

Statement of accounts

FOR THE YEAR ENDED 31 MARCH 2001

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 Board is a Non-Departmental Public Body established in 1987 and set up under the Legal Aid (Scotland) Act 1986 and is accountable to Scottish Ministers. The key objective for the Board is to operate within the Administration budget and to manage Legal Aid in Scotland.

The Scottish Legal Aid Board ('the Board') presents its accounts for the financial year ended 31 March 2001. The accounts have been prepared in a form directed by the Scottish Ministers, 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 £128.197m (2000 - £114.077m). This represents the estimated value of legal aid certificates issued during the financial year.

Scottish Legal Aid Board

The Income and Expenditure account on an accruals basis shows the net cost of operations, excluding notional charges but including pension costs, transferred to the General Fund is £8.818m (2000 - £7.853m).

Communication

The Board produces a monthly newsletter and occasional circulars for staff covering the Board's activities, including performance. 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, 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 organisation's objectives.

Creditor payment policy


The Board's payment policy with regard to suppliers is to agree payment terms when orders for goods and services are placed and, whenever necessary, ensure that suppliers are aware of the Board's terms of payment. The Board aims to comply with these terms subject to satisfactory performance by the supplier. The Board adheres to "The Better Payment Practice Code". The average number of creditor days for 2000/01 was 29.

Audit

PricewaterhouseCoopers, Chartered Accountants, acted as auditors of the Board's accounts during the 2000/01 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 and Accountable Officer
20 June 2001

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accountable 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 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 and quality systems.

The Board's Audit Committee meets regularly. The principal purpose of the Audit Committee is to assist the Accountable 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 the 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 Accountable 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 and to me as Accountable Officer, the Audit Committee and through management information systems.

In preparation for the requirement to produce a Statement on Internal Control for the year 2001/02, the Board has undertaken a comprehensive review of corporate governance, taking into account guidance issued by the Scottish Executive and HM Treasury. In particular, a working group has been set up by the Board to review corporate governance. Our system of internal control has been reviewed and a risk management framework has been in place for much of 2000/01 with incremental upgrading throughout that year. It is considered at this stage that our risk management framework for 2001/02 will allow the preparation of a statement on internal control confirming that a sound system of internal control was in place throughout the year.

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 (now Scottish Ministers). 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 is 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 Accountable Officer for the Scottish Executive Justice Department has designated the Chief Executive of the Scottish Legal Aid Board as the Accountable Officer for the Board. His relevant responsibilities as Accountable 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' Accountable Officer Memorandum.

The Board is responsible for the maintenance and integrity of its website. The information published on the website has been prepared under United Kingdom Company Law and may not be in accordance with the legal requirements of other countries from which the information can be accessed.



Lindsay Montgomery
Chief Executive and Accountable Officer
20 June 2001

Independent auditors' report to the members of the Scottish Legal Aid Board and the Auditor General for Scotland

We have audited the financial statements which comprises the Income and Expenditure Account, Balance Sheet and Cash Flow Statement for the Scottish Legal Aid Fund, and the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and Cash Flow Statement for the Scottish Legal Aid Board.

Respective responsibilities of the Board, Chief Executive and Auditor

The Board's and Chief Executive's responsibilities for preparing the foreword and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Board's and Chief Executive's responsibilities on page ii.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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, in our opinion, the foreword is not consistent with the financial statements, 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.

We read the other information contained in the Statement of Accounts and consider its implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Foreword, the Statement on the System of Internal Financial Control and the Statement of the Board's and Chief Executive's Responsibilities.

We review whether the statement of the Accountable Officer's responsibility in respect of internal financial control set out on page ii reflects the Scottish Legal Aid Board's compliance with the Scottish Executive's directions set out in Finance Guidance Note 2001/9, and we report if it does not. We have not performed the additional work necessary to, and we do not, express any opinion on the effectiveness of the Board's system of internal financial control.

Basis of Audit 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 we 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 2001 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

22 June 2001

**INCOME AND EXPENDITURE ACCOUNT for the SCOTTISH LEGAL AID FUND
YEAR ENDED 31 MARCH 2001**

a. Scottish Legal Aid Fund

	Notes	£'000	2001 £'000	2000 £'000
Income				
Operating income	2.2		10,414	9,708
Expenditure				
Operating costs	3	(137,869)		(123,380)
Decrease / (increase) in bad debts provision	4	(759)		(405)
			(138,628)	(123,785)
Net cost of operations before interest			(128,214)	(114,077)
Interest receivable	5.4		17	
Interest on capital (notional)	5.5		(3)	(4)
Net cost of operations			(128,200)	(114,081)
Add back notional charges			3	4
Net cost of operations excluding notional charges transferred to General Fund			(128,197)	(114,077)
	12			

