of the net liability depends on a number of complex judgements which are sensitive to changes. The effect on net pensions of changes in the major assumptions are detailed in the table below:

Assumption	Change in Assumption	Change in Pension Scheme Liability £000
Discount rate per annum	- 0.25%	2,074
Long-term salary increases	+ 0.25%	847
Long-term inflation	+ 0.25%	1,186
Life expectancy	+1 year	796

This table shows the impact of changing each assumption in isolation, with all the other assumptions remaining unchanged. A 0.25% decrease in the discount rate assumption at 31 March 2021, from 1.25% to 1.00% would therefore increase the pension scheme liability from £24,499k to £26,573k (an increase of £2,074k). The effect of changing the assumption in the opposite direction would be to reduce the liabilities by a similar amount.

21 Losses and special payments

	2020-21 No of cases	£000	2019-20 No of cases	£000
Write-off of bad debt	717	543	1,004	738
Special payments*	<u>9</u>	<u>3</u>	<u>6</u>	<u>7</u>
	<u>726</u>	<u>546</u>	<u>1,010</u>	<u>745</u>

* There are cases where, in good faith, a solicitor or counsel provides advice for which SLAB cannot pay under the letter of the Act or Regulations. There are also cases where an error is made by SLAB. In such cases, the organisation may make an ex-gratia payment, without prejudice, of compensation up to an agreed limit.

22 Related party disclosures

The Scottish Legal Aid Board is a Non Departmental Public Body funded by grant-in-aid from the Scottish Government. During the year, the organisation had a number of other transactions with the Scottish Courts Service.

Scottish Legal Aid Fund

Notes to the accounts for the year ended 31 March 2021

During the year, the organisation entered into transactions of a value greater than £1,000 with the following related parties.

	2020-21 £000	2019-20 £000
Paul Reid ¹	-	54
David Sheldon QC	-	3

These related parties are Board members who transacted with the organisation at any time during the year. They were active legal aid practitioners and all the transactions arise from providing legal aid to assisted persons in the normal course of their profession, via their firms. The amounts detailed include outlays and VAT but do not include amounts paid for work carried out, on behalf of other firms, as an Edinburgh agent.

¹ Paul Reid has no value showing for 2020-21 as he ceased to be a Board member in 2019-20 and so any transactions in the 2020-21 year were not related party transactions.

23 Capital commitments

No capital commitments existed at the end of reporting period.

24 Operating leases

Total commitments, at 31 March, under operating leases are as follows:

Leases expiring:

In one year or less

between one and five years

in five years or more

	2021		2020	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	25	-	38	-
between one and five years	495	-	355	-
in five years or more	-	-	-	-
	<u>520</u>	<u>-</u>	<u>393</u>	<u>-</u>

25 Assumptions about the future and other major sources of uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be predicted with certainty, actual results may differ materially.

The items in SLAB's accounts as at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability depends on a number of complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. A firm of actuaries is contracted to conduct an actuarial valuation of SLAB's scheme and provide expert advice about the assumptions to be applied.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a change of -0.25% in the discount rate assumption would result in an increase in the pensions liability of £2.1m, a change of +0.25% in the salary increase rate would result in an increase in liabilities of £0.8m, a change of +0.25% to the inflation assumption would result in an increase in liabilities of £1.2m and increasing the life expectancy

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2021

		assumptions by 1 year would result in an increase to liabilities of £0.8m.
Fund Provision	The major assumption in calculating the fund provision is the average maximum case duration. This is estimated based on experience of past events and trends but is subject to change.	The impact of changing the maximum case duration percentage by +0.5% would increase the provision liability by £1.4m from £61.9m to £63.3m. The impact of changing the assumption in the opposite direction would be to reduce the liability by a similar amount.
Bad Debts	At 31 March 2021 SLAB has a debtor balance of £10.2m. A sample of debts reviewed suggests that an impairment of doubtful debts of £0.2m, taking the provision for doubtful debts to £2m, would be appropriate. However, in the current economic climate, this figure could change.	We are unable to calculate what the effect would be of choosing a bigger sample as the outcome of the test depends largely on which debts are reviewed and the sample chosen is random.

