

Statement of accounts

FOR THE YEAR ENDED 31 MARCH 2000

FOREWORD

Principal Activities

The Board's principal activities are to assess and where appropriate grant applications for legal aid; to scrutinise and pay legal aid accounts submitted by solicitors and advocates; collect expenses and contributions; and to advise Scottish Ministers on legal aid matters.

Background

The Scottish Legal Aid Board ('the Board') presents its accounts for the financial year ended 31 March 2000. The accounts have been prepared in a form directed by the Secretary of State, with the consent of Treasury, in accordance with section 5 (2) of the Legal Aid (Scotland) Act 1986, as amended by the Public Finance and Accountability (Scotland) Act 2000.

Separate accounts have been prepared for the Legal Aid Fund ("the Fund") and for the administrative income and expenditure of the Board.

Scottish Legal Aid Fund

The Income and Expenditure account shows the net cost of operations, excluding notional charges, transferred to the General Fund is £114.077m (1999 - £126.850m).

Scottish Legal Aid Board

The Income and Expenditure account shows the net cost of operations, excluding notional charges and including pension costs, transferred to the General Fund is £7.853m (1999 - £7.867m).

Communication

The Board produces a monthly newsletter and occasional circulars for staff covering the Board's activities. These are discussed with staff during team briefing sessions. An employee opinion survey is carried out every two years to monitor staff views on a range of issues, such as communications, training and development, management practices, performance and efficiency and quality of service. A Joint Consultative Committee of management and union representatives meets regularly.

As an Investor in People we continue to provide our staff with the opportunities and support that they need to develop their skills in meeting the organisations objectives.

Audit

PricewaterhouseCoopers, Chartered Accountants, acted as auditors of the Board's accounts during the 1999/00 financial year.

Equal Opportunities

The Board is committed to providing equal opportunities in employment. No job applicant or employee is treated less favourably, on the grounds of gender, race, colour, religion, nationality, age, disability, sexual orientation or marital status. This applies in the recruitment, reward, training and promotion of both new and existing employees. It also applies to the application of grievance, disciplinary, or other procedures, the provision of employee benefits and all terms and conditions of employment.



Lindsay Montgomery
Chief Executive
16 June 2000

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer of the Scottish Legal Aid Board, I am aware of the need for effective internal financial control and acknowledge my responsibility for the system of such control operated by the Board. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of financial control is based on a framework of regular management information, financial regulation and administrative procedures including the segregation of duties and various levels of delegation specified by Treasury, The Scottish Executive Justice Department and the Scottish Legal Aid Board itself.

In particular, it includes:

- comprehensive budgeting systems - the annual Grant-in-Aid budget is approved by the Board
- regular reviews of monthly, quarterly and annual financial reports which indicate financial performance against budgets and forecasts
- setting targets to measure financial and other performance
- clearly defined delegated authority and capital investment control guidelines
- Management checking systems.

The Board's Audit Committee meets regularly. The principal purpose of the Audit Committee is to assist the Accounting Officer and the Board members to discharge their individual and collective responsibilities for ensuring that:

- the Board's financial and accounting systems are providing accurate and up to date information on the current financial position
- the Board's published financial statements represent a true and fair reflection of this position
- the Board complies with any statutory requirements for the use of public funds
- the Board operates within agreed limits to its authority and for the use of public funds
- Board members comply with the Code of Conduct for NDPBs published by Treasury

The Audit Committee is also responsible for overseeing financial reporting, external audit, internal control, and Audit and Compliance department activities.

The Scottish Legal Aid Board has an internal audit service under the supervision of the Director of Audit. Internal audit work concentrates on areas of key activity determined from an analysis of the areas of greatest risk. These are scheduled in the annual audit activity plan approved by the Audit Committee and the Accounting Officer. The Director of Audit is responsible to me as the Chief Executive and also reports to the Audit Committee on a quarterly basis. He also has direct access to Board members and to the Convener of the Audit Committee. The Director of Audit has issued an Assurance Statement to me, which provides his opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon. In addition, the external auditors, PricewaterhouseCoopers, report to the Audit Committee, and to the Board, any internal financial control issues that are identified in the normal course of their audit activities.

My review of the effectiveness of the system of internal financial control is conducted through the work of the internal and external auditors, the Board, the Audit Committee and through management information systems.