**BALANCE SHEET
AS AT 31 MARCH 2001**

a. Scottish Legal Aid Fund

	Notes	£'000	2001 £'000	2000 £'000
Fixed assets				
Tangible assets	6.1		33	55
Current assets				
Debtors	8	64,375		59,878
Cash at bank and in hand	9	8,227		7,929
		72,602		67,807
Current liabilities				
Creditors	10	(68,437)		(63,330)
Net current assets			4,165	4,477
Net assets			4,198	4,532
Financed by:				
General Fund	12		4,198	4,532

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

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

Lindsay Montgomery

Lindsay Montgomery
Chief Executive and Accountable Officer
20 June 2001

**INCOME AND EXPENDITURE ACCOUNT for the SCOTTISH LEGAL AID BOARD'S GRANT-IN-AID
YEAR ENDED 31 MARCH 2001**

b. Scottish Legal Aid Board

	Notes	£'000	2001 £'000	2000 £'000
Income	2.1		-	-
Expenditure				
Staff costs	5.1	(5,361)		(4,863)
Operating costs	5.2	(2,634)		(2,444)
Depreciation	6.2	(305)		(181)
Permanent diminution in value of fixed assets	6.2	(173)		(25)
Amortisation of government grant	13	48		-
Total expenditure			(8,425)	(7,513)
Net cost of operations before interest			(8,425)	(7,513)
Interest Received	5.4		8	-
Interest on capital (notional)	5.5		(93)	(64)
Loss on disposal of fixed assets			4	(2)
Net cost of operations			(8,506)	(7,579)
Pension costs	5.3		(405)	(338)
Net cost of operations including pension costs			(8,911)	(7,917)
Add back notional charges	5.5		93	64
Net cost of operations excluding notional charges and including pension costs transferred to General Fund	12		(8,818)	(7,853)

**BALANCE SHEET
AS AT 31 MARCH 2001**

b. Scottish Legal Aid Board

	Notes	£'000	2001 £'000	2000 £'000
Fixed assets				
Tangible assets	6.2		1,455	1,172
Current assets				
Stock	7	33		30
Debtors	8	321		291
Cash at bank and in hand		195		153
		549		474
Creditors				
Amounts falling due within one year	10	(327)		(237)
Net current assets			222	237
Total assets less current liabilities			1,677	1,409
Deferred income	11		(234)	(259)
Net assets			1,443	1,150
Financed by:				
Government grant	13		714	-
Reserves:				
General Fund	12		726	1,140
Revaluation reserve	14		3	10
			1,443	1,150

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2001**

b. Scottish Legal Aid Board

	2001 £'000	2000 £'000
Net cost of operations	(8,818)	(7,853)
Unrealised surplus (deficit) on revaluation of tangible fixed assets less supplementary depreciation	2	1
Total recognised gains and losses relating to the year	(8,816)	(7,852)

Lindsay Montgomery

Lindsay Montgomery
Chief Executive and Accountable Officer
20 June 2001

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001**

a. Scottish Legal Aid Fund	Notes	2001 £'000	2000 £'000
Net cash outflow from operating activities	15	(123,610)	(117,795)
Capital expenditure:			
Payments to acquire tangible fixed assets		-	-
Financed by government grant		123,908	117,201
Increase / (decrease) in cash in the year		298	(594)

Reconciliation of movement in cash to movement in net funds		2001 £'000	2000 £'000
Cash at bank and in hand 1 April 2000		7,929	8,523
Cash at bank and in hand 31 March 2001		8,227	7,929
Movement in net funds		298	(594)

b. Scottish Legal Aid Board's Grant-in-Aid	Notes	2001 £'000	2000 £'000
Net cash outflow from operating activities	15	(8,360)	(7,615)
Capital expenditure:			
Payments to acquire tangible fixed assets	6.2	(763)	(918)
Financed by government grant	2.1	9,165	8,530
Increase / (decrease) in cash in the year		42	(3)

Reconciliation of movement in cash to movement in net funds		2001 £'000	2000 £'000
Cash at bank and in hand 1 April 2000		153	156
Cash at bank and in hand 31 March 2001		195	153
Movement in net funds		42	(3)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001

1. Accounting policies

1.1 Basis of accounting

The accounts have been prepared in accordance with the historical cost convention as 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 Scottish Ministers for Scotland (note 21).

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 and pose a risk to fraud or theft but are of a similar nature are grouped together and capitalised.

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	computer hardware and software - 5 years
office furniture - 10 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 5.5). 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 liability to pay accounts resulting from grants of legal aid made within the financial year is recognised within the Fund. 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, representing 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.

1.10 Deferred income

Deferred income is provided as a financial incentive from the landlord of 40-44 Drumsheugh Gardens in return for extending the life of the lease. The lease was extended by 10 years, from 5/10/95 to 4/10/05 and will be released as a benefit to the Board over this period.