26 Contingent liabilities

There are no contingent liabilities for Fund:

27 Events after the end of the reporting period

No events have occurred since the end of the reporting period and the time these accounts were signed that would materially affect the information provided.

Scottish Legal Aid Board
Statement of comprehensive net expenditure for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Expenditure			
Staff costs	30	13,248	12,166
Depreciation and amortisation	33 & 34	446	431
Loss on disposal of plant, equipment and intangibles	33 & 34	-	-
Other administrative expenses	31	<u>1,987</u>	<u>2,550</u>
Operating costs		15,681	15,147
Income			
Income from shared services	32	<u>(547)</u>	<u>(518)</u>
Net operating costs before interest		15,134	14,629
Pension scheme finance costs	39	<u>2,202</u>	<u>2,795</u>
Net operating costs		<u>17,336</u>	<u>17,424</u>

All income and expenditure is derived from continuing activities.

Scottish Legal Aid Board
Statement of financial position as at 31 March 2021

	Notes	£000	£000
Non-current assets			
Property, plant and equipment	33	9,746	9,977
Intangible assets	34	48	36
Total non-current assets		<u>9,794</u>	<u>10,013</u>
Current assets			
Trade and other receivables	35	976	603
Cash and cash equivalents		760	767
Total current assets		<u>1,736</u>	<u>1,370</u>
Total assets		<u>11,530</u>	<u>11,383</u>
Current liabilities			
Trade and other payables	36	(300)	(208)
Total current liabilities		<u>(300)</u>	<u>(208)</u>
Non-current assets plus net current assets		<u>11,230</u>	<u>11,175</u>
Non-current liabilities			
Pension scheme liability	39	(134,839)	(123,215)
Total non-current liabilities		<u>(134,839)</u>	<u>(123,215)</u>
Assets less liabilities		<u>(123,609)</u>	<u>(112,040)</u>
Taxpayers' equity			
General fund		(130,046)	(118,495)
Revaluation reserve		6,437	6,455
Total taxpayers' equity		<u>(123,609)</u>	<u>(112,040)</u>

The Accountable Officer authorised these financial statements for issue on 6th December 2021.



Colin Lancaster
Chief Executive and Accountable Officer
06 December 2021

The notes on pages 108 to 117 form part of these accounts and should be read with the statements above.

Scottish Legal Aid Board
Statement of cash flows for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating cost before Scottish Government funding		(17,336)	(17,424)
Adjustments for non-cash items			
Depreciation on property, plant and equipment and amortisation of intangible assets	33 & 34	446	431
Loss on disposal of property, plant and equipment	33	-	-
Movements in working capital			
(Increase)/Decrease in trade and other receivables	35	(373)	233
Increase/(Decrease) in trade and other payables	36	92	3
Movements in provisions			
Pension scheme service and finance costs	39	6,268	5,978
Payments in respect of pension scheme	39	(1,770)	(1,564)
Net cash outflow from operating activities		<u>(12,673)</u>	<u>(12,343)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	33	(224)	(73)
Purchase of intangible assets	34	(20)	(23)
Net cash outflow from investing activities		<u>(244)</u>	<u>(96)</u>
Cash flows from financing activities			
Scottish Government funding and retained pension contributions		<u>12,910</u>	<u>12,756</u>
Net cash inflow from financing activities		<u>12,910</u>	<u>12,756</u>
Net Increase/(Decrease) in cash and cash equivalents		(7)	317
Cash and cash equivalents as at 1 April		<u>767</u>	<u>450</u>
Cash and cash equivalents as at 31 March		<u>760</u>	<u>767</u>

Scottish Legal Aid Board
Statement of changes in taxpayers equity for the year ended 31 March 2021