Statement of Board's and Chief Executive's Responsibilities

The Legal Aid (Scotland) Act 1986 (the Act), as amended by the Public Finance and Accountability (Scotland) Act 2000, states that the Board is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accrual basis and must show a true and fair view of the Board's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Board are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer for the Scottish Executive Justice Department has designated the Chief Executive of the Scottish Legal Aid Board as the Accounting Officer for the Board. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum. The current Chief Executive took up post on 1 July 1999.



Lindsay Montgomery
Chief Executive
16 June 2000

PRICEWATERHOUSECOOPERS

Report of the auditors to the members of the Scottish Legal Aid Board and the Auditor General for Scotland

Respective responsibilities of the Board, Chief Executive and Auditor

The Board and Chief Executive are responsible for preparing the statement of accounts. As described on page ii, this includes responsibility for preparing the financial statements, in accordance with United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act, modified by the direction of the Secretary of State for Scotland, as disclosed on pages xiii and xiv. We also report to you if the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding board members' remuneration and transactions is not disclosed.

Basis of Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the statement of accounts and whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which were considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion

In our opinion

- the accounts on pages iv to xiii give a true and fair view of the state of the Board's affairs as at 31 March 2000 and of the net cost of operations, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with section 5(2) of the Legal Aid (Scotland) Act 1986 and the requirements of the Secretary of State as set out on page xiii and xiv, and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

PricewaterhouseCoopers (signed)

Chartered Accountants and Registered Auditors
Edinburgh
16 June 2000

Report by the auditors of the Scottish Legal Aid Board on internal financial control for the financial year 1999/2000

In addition to our audit work on the financial statements, we have reviewed the statement of the Accounting Officer's responsibility in respect of internal financial control set out on page ii of the Scottish Legal Aid Board's compliance with the Treasury's directions set out in DAO (GEN) 13/97. We carried out our review in accordance with the approach set out in the DAO (GEN) 4/99. This does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Board's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

Opinion

With respect to the Accounting Officer's statement on internal financial control on page ii in our opinion, the Accounting Officer has provided the disclosures required by DAO (GEN) 13/97 and that statement is not inconsistent with the information of which we are aware from our audit.

PricewaterhouseCoopers (signed)

Chartered Accountants and Registered Auditors
Edinburgh
16 June 2000

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000**

			2000	Restated (note 1.3) 1999
	Notes	£'000	£'000	£'000
a. Scottish Legal Aid Fund				
Income				
Operating income	2.2		9,708	10,545
Expenditure				
Operating costs	3	(123,380)		(138,914)
Decrease / (increase) in bad debts provision	4	(405)		1,519
			(123,785)	(137,395)
Net cost of operations before interest			(114,077)	(126,850)
Interest on capital (notional)	5.4		(4)	(3)
Net cost of operations			(114,081)	(126,853)
Add back notional charges			4	3
Net cost of operations excluding notional charges transferred to General Fund	12		(114,077)	(126,850)

			2000	Restated (note 1.3) 1999
	Notes	£'000	£'000	£'000
b. Scottish Legal Aid Board				
Income				
	2.1			
Expenditure				
Staff costs	5.1	(4,863)		(4,656)
Operating costs	5.2	(2,444)		(2,338)
Depreciation	6.2	(181)		(154)
Permanent diminution in value of fixed assets	6.2	(25)		(39)
Total expenditure			(7,513)	(7,187)
Net cost of operations before interest			(7,513)	(7,187)
Interest on capital (notional)	5.4		(64)	(56)
Loss on disposal of fixed assets			(2)	(311)
Net cost of operations			(7,579)	(7,554)
Pension costs	5.3		(338)	(369)
Net cost of operations including pension costs			(7,917)	(7,923)
Add back notional charges	5.4		64	56
Net cost of operations excluding notional charges and including pension costs transferred to General Fund	12		(7,853)	(7,867)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2000**

a. Scottish Legal Aid Fund

There are no gains and losses other than those recognised in the Income and Expenditure Account.

			2000	Restated (note 1.3) 1999
	Notes		£'000	£'000
b. Scottish Legal Aid Board				
Net cost of operations			(7,853)	(7,867)
Unrealised surplus (deficit) on revaluation of tangible fixed assets less supplementary depreciation	13		1	(6)
Total recognised gains and losses relating to the year			(7,852)	(7,873)
Prior year adjustment (note 1.3)			223	
Total gains recognised since the last annual report			(7,629)	

The notes on pages vii to xiii form part of these accounts and should be read in conjunction with the statements above.