1.11 Capital Expenditure

The Government Grant-in-Aid represents income received from the Scottish Executive and includes an amount to cover capital project expenditure. This sum is amortised as the economic benefits are recognised and consumed over the assets' useful economic lives as per SSAP 4.

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). The Government grant represents income received from the Scottish Executive covering capital project expenditure (Financial and Administration Management System) incurred during the year (note 13).

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 Justice Department as a consolidated fund extra receipt. The amount surrendered in 2000/01 was £32,000 (2000 - £166,000). Net pension receipts of £86,862.77 are included within the income figure.

The amounts were -

	2001 £'000	2000 £'000
Grant-in-Aid	8,223	8,350
Government grant	762	-
Pension receipts	180	180
Vote funding	9,165	8,530

2.2 Operating income of the Fund

	2001			2000		
	Gross Income £'000	Adjustments £'000	Net Income £'000	Gross Income £'000	Adjustments £'000	Net Income £'000
Contributions by assisted persons	2,060	(559)	1,501	2,046	(685)	1,361
Expenses recovered	7,444	212	7,656	7,353	(327)	7,026
Other income	39	80	119	27	39	66
Losses recovered from damages	1,138	-	1,138	1,255	-	1,255
Total	10,681	(267)	10,414	10,681	(973)	9,708

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 net amounts refunded were £347,000 (2000 - £359,000).

Adjustments to expenses recovered arise primarily because the legal aid account has been taxed (re-assessed) by the auditor of court.

Expenses refunded during 2000/01 were £41,000 (2000 - £42,000). These are incorporated in the operating income table above.

Under certain circumstances, the Board will securitise assets such as property until the debts are repaid. Any outstanding sum will attract interest at 8% per annum until the balance is settled. The total value of securitised assets for 2000/01 including accrued interest is £357k.

3. Operating costs of the Fund

	2001 £'000	2000 £'000
Advice and assistance (A&A)		
Solicitors' charges	33,652	27,196
Counsel's fees	48	13
Solicitor Advocates' fees	0	0
Outlays	1,838	1,661
	35,538	28,870
Civil		
Solicitors' charges	17,227	18,756
Counsel's fees	3,427	2,498
Solicitor Advocates' fees	6	0
Outlays	7,337	7,584
	27,997	28,838
Expenses paid to successful unassisted persons	36	25
	28,033	28,863
Criminal		
Solicitors' charges	61,050	55,265
Counsel's fees	6,044	3,976
Solicitor Advocates' fees	700	310
Outlays	3,747	3,566
	71,541	63,117
Children		
Solicitors' charges	1,841	1,812
Counsel's fees	256	105
Solicitor Advocates' fees	3	0
Outlays	183	130
	2,283	2,047
Contempt of court		
Solicitors' charges	40	30
Counsel's fees	0	0
Solicitor Advocates' fees	0	0
Outlays	1	1
	41	31
Public Defence Solicitors' Office		
Criminal defence costs - outlays	45	64
Salaries and wages	218	229
Social security costs	18	19
Accommodation	82	87
Audit fees	2	2
Depreciation	11	18
Permanent diminution in value of fixed assets	12	5
Other operating costs	28	28
	416	452
Repayable bank interest (note 5.4)	17	0
	137,869	123,380

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 £361,000 (2000 - £360,000).

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 £1,576,000 (2000 - £1,331,000).

The PDSO office opened on 1 October 1998. Nine people (2000 - 11) were employed by the PDSO during the year (2000/01). One member of the PDSO staff received remuneration within the band £50,000 - £59,999 (2000 - 1). PDSO pensions and other benefits are payable out of the Scottish Legal Aid Fund account.

4. Bad debts provision of the Fund

	2001 £'000	2000 £'000
Irrecoverable contributions from assisted persons	214	39
Irrecoverable expenses	530	345
Irrecoverable other income	15	21
	759	405

The sums written off during the year were £564,000 (2000 - £1,253,000).

5. Expenditure by the Board

	2001 £'000	2000 £'000
5.1 Pay Related Costs		
Board members' emoluments	99	98
Other salaries and wages	4,909	4,446
Social security costs	353	319
	5,361	4,863

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, fell into the following bands:

	2001	2000
Nil - £4,999	1	1
£5,000 - £9,999	10	9
£10,000 - £14,999	0	0

The Chairman's emolument for the year was £25,123 (2000 - £34,412). The Chairman and the Board members are appointed for a fixed term and receive emoluments and expenses only. Board members do not make pension contributions.

The Chief Executive's total remuneration for 2000/01 was £75,300. 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 274 (2000 - 262) of which 174 (2000 - 167) were employed in operations and 100 (2000 - 95) in administration. Five (5) members of staff received remuneration within the band £40,000 - £49,999 (2000 - 5).