	Notes	2021 General Fund £000	2021 Revaluation Reserve £000	2020 General Fund £000	2020 Revaluation Reserve £000
Balance at 1 April		(118,494)	6,455	(92,191)	5,139
Changes in taxpayers' equity					
Net cost of operations		(17,336)	-	(17,424)	-
Net movement on pension scheme	39	(7,126)	-	(21,635)	-
Revaluation reserve movement		-	(18)	-	1,316
Total recognised income and expense		(24,462)	(18)	(39,059)	1,316
Scottish Government grant in aid		12,422	-	12,300	-
Retained pension contributions & transfers in		488	-	456	-
Total funding		12,910	-	12,756	-
Balance at 31 March		(130,046)	6,437	(118,494)	6,455

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

28 Accounting policies

28.1 Basis of accounting

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2020-21 *Government Financial Reporting Manual* (FReM). Without limiting the information given, the accounts follow generally accepted accounting practices as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context and in accordance with the Accounts Direction given by Scottish Ministers. The accounting policies selected have been applied consistently in dealing with items considered material in relation to the accounts.

28.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account, where material, for the revaluation of property, plant and equipment and intangible assets to fair value as determined by the relevant accounting standard. However, given the short useful economic lives and low values IT equipment, furniture and intangible assets, these assets are disclosed on a depreciated historical cost basis, which is used as a proxy for fair value.

28.3 Corresponding amounts

Corresponding amounts are shown for the primary financial statements and for the notes to the accounts. Where corresponding amounts are not directly comparable with the amount shown in the current financial year, International Accounting Standard 1 “Presentation of financial statements” requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

28.4 New accounting standards

A number of new accounting standards and amendments made to existing standards come in to force in future accounting periods and have therefore not been applied for 2020-21. The standards considered relevant to SLAB and the anticipated impact on the accounts are as follows:

IFRS 16 - Leases

This standard comes into effect for public sector bodies for accounting periods beginning after 1 April 2022. The distinction between finance and operating leases is removed and all leases become on balance sheet. Due to the low value of operating leases in SLAB’s Admin accounts, we do not expect the impact of this change to be significant.

28.5 Funding

Most of the expenditure of the Scottish Legal Aid Board is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund. All income that is not classed as funding is recognised in the period in which it is receivable. Funding for the acquisition of general property, plant and equipment received from the Scottish Government is credited to the general fund.

28.6 Principal risks and uncertainties

The principal risks and uncertainties in the Scottish Legal Aid Board accounts relate to the estimation of the Pension Scheme liability as disclosed in note 39 to the accounts. The scheme liability is calculated annually by SLAB’s actuary and the major assumptions are also disclosed in note 39.

28.7 Property, plant and equipment (PPE)

Property - Land and Buildings

Land and buildings are carried at fair value. Fair value is assessed by performing a full valuation at least every five years, and an interim valuation in year three. Interim valuations are also carried out in the intervening years where it is deemed likely that there has been a material change in value. The valuations are carried out by professionally qualified valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, in so far as those standards are consistent with the FReM.

An interim valuation was undertaken at 31 March 2021 by District Valuers of the Valuation Office Agency, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, acting in the capacity of external valuers.

Plant and Equipment

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

Plant and equipment is capitalised at the cost of acquisition and installation.

The Government Financial Reporting Manual provides for entities to elect to adopt a depreciated historical cost basis as a proxy for fair value for assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for fair value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class.

The threshold for capitalisation of plant and equipment is £5,000; however, individual items of plant and equipment whose cost falls below the threshold but are of a similar nature are grouped and capitalised, where the value of the group exceeds the capitalisation threshold.

Subsequent costs are included in the carrying amount of the item of plant and equipment or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Scottish Legal Aid Board and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive net expenditure during the financial year in which they are incurred.

28.8 Depreciation

Depreciation is provided on all property, plant and equipment on a straight line basis, at rates calculated to write-off the re-valued cost, less estimated residual value, of each asset over its expected useful life as follows:

- buildings: 40 years
- plant and equipment: 2 - 15 years
- personal computer hardware and integral software: 3 years
- other computer hardware: 5 years
- office equipment and furniture: 5 years
- motor vehicles: 3 years

Depreciation is not applied until an asset becomes operational. Property, plant and equipment in the course of construction is not depreciated until the asset is brought into use.