**BALANCE SHEET
AS AT 31 MARCH 2000**

			Restated (note 1.3)	
			2000	1999
<i>a. Scottish Legal Aid Fund</i>	Notes	£'000	£'000	£'000
Fixed assets				
Tangible assets	6.1		55	77
Current assets				
Debtors	8	59,878		64,334
Cash at bank and in hand	9	7,929		8,523
		<u>67,807</u>		<u>72,857</u>
Current liabilities				
Creditors	10	(63,330)		(67,706)
Net current assets			<u>4,477</u>	<u>5,151</u>
Net assets			<u>4,532</u>	<u>5,228</u>
Financed by:				
General Fund	12		<u>4,532</u>	<u>5,228</u>

			Restated (note 1.3)	
			2000	1999
<i>b. Scottish Legal Aid Board</i>	Notes	£'000	£'000	£'000
Fixed assets				
Tangible assets	6.2		1,172	461
Current assets				
Stock	7	30		43
Debtors	8	291		254
Cash at bank and in hand		153		156
		<u>474</u>		<u>453</u>
Creditors				
Amounts falling due within one year	10	(237)		(183)
Net current assets			<u>237</u>	<u>270</u>
Total assets less current liabilities			1,409	731
Deferred income	11		(259)	(259)
Net assets			<u>1,150</u>	<u>472</u>
Financed by:				
General Fund	12		1,140	463
Revaluation reserve	13		10	9
			<u>1,150</u>	<u>472</u>

Lindsay Montgomery

Lindsay Montgomery
Chief Executive
16 June 2000

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000**

		Restated (note 1.3)
	2000	1999
	£'000	£'000
a. Scottish Legal Aid Fund	Notes	
Net cash outflow from operating activities	14	(127,654)
Capital expenditure:		
Payments to acquire tangible fixed assets	-	(88)
Financed by government grant	117,201	128,915
Increase / (decrease) in cash in the year	(594)	1,173

	2000	1999
	£'000	£'000
Reconciliation of movement in cash to movement in net funds		
Cash at bank and in hand 1 April 1999	8,523	7,350
Cash at bank and in hand 31 March 2000	7,929	8,523
Movement in net funds	(594)	1,173

		Restated (note 1.3)
	2000	1999
	£'000	£'000
b. Scottish Legal Aid Board	Notes	
Net cash outflow from operating activities	14	(7,352)
Capital expenditure:		
Payments to acquire tangible fixed assets	6.2	(212)
Financed by government grant	2.1	7,690
Increase / (decrease) in cash in the year	(3)	126

	2000	1999
	£'000	£'000
Reconciliation of movement in cash to movement in net funds		
Cash at bank and in hand 1 April 1999	156	30
Cash at bank and in hand 31 March 2000	153	156
Movement in net funds	(3)	126

The notes on pages vii to xiii form part of these accounts and should be read in conjunction with the statements above.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2000

1. Accounting policies

1.1 Basis of accounting

The accounts have been prepared in accordance with the historical cost convention modified to include fixed assets at their value to the organisation by reference to their current cost. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the Accounting Standards Board, so far as those requirements are appropriate and in accordance with the Accounts Direction given by the Secretary of State for Scotland (note 20).

1.2 Continuing activities

The results reported in this statement of accounts are derived from continuing activities of the Scottish Legal Aid Board. The Public Defence Solicitors' Office (PDSO) opened on 1 October 1998, the costs of which are charged to the Scottish Legal Aid Fund. The PDSO pilot will run for five years with an evaluation report being submitted to the Scottish Parliament after the third year of operation.

1.3 Fixed assets

Fixed assets are capitalised at their cost of acquisition and installation and are revalued each year using Business Monitor Producer Price Indices to take account of specific price changes. The threshold for capitalisation of assets is £5,000; however, individual assets whose cost falls below the threshold but are of a similar nature are grouped together and capitalised. The threshold for capitalisation of assets was raised from £1,000 (1999) to £5,000 during the year. As a result, the 1998/99 closing balances have been restated, this is reflected in the accounts figures and notes to the accounts. This provides a consistent year on year comparison with the 1999/00 figures.

1.4 Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the revalued cost, less estimated residual value, of each asset over its expected useful life as follows:

- office equipment - 5 years
- office furniture - 10 years
- computer hardware and software - 5 years
- personal computer hardware and software - 3 years

1.5 Stocks

Stocks are valued at the lower of historic cost and net realisable value.