5.2 Other operating costs

	2001 £'000	2000 £'000
Accommodation	870	888
Audit fee	31	27
Auditors – non audit fees	30	29
Other administrative costs	1,703	1,500
	2,634	2,444

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 21).

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 Audit and Compliance
	L Montgomery	T Murray	J Edgar	W Gray	I Middleton
Age	48	49	40	40	51
Salary at 31/3/01 (£k)	74	52	50	45	43
Pension increase (net of inflation) (£k)	1.8	0.8	0.8	0.6	0.7
Accrued pension at 31/3/01 (£k) including transfers in.	28.4 pa	9.7 pa	14.8 pa	2.5 pa	11.0 pa

5.4 Interest Receivable

During 2000/01, the Board entered into a new contract with the Royal Bank of Scotland whereby bank interest is now received on a quarterly basis. The Board has yet to finalise its discussion with the Scottish Executive Justice Department on whether this money should be retained or surrendered as a Consolidated Fund Extra Receipt. The Board has accrued this sum as a payment through the income/expenditure account.

5.5 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.

Tangible fixed assets

6.1 Scottish Legal Aid Fund	Office Furniture and Fittings £'000	Office Equipment £'000	PC/ computer hardware and software £'000	Total £'000
Cost or valuation				
Balance at 1 April 2000	5	5	72	82
Additions	-	-	-	-
Disposals	-	-	-	-
Permanent diminution in value			(12)	(12)
As at 31 March 2001	5	5	60	70
Depreciation				
Balance at 1 April 2000	0	1	26	27
Provided during year	1	0	14	15
Disposals	-	-	-	-
Backlog	-	-	(5)	(5)
As at 31 March 2001	1	1	35	37
Net book value at 31 March 2001	4	4	25	33
Net book value at 31 March 2000	5	4	46	55

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

6.2 Scottish Legal Aid Board	Office Furniture and Fittings £'000	Office Equipment £'000	PC/ computer hardware and software £'000	Total £'000
Cost or valuation				
Balance at 1 April 2000	333	100	1,792	2,225
Additions	-	-	763	763
Disposals	(162)	-	(325)	(487)
Revaluation	10	-	-	10
Permanent diminution in value	-	(4)	(283)	(287)
As at 31 March 2001	181	96	1,947	2,224
Depreciation				
Balance at 1 April 2000	280	71	702	1,053
Provided during year	15	10	280	305
Disposals	(161)	-	(323)	(484)
Backlog	8	-	-	8
Permanent diminution in value	-	(3)	(110)	(113)
As at 31 March 2001	142	78	549	769
Net book value at 31 March 2001	39	18	1,398	1,455
Net book value at 31 March 2000	53	29	1,090	1,172

Stocks	2001	2000
	£'000	£'000
Publications and consumables	33	30
Debtors	2001	2000
	£'000	£'000
Accrued funding	60,004	55,878
Contributions due from assisted persons	1,412	1,210
Expenses to be recovered	2,650	2,556
Other	300	223
Prepayments	9	11
	64,375	59,878

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 recovered from third parties. Accrued funding is an estimate of the sums due arising from the value of outstanding legal aid cases at 31 March 2001. 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:	2001	2000
	£'000	£'000
Accrued funding	11,521	9,130
Contributions due from assisted persons	522	411
Expenses to be recovered	2,173	1,866
Other	268	193
	14,484	11,600

Scottish Legal Aid Board	2001	2000
	£'000	£'000
Trade debtors	2	2
Prepayments	319	289
	321	291

Cash at bank and in hand	2001	2000
	£'000	£'000

9.1 Scottish Legal Aid Fund

Cash at bank and in hand	233	809
Principal sums	7,695	6,957
Funds held under arrestment	299	163
	8,227	7,929

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 and the net liability to the Legal Aid Fund can be settled. The movement in the account during the year was as follows:

	£'000	2001	2000
		£'000	£'000
Balance as at 1 April 2000		6,957	7,787
Received during the year	34,374		24,394
Interest received during year	481		336
		34,855	24,730
		41,812	32,517
Less:			
Sums repaid to assisted persons	32,717		24,040
Interest paid to assisted persons	262		266
Losses recovered from damages	1,138		1,254
		34,117	25,560
Balance as at 31 March 2001		7,695	6,957

Creditors	2001	2000
	£'000	£'000
Scottish Legal Aid Fund		
Accruals (note 1.8)	60,236	53,086
Amounts due to solicitors and advocates	136	3,052
	60,372	56,138
Contribution refunds due to assisted persons	63	64
Principal sums (note 9)	7,695	6,957
Arrestments	299	163
PDSO