Land is regarded as having an unlimited useful life and is therefore not depreciated.

28.9 Intangible assets

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of International Accounting Standard 38. The standard defines future economic benefit as “revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity”.

Given the short useful lives and low values of intangible assets, the Scottish Legal Aid Board has elected to adopt a depreciated historical cost basis as a proxy for fair value for intangible assets.

When capitalising internally generated intangible assets, such as in-house developed software, directly attributable costs, including staff costs and staff-related costs, are capitalised. On first time-adoption there has been no retrospective capitalisation of internally generated assets because of the inability to apportion historic cost information to specific intangible assets.

Intangible assets are amortised over the shorter term of the length of life of licence and its useful economic life. Intangible assets in the course of construction are not amortised until the asset is brought into use.

28.10 Income and expenditure recognition

Income and expenditure is accounted for in the year to which it relates and not when cash payments are made or received. Where income and expenditure has been recognised but cash has not been received or paid, a receivable or payable for the corresponding amount is recorded in the Statement of Financial Position. For expenditure, only invoices over £500 are accrued or prepaid.

28.11 Operating leases

Rentals applicable to operating leases are charged to the statement of comprehensive net expenditure on a straight-line basis over the period of the lease.

28.12 Provisions for liabilities and charges

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

Provisions for liabilities and charges are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations, arising from past events that exist at the statement of financial position date.

28.13 Short term employee benefits

Short term employee benefits (such as accrued holiday pay) are valued and, if material, included in current liabilities.

28.14 Pension costs

The Legal Aid (Scotland) Pension Scheme 1988 (as amended) is an unfunded pension scheme providing benefits based on pensionable pay. The liabilities of the scheme are reported separately from those of the Fund. Pension scheme 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. The amounts charged to the statement of comprehensive net expenditure represent both the service cost (i.e. the cost of the additional benefits earned as a result of employees' service in the current year) and the finance charge for the year arising from the interest on the scheme notional liabilities, in line with the requirements of International Accounting Standard 19 "Employee benefits".

28.15 VAT

The organisation is not registered for VAT and all costs are shown inclusive of irrecoverable VAT.

28.16 Losses and special payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the Scottish Legal Aid Board not been bearing its own risks. Losses and special payments are disclosed separately in a note to the accounts (note 40).

28.17 Related party disclosures

Related party transactions are identified, considered and disclosed in line with the requirements of International Accounting Standard 24 "Related party disclosures" (note 43).

28.18 Financial instruments

The classification of financial assets is determined on initial recognition and comprises only receivables with fixed or determinate payments. Financial assets include trade and other receivables and cash at bank in the statement of financial position. Receivables are recognised at fair value less any provision for non-recovery, which is charged to the statement of comprehensive net expenditure. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or been substantially transferred from the organisation.

Financial liabilities are classified at the point of initial recognition and comprise trade and other payables. Financial liabilities are valued at fair value and derecognised when they have been extinguished i.e. discharged, cancelled or expired.

28.19 Changes in estimation techniques

There have been no material changes in estimation techniques between 2019-20 and 2020-21.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2021

29 Segmental analysis

These divisions are the basis on which the Scottish Legal Aid Board monitors its operations and upon which decisions are made by SLAB.

	Operations £000	Legal Services & Accounts £000	Corporate Services & Accounts £000	Strategic Development £000	Total £000
Staff costs	3,483	278	4,141	1,280	9,182
Operating costs	23	55	1,887	22	1,987
Total expenditure	3,506	333	6,028	1,302	11,169
Income	-	-	(547)	-	(547)
Net operating costs 2020-21	3,506	333	5,481	1,302	10,622
Net operating costs 2019-20	3,645	324	5,718	1,328	11,015

Reconciliation of the total segment measures to respective amounts included in the financial statements includes the following items, which it is either impossible or impractical to allocate between reportable segments:

	£000
Segmental net costs	10,622
Pension scheme service costs	4,066
Depreciation and amortisation	446
Net operating costs before interest per statement of comprehensive net expenditure	15,134