1.6 Notional costs

In accordance with Government Accounting, a notional charge for interest on capital is included in the Income and Expenditure Account (note 5.4). An accounting entry reversing this notional charge is also included in the Income and Expenditure Account.

1.7 Operating leases

Rentals applicable to operating leases are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

1.8 Accruals and accrued funding

The Fund recognises its liability to pay accounts resulting from grants of legal aid made within the financial year. An accrued liability is established based on the number of outstanding certificates and estimates of cost and elapsed time. This liability will be funded in full from a number of possible sources including contributions from assisted persons, expense recoveries, and losses recovered from damages. The government meets the balance. Accordingly a debtor balance, accrued funding, is established to match the total of the accrued liability and amounts due by the Fund to solicitors and advocates.

1.9 Pension costs

Pensions and other benefits are payable out of the Grant-in-Aid and are met as they fall due, with the exception of the PDSO staff whose pension payments are made from the Legal Aid Fund. They are made in accordance with the Legal Aid (Scotland) Pension Scheme 1988, which is a salary scheme based on a normal retirement age of 60 for staff who joined after 1 April 1987. Staff scheme members pay a contribution of 6% of salary. Pension increases are made as if the pensions were 'official pensions' as defined and specified in the Pensions (Increase) Act 1971. The Pension Scheme is not a funded scheme and the Board does not make any direct contributions to a fund.

2. Income

2.1 General

The Board is financed by a Grant-in-Aid from the Government. The grant for the Scottish Legal Aid Board covers both revenue and capital items and the grant has been credited directly to the General Fund (note 12).

Under the Board's pension arrangements (note 1.9), receipts, of employees' contributions and transfer values for the Pension Scheme, greater than £180,000, are surrendered to the Scottish Executive as a consolidated fund extra receipt.

The amounts were -

	2000 £'000	1999 £'000
Grant-in-Aid	8,350	7,510
Pension receipts	180	180
Vote funding	8,530	7,690

Receipts in excess of the forecast figures are surrendered to the Scottish Executive as a consolidated fund extra receipt. The amount surrendered in 1999/00 was £ 166,000 (1999 - £140,000).

2.2 Operating income of the Fund

	2000			1999		
	Gross Income £'000	Adjustments £'000	Net Income £'000	Gross Income £'000	Adjustments £'000	Net Income £'000
Contributions by assisted persons	2,046	(685)	1,361	2,034	(637)	1,397
Expenses recovered	7,353	(327)	7,026	8,210	(798)	7,412
Other income	27	39	66	64	78	142
Losses recovered from damages	1,255	-	1,255	1,594	-	1,594
Total	10,681	(973)	9,708	11,902	(1,357)	10,545

Adjustments to contribution income arise primarily because:

- i) the financial circumstances of the assisted person have changed
- ii) the total cost of the case is less than the contribution
- iii) the cost of a case has been fully recovered from a third party.

These adjustments may mean that the assisted person has paid more than the amount due. In these cases, the excess is refunded. The amounts refunded were £359,000 (1999 - £347,000).

Adjustments to expenses recovered arise primarily because the legal aid account has been taxed (re-assessed) by the auditor of court. Expenses refunded during 1999/00 were £42,000 (1999 - £35,000). These are incorporated in the operating income table above.

3. Operating costs of the Fund

	2000	1999
	£'000	£'000
		Restated (note 1.3)
Advice and assistance (A&A)		
Solicitors' charges	27,196	27,248
Counsel's fees	13	57
Solicitor Advocates' fees	0	0
Outlays	1,661	1,660
	28,870	28,965
Civil		
Solicitors' charges	18,756	20,706
Counsel's fees	2,498	2,942
Solicitor Advocates' fees	0	0
Outlays	7,584	7,331
	28,838	30,979
Expenses paid to successful unassisted persons	25	34
	28,863	31,013
Criminal		
Solicitors' charges	55,265	63,689
Counsel's fees	3,976	6,086
Solicitor Advocates' fees	310	638
Outlays	3,566	5,597
	63,117	76,010
Children		
Solicitors' charges	1,812	2,283
Counsel's fees	105	100
Solicitor Advocates' fees	0	2
Outlays	130	190
	2,047	2,575
Contempt of court		
Solicitors' charges	30	27
Counsel's fees	0	0
Solicitor Advocates' fees	0	0
Outlays	1	1
	31	28
Public Defence Solicitors' Office		
Criminal defence costs - outlays	64	14
Salaries and wages	229	157
Social security costs	19	13
Accommodation	87	68
Audit fees	2	1
Depreciation	18	-
Permanent diminution in value of fixed assets	5	10
Other operating costs	28	60
	452	323
Total operating costs - legal aid	123,380	138,914

Operating costs include estimates for work done as a matter of special urgency. Some of this work will not lead to a grant of full legal aid and may be paid under determination by the Secretary of State under section 4(2)(c) of the Legal Aid (Scotland) Act 1986. The cash paid under this scheme was £360,000 (1999 - £454,000).

Operating costs also include payments to account made to solicitors and advocates under regulation 11 of the Civil Legal Aid (Scotland) (Fees) Regulations 1989. The cash paid under this scheme was £1,331,000 (1999 - £1,242,000).

Prior year costs for the Public Defence Solicitors' Office include six months set up and six months operating. The office opened on 1 October 1998. Eleven people were employed by the PDSO during the year (1999/00). One member of the PDSO staff received remuneration within the band £50,000 - £59,999 (1999 - 1). PDSO pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

4. Bad debts provision of the Fund

	2000	1999
	£'000	£'000
Irrecoverable contributions from assisted persons	39	(170)
Irrecoverable expenses	345	(1,349)
Irrecoverable other income	21	0
	405	(1,519)

The sums written off during the year were £1,253,000 (1999 - £1,919,000).

5. Expenditure by the Board

	2000 £'000	1999 £'000
5.1 Staff costs		
Board members emoluments	98	89
Other salaries and wages	4,446	4,256
Social security costs	319	311
	4,863	4,656

Under the Board's pension arrangements (note 5.3), the Board makes no employer's contribution.

The annual emoluments of the Board members, excluding the Chairman and Chief Executive, fell into the following bands:

	2000	1999
Nil - £4,999	1	1
£5,000 - £9,999	9	9
£10,000 - £14,999	0	0

The Chairman's emolument for the year was £34,412 (1999 - £29,778). The Chairman and the Board members are appointed for a fixed term and receive emoluments and expenses only. In 1999/00 the Chairman received an additional payment of £9,997 in respect of the additional work undertaken in the absence of a Chief Executive for part of this year. Board members do not make pension contributions.

The Chief Executive's total remuneration for 1999/00 was £52,450. The Chief Executive has a permanent contract effective from 1 July 1999 and is entitled to participate as an ordinary member of the Board's pension scheme.

The average number of persons employed during the year was 262 (1999 - 260) of which 167 (1999 - 156) were employed in operations and 95 (1999 - 104) in administration. Five (5) members of staff received remuneration within the band £40,000 - £49,999 (1999 - 6).

5.2 Other operating costs

	2000 £'000	Restated (note 1.3) 1999 £'000
Accommodation	888	826
Audit fee	27	27
Auditors – non audit fees	29	-
Other administrative costs	1,500	1,485
	2,444	2,338

5.3 Pension costs, pay and accrued pension

Pensions and other benefits are paid out of the Scottish Legal Aid Board Account (see note 1.9). In 1998/99, the Government Actuary has calculated the liability for future pension payments to be £10.1m. This is not included in the balance sheet as the Scottish Legal Aid Board is exempt from compliance with SSAP 24 (see note 20).

The Remuneration and Appointments Committee consist exclusively of members of the Board (including the Chairman). It considers the appraisal and remuneration of the Chief Executive and Directors as well as other issues related to staff pay and reward policies.

Pay and accrued pension of the Chief Executive and Directors:

	Chief Executive	Director of Legal Services	Director of Finance	Director of Information Systems	* Director of Operations	Director of Audit and Compliance
	L Montgomery	T Murray	J Edgar	W Gray	S O'Connor	I Middleton
Age	47	48	39	39	42	50
Salary at 31/3/00 (£k)	70	50	48	43	44.5	41.7
Pension increase (net of inflation) (£k)	-	1.7	1.1	0.6	1.0	0.6
Accrued pension at 31/3/00 (£k) including transfers in.	25.9	8.7	13.6	1.9	13.9	10.1

* Due to ill health, S O'Connor retired from the Board on 1 May 2000.

5.4 Notional costs

A notional charge for interest on capital is included in the Income and Expenditure Account. This is calculated at 6% of the average value of total assets less current liabilities (note 1.6). The notional charge included in the Fund Income and Expenditure Account relates to the assets of the PDSO.