30 Staff

Staff costs	2020-21 £000	2019-20 £000
Board members' emoluments	134	136
Staff salaries	8,173	8,015
Social security costs	805	795
Pension scheme service costs	4,066	3,183
Agency/temporary/contract	70	37
	13,248	12,166
Staff numbers	2020-21 Average WTE	2019-20 Average WTE
Operations and legal services	141	145
Administration and support functions	90	90
Agency/temporary/contract	5	2
	236	237

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2021

31 Other administrative expenses	2020-21 £000	2019-20 £000
Accommodation	625	991
Audit fee	40	39
Staff related costs	111	112
Travel and subsistence	20	33
Postage, stationery and telephones	152	168
Office equipment and maintenance	806	751
External research	5	53
Corporate publications, leaflets and forms	2	1
Costs of operating leases	3	3
Other administrative costs	223	399
	1,987	2,550

32 Income from shared services	2020-21 £000	2019-20 £000
Accommodation services provided to third parties	541	518
Income from shared services provided to third parties	6	-
	547	518

33 Property, plant and equipment

	Land £000	Buildings & Plant £000	Office Equip- ment & Furniture £000	PC/ computer hardware £000	Motor vehicles £000	Total £000
Cost or valuation						
Balance at 1 April 2020	1,787	8,006	242	876	35	10,946
Additions	-	-	-	224	-	224
Revaluation	(62)	(263)	-	-	-	(325)
Disposals	-	-	(23)	-	-	(23)
As at 31 March 2021	1,725	7,743	219	1,100	35	10,822
Depreciation						
Balance at 1 April 2020	-	19	173	753	24	969
Disposals	-	-	(23)	-	-	(23)
Revaluation adjustment	-	(308)	-	-	-	(308)
Provided during year	N/A	311	23	93	11	438
As at 31 March 2021	-	22	173	846	35	1,076
Net book value at 31 March 2021	1,725	7,721	46	254	0	9,746
Net book value at 31 March 2020	1,787	7,987	69	123	11	9,977

Property, Plant and Equipment includes SLAB's head office building, Thistle House. Whilst title to this property remains with Scottish Ministers, the Scottish Government transferred full operational and management rights and responsibilities to SLAB who have full use of the building on an ongoing basis and are responsible for all property management, maintenance and running costs. Thistle House was revalued at 31 March 2021 as described in notes 28.7 and 44.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2021

34 Intangible assets		Software £000
Cost or valuation		
Balance at 1 April 2020		1,049
Additions		20
Disposals		-
As at 31 March 2021		1,069
Amortisation		
Balance at 1 April 2020		1,013
Disposals		-
Provided during year		8
As at 31 March 2021		1,021
Net book value at 31 March 2021		48
Net book value at 31 March 2020		36
35 Trade and other receivables	2021	2020
	£000	£000
Bodies external to Government		
Trade receivables	129	139
Prepayments	847	464
	976	603
Management have assessed that there is no impairment in relation to the trade and other receivables balance. At 31 March 2021 none of the debt was past its due date		
36 Trade and other payables	2021	2020
	£000	£000
Bodies external to Government		
Trade payables	3	(2)
Accruals	297	210
	300	208
37 Contingent liabilities		
There are no contingent liabilities for Admin.		

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Notes to the accounts for the year ended 31 March 2021

38 Financial instruments	2021 £000	2020 £000
Financial assets		
Trade and other receivables (see note 35)	129	139
Cash	760	767
Financial liabilities		
Other - trade and other payables (see note 36)	3	(2)

The organisation is exposed to credit, liquidity and market risk, but management believe that these risks are low. Trade and other receivables and trade and other payables are those arising during SLAB's routine business. Other than an interest paying current account, the organisation has no interest bearing assets or liabilities, substantially eliminating the impact of changes in interest rates, and is not exposed to foreign exchange rates. Financial instruments are carried at cost as an approximation of fair value.

39 Pension arrangements

SLAB operates a contributory defined benefit pension scheme.

The Legal Aid (Scotland) Pension Scheme 1988 (as amended) sets out the conditions for entitlement and determines the rate at which benefits are payable. The scheme is set up under paragraph 8(3) of Schedule 1 to the Legal Aid (Scotland) Act 1986 which gives the organisation power to make rules to provide pensions, allowances or gratuities for its employees. The scheme is administered on behalf of the organisation by the Scottish Public Pensions Agency, an Executive Agency of Scottish Government at a cost of £36,240 per annum.

From 1st October 2010 the scheme was split into 2 sections, the Pre October 2010 section for existing members and the Post October 2010 section for new members. The Pre October 2010 section calculates pension benefits on the best year's pensionable pay in the last three years of service whilst the Post October 2010 section uses an average of the best three years' consecutive Pensionable Pay in the last 10 years.

Although SLAB operates a single scheme for all staff, the income, costs and liabilities are apportioned between staff funded by the Scottish Legal Aid Fund, presently Public Defence Solicitors' Office, Solicitor Contact Line and Civil Legal Assistance Office staff, and staff funded from the Scottish Legal Aid Board's grant-in-aid. This disclosure, therefore, relates to staff other than Public Defence Solicitors' Office, Solicitor Contact Line and Civil Legal Assistance Office staff.

There being no assets held, the scheme is unfunded. The pensions and other benefits are met as they fall due from grant-in-aid. Scheme members pay contributions of 6% of pensionable salaries amounting to £488,000 (2019-20: £455,000). These contributions, along with any transfers from other schemes, are used to offset SLAB's grant-in-aid expenditure up to a limit of £250,000. Any excess receipts are usually surrendered to the Scottish Government, and excess expenditure on pensions, including transfers out of the scheme over £327,000, is met by the Scottish Government. However, in the last four years all the pension receipts have been retained to reduce the level of additional grant-in-aid provided by the Scottish Government.

An actuarial valuation of the scheme was carried out as at 31 March 2021 by Buck Consultants, the agreed fee for this service was £12,000. The major assumptions used by Buck Consultants were:

	31 March 2021	31 March 2020
Discount rate per annum	1.25%	1.80%
Revaluation of deferred pensions	2.20%	2.35%
Increases to pensions in payment	2.20%	2.35%
Long-term salary increases	See below	3.85%
Long-term inflation	2.20%	2.35%

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

In line with government policy, the measure of inflation used in the scheme is the Consumer Prices Index ('CPI'). The assumption adopted for salary increases is 3.10% to 31 March 2022, 3.70% from 1 April 2022 and 2.70% from February 2030 onwards.

Mortality assumptions are determined based on standard mortality tables. The assumptions are based on the Continuous Mortality Investigation Bureau's tables as recommended by our actuary, and imply the following life expectancy:

	Life expectancy in years	
	2020-21	2019-20
Male - aged 60	87.1	87.0
Female - aged 60	89.4	89.3
Male - aged 40	88.9	88.8
Female - aged 40	90.8	90.8

Analysis of the amount charged to operating costs	2020-21 £000	2019-20 £000
Current service cost (see note 30)	4,066	3,183
Finance charges on pension scheme liabilities	2,202	2,795
	<u>6,268</u>	<u>5,978</u>

Reconciliation of the liability in the scheme over the year:	2021 £000	2020 £000
Scheme liability at the beginning of the year	123,215	97,166
Movement in year		
Current service cost	4,066	3,183
Benefits paid	(1,770)	(1,564)
Finance charge	2,202	2,795
Changes in financial assumptions	8,224	19,943
Changes in demographic assumptions	-	1,238
Actuarial loss / (gain)	(1,098)	454
Scheme liability at end of the year	<u>134,839</u>	<u>123,215</u>

The pension liability is split between the Scottish Legal Aid Fund and the Scottish Legal Aid Board. The full liability is £159.3m (2019-20: £142.8m).