6. Tangible fixed assets

6.1 <i>Scottish Legal Aid Fund</i>	Office Furniture and Fittings	Office Equipment	Computer Hardware and Software	Personal Computer Hardware and Software	Total
	£'000	£'000	£'000	£'000	
Cost or valuation					
Balance at 31 March 1999- as previously stated	8	6	56	21	91
Prior year adjustment (note 1.3)	(3)	(1)	0	0	(4)
Balance at 1 April	5	5	56	21	87
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Permanent diminution in value	-	-	(4)	(1)	(5)
As at 31 March 2000	5	5	52	20	82
Depreciation					
Balance at 31 March 1999- as previously stated	1	0	6	3	10
Prior year adjustment (note 1.3)	(1)	0	0	1	0
Balance at 1 April	0	0	6	4	10
Provided during year	0	1	10	7	18
Disposals	-	-	-	-	-
Backlog	-	-	-	(1)	(1)
As at 31 March 2000	0	1	16	10	27
Net book value					
As at 31 March 2000	5	4	36	10	55
As at 31 March 1999 (Restated)	5	5	50	17	77

These costs relate to the operation of the PDSO (see notes 1.2 and 3)

6.2 <i>Scottish Legal Aid Board</i>	Office Furniture and Fittings	Office Equipment	Computer Hardware and Software	Personal Computer Hardware and Software	Total
	£'000	£'000	£'000	£'000	
Cost or valuation					
Balance at 31 March 1999- as previously stated	423	160	1,021	445	2,049
Prior year adjustment (note 1.3)	(102)	(49)	(237)	(198)	(586)
Balance at 1 April	321	111	784	247	1,463
Additions	12	16	879	11	918
Disposals	-	(31)	-	(61)	(92)
Revaluation	-	4	-	-	4
Permanent diminution in value	-	-	(52)	(16)	(68)
As at 31 March 2000	333	100	1,611	181	2,225
Depreciation					
Balance at 31 March 1999- as previously stated	301	122	671	275	1,369
Prior year adjustment (note 1.3)	(42)	(32)	(156)	(137)	(367)
Balance at 1 April	259	90	515	138	1,002
Provided during year	21	9	105	46	181
Disposals	-	(31)	-	(59)	(90)
Backlog	-	3	-	-	3
Permanent diminution in value	-	-	(34)	(9)	(43)
As at 31 March 2000	280	71	586	116	1,053
Net book value					
As at 31 March 2000	53	29	1,025	65	1,172
As at 31 March 1999 (Restated)	62	21	269	109	461

7. Stocks

Publications and consumables	2000	1999
	£'000	£'000
	30	43

8. Debtors

<i>Scottish Legal Aid Fund</i>	2000	1999
	£'000	£'000
Accrued funding	55,878	59,698
Contributions due from assisted persons	1,210	1,232
Expenses to be recovered	2,556	2,878
Other	223	517
Prepayments	11	9
	59,878	64,334

Under the Legal Aid (Scotland) Act 1986, all sums properly due from the Legal Aid Fund will be met by the government except where funds are recoverable from third parties. Accrued funding is an estimate of the sums due arising from the value of outstanding legal aid cases at 31 March 2000. This accrued funding has been fully attributed to the government and has therefore been credited directly to the General Fund (note 12).

Amounts falling due after more than one year included above are:	2000	1999
	£'000	£'000
Accrued funding	9,130	8,658
Contributions due from assisted persons	411	142
Expenses to be recovered	1866	1,108
Other	193	170
	11,600	10,078

Scottish Legal Aid Board	2000	1999
	£'000	£'000
Trade debtors	2	2
Prepayments	289	252
	291	254

9. Cash at bank and in hand	2000	1999
	£'000	£'000
9.1 Scottish Legal Aid Fund		
Cash at bank and in hand	809	518
Principal sums	6,957	7,787
Funds held under arrestment	163	218
	7,929	8,523

Principal sums consist of damages and other monies recovered on behalf of assisted persons. They are held in an interest bearing account until all the financial transactions for a case are concluded. The movement in the account during the year was as follows:

	2000	1999
	£'000	£'000
Balance as at 1 April 1999	7,787	6,751
Received during the year	24,394	26,027
Interest received during year	336	435
	24,730	26,462
	32,517	33,213
Less:		
Sums repaid to assisted persons	24,040	23,802
Interest paid to assisted persons	266	330
Losses recovered from damages	1,254	1,294
	25,560	25,426
Balance as at 31 March 2000	6,957	7,787

10. Creditors	2000	1999
	£'000	£'000
Scottish Legal Aid Fund		
Accruals (note 1.8)	48,107	46,828
Amounts due to solicitors and advocates	8,031	12,836
	56,138	59,664
Contribution refunds due to assisted persons	64	37
Principal sums (note 9)	6,957	7,787
Arrestments	163	218
PDSO	8	-
	63,330	67,706

Amounts falling due after more than one year included above are:	2000	1999
	£'000	£'000
Accruals	9,130	8,658
(These represents the estimated value of certificates at 31 March 2000, that are due to be settled after more than one year).	9,130	8,658

Scottish Legal Aid Board	2000	1999
	£'000	£'000
Accruals	78	56
Trade creditors	159	127
	237	183

11. Deferred income
Deferred income relates to financial incentives obtained from the landlord of 40-44 Drumsheugh Gardens in return for extending the life of the lease.

12. General Fund

	Restated	
	2000	1999
	£'000	£'000
Scottish Legal Aid Fund		
Balance at 31 March 1999- as previously stated	5,231	
Prior year adjustment (note 1.3)	(3)	
Balance at 1 April	<u>5,228</u>	2,298
Government grant	117,201	128,915
Government grant - movement in accrued funding	(3,820)	865
Net cost of operations (excluding notional charges)	<u>(114,077)</u>	<u>(126,850)</u>
Balance as at 31 March 2000	<u>4,532</u>	<u>5,228</u>

	Restated	
	2000	1999
	£'000	£'000
Scottish Legal Aid Board		
Balance at 31 March 1999- as previously stated	674	
Prior year adjustment (note 1.3)	(211)	
Balance at 1 April	<u>463</u>	640
Vote funding	8,530	7,690
Net cost of operations (excluding notional charges)	<u>(7853)</u>	<u>(7,867)</u>
Balance as at 31 March 2000	<u>1,140</u>	<u>463</u>

13. Revaluation reserve

	Restated	
	2000	1999
	£'000	£'000
Balance at 31 March 1999- as previously stated	18	
Prior year adjustment (note 1.3)	(9)	
Balance at 1 April	<u>9</u>	15
Revaluation of cost	4	(4)
Backlog depreciation	(3)	(2)
Balance as at 31 March 2000	<u>10</u>	<u>9</u>

14. Reconciliation of net costs of operations to net cash outflow from operating activities

	Restated (note 1.3)	
	2000	1999
	£'000	£'000
Scottish Legal Aid Fund		
Net cost of operations	(114,077)	(126,850)
Government grant - movement in accrued funding	(3,820)	865
Depreciation charges	18	10
Permanent diminution in value of fixed assets	5	0
(Increase) / decrease in debtors	4,456	(3,487)
Increase / (decrease) in creditors	<u>(4,377)</u>	<u>1,808</u>
Net cash outflow from operating activities	<u>(117,795)</u>	<u>(127,654)</u>

	Restated (note 1.3)	
	2000	1999
	£'000	£'000
Scottish Legal Aid Board		
Net cost of operations excluding notional charges	(7,853)	(7,867)
Deferred income	0	(2)
Depreciation charges	181	154
Permanent diminution in value of fixed assets	25	39
Loss on disposal of fixed assets	2	311
Decrease (increase) in debtors	(37)	6
Decrease (increase) in stock	13	1
Increase in creditors	54	6
Net cash outflow from operating activities	<u>(7,615)</u>	<u>(7,352)</u>

15. Contingent liabilities, for the Board, Fund or PDSO

There were no contingent liabilities as at 31 March 2000 (1999 - nil).

16. Capital commitments

During 2000-01, the Board is committed to implementing a new Financial and Administration System. The contracted expenditure is £560k.

17. Operating leases

	2000		1999	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Annual commitments under operating leases are as follows:				
Leases expiring				
in one year or less	0	18	0	40
between one and five years	0	0	0	6
in five years or more	510	0	510	0
	<u>510</u>	<u>18</u>	<u>510</u>	<u>46</u>

18. Related party transactions

The Scottish Executive Justice Department is regarded as a related party. During the year, the Scottish Legal Aid Board has had various material transactions with The Scottish Executive Justice Department essentially the payment of various grants (see note 2.1).

During the year, the Scottish Legal Aid Board entered into transactions of a value greater than £1000 with the following related parties.

	2000	1999
	£'000	£'000
Brian Adair	32	34
Jack Adair	104	106
Jill Foggo	25	8
Graeme Jessop	44	12
Derek O'Carroll	24	13
Maurice O'Carroll	1	2
Margaret Scanlan	25	19
Michael Scanlan	10	18
Malcolm Thomson	0	3
Alexander Wylie	14	6

These related parties are present Board members and their spouses or relatives. They are active legal aid practitioners and all the transactions arise from the provision of legal aid to assisted persons in the normal course of their profession. The amounts detailed include outlays and VAT.

19. Post balance sheet date events

No events occurred between 1 April 2000 and the time these accounts were signed that would materially affect the information provided.

20. Direction given by the Secretary of State for Scotland

The Secretary of State with the approval of Treasury, in pursuance of section 5(2) of the Legal Aid (Scotland) Act 1986, gave the following direction on 12 March 1998:

1. In accordance with section 5(1) of the Legal Aid Scotland Act 1986, the Scottish Legal Aid Board shall keep **separate accounts** in respect of the Scottish Legal Aid Fund ('the Fund') and the administration of the Board ('the Board'). The accounts, of **both the Fund and the Board**, for the financial year ended 31 March 1998 and subsequent financial years shall comprise:
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses.

Including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year.

Subject to this requirement, the accounts shall be prepared in accordance with:

- a. the accounting and disclosure requirements of the Companies Act for the time being in force;
- b. generally accepted accounting practice in the U.K, including accounting standards issued or adopted by the Accounting Standards Board;
- c. the disclosure and accounting requirements contained in the 'Fees and Charges Guide', (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
- d. the accounting and disclosure requirements given in 'Government Accounting' and in 'Executive NDPBs: Annual Reports and Accounts Guidance', as amended or augmented from time to time.

Insofar as these are appropriate to the Board and the Fund are in force for the financial year for which the statement of accounts is to be prepared.

3. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
4. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of :
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stocks valued at the lower of net current replacements cost (or historical cost if this is not materially different) and net realisable value.
5. The foreword and balance sheet shall be signed and dated by the Accounting Officer and be submitted to the Secretary of State for Scotland by the end of September each year.
6. This Direction supersedes the Direction given by the Secretary of State on 26 October 1992 and shall be reproduced as an appendix to the accounts.

SCHEDULE 1

Application of the accounting and disclosure requirements of the Companies Act and Accounting Standards

COMPANIES ACT

1. The disclosure exemptions permitted by the Companies Act shall not apply unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's report. To the extent that it is appropriate, relevant information relating to the Scottish Legal Aid Board shall be contained in the foreword.
3. When preparing its income and expenditure account(s) the Scottish Legal Aid Board shall have regard to the profit and loss account format 2 prescribed in schedule 4 to the Companies Act.
4. When preparing its balance sheet(s) the Scottish Legal Aid Board shall have regard to the balance sheet format 1 prescribed in schedule 4 to The Companies Act.
5. The Scottish Legal Aid Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.

ACCOUNTING STANDARDS

6. The Scottish Legal Aid Board is not required to include a note showing historical cost profits and losses as described in FRS3.
7. The Scottish Legal Aid Board is not required to comply with SSAP 24.

SCHEDULE 2

Additional disclosure requirements

1. The foreword shall, inter alia:
 - a. state that the accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with section 5(2) of the Legal Aid (Scotland) Act 1986.
 - b. include a brief history of the Scottish Legal Aid Board and its statutory background.
2. The notes to the accounts shall include:
 - a. details of any key corporate financial targets set by the Secretary of State together with an indication of the performance achieved.
 - b. details of the pension arrangements operated by the Board and that the scheme accords with the guidance contained in 'Non-Departmental Public Bodies: A Guide for Departments'.
3. In respect of the Fund the notes to the accounts shall include:
 - a. an analysis of operating income showing:
 - contributions by assisted persons;
 - expenses recovered
 - losses recovered from damages.
 - b. a breakdown of legal aid operating expenditure from the Fund over:
 - civil cases;
 - criminal cases;
 - children's schemes;
 - contempt of court; and
 - advice and assistance.
 - expenditure in respect of the Public Defence Solicitor Office under part V of the Crime and Punishment (Scotland) Act 1997.
 - c. a note of the amount of cash advanced in-year under regulation 11 of the Civil Legal Aid (Scotland) (Fees) Regulations 1989.
 - d. a note of sums on deposit for assisted persons.