Amounts for the current and previous four years are as follows:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	<u>134,839</u>	<u>123,215</u>	<u>97,166</u>	<u>101,526</u>	<u>93,042</u>
Experience adjustments on plan liabilities	<u>1,098</u>	<u>(454)</u>	<u>(391)</u>	<u>(357)</u>	<u>1,049</u>

The defined benefit obligation has been calculated by our actuary using the major assumptions detailed above. Estimation of the net liability depends on a number of complex judgements which are sensitive to changes. The effect on net pensions of changes in the major assumptions are detailed in the table below:

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

Assumption	Change in Assumption	Change in Pension Scheme Liability £000
Discount rate per annum	- 0.25%	8,299
Long-term salary increases	+ 0.25%	2,307
Long-term inflation	+ 0.25%	5,955
Life expectancy	+1 year	4,454

This table shows the impact of changing each assumption in isolation, with all the other assumptions remaining unchanged. A 0.25% decrease in the discount rate assumption at 31 March 2021, from 1.25% to 1.00% would therefore increase the pension scheme liability from £134,839k to £143,138k (an increase of £8,299k). The effect of changing the assumption in the opposite direction would be to reduce the liabilities by a similar amount.

40 Losses and special payments

	2020-21		2019-20	
	No of Cases	£000	No of Cases	£000
Losses	5	2	2	1
Special payments	-	-	1	15
	<u>5</u>	<u>2</u>	<u>3</u>	<u>16</u>

41 Capital commitments

No capital commitments existed at the end of reporting period.

42 Operating leases

	2021		2020	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Total commitments, at 31 March, under operating leases are as follows:				
Leases expiring:				
One year or less	-	-	-	-
between one and five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

43 Related party transactions

The Scottish Legal Aid Board is a Non Departmental Public Body funded by Grant-in-Aid from the Scottish Government. During the year, the organisation had a number of other transactions with government departments and other Non-Departmental Public Bodies, including the Department of Work and Pensions, the Scottish Public Service Ombudsman, the Scottish Court & Tribunals Service, the Judicial Appointments Board, the Office of the Chief Investigating Officer, the Scottish Parliamentary Standards Commissioner and the Scottish Public Pensions Agency.

44 Assumptions about the future and other major sources of uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends

Scottish Legal Aid Board

Notes to the accounts for the year ended 31 March 2021

and other relevant factors. However, because balances cannot be predicted with certainty, actual results may differ materially.

The items in SLAB's accounts as at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
The effect of COVID-19 on SLAB's building valuation	Due to the potential effects of COVID-19 values of commercial properties may be subject to change and this would affect SLAB's fixed asset value.	SLAB's premises were revalued as at 31 st March 2020 (in line with our revaluation policy) then again as at 31 st March 2021 to check for any COVID-19 related impairment. We will keep this under review throughout the year with a view to carry out the exercise again in March 2022 if we believe there has been any further impairment.
Pension Liability	Estimation of the net liability depends on a number of complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. A firm of actuaries is contracted to conduct an actuarial valuation of SLAB's scheme and provide expert advice about the assumptions to be applied.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a change of -0.25% in the discount rate assumption would result in an increase in the pensions liability of £8.3m, a change of +0.25% in the salary increase rate would result in an increase in liabilities of £2.3m, a change of +0.25% to the inflation assumption would result in an increase in liabilities of £6.0m and increasing the life expectancy assumptions by 1 year would result in an increase to liabilities of £4.5m.

45 Events after the reporting period

No events have occurred since the end of the reporting period and the time these accounts were signed that would materially affect the information provided.

Scottish Legal Aid Board
Direction by the Scottish Ministers



THE SCOTTISH LEGAL AID BOARD

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 5(2) of the Legal Aid (Scotland) Act 1986, hereby give the following direction.
2. In accordance with Section 5(1) of the Legal Aid (Scotland) Act 1986, the Scottish Legal Aid Board has a duty to prepare a separate statement of accounts in respect of the Scottish Legal Aid Fund (the Fund) and the administration of the Fund (the Board). The statement of accounts, of both the Fund and the Board, for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure 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. The direction given on 13 June 2002 is hereby revoked.

Michelle H Brannan

Signed by the authority of the Scottish Ministers

Dated 13 December 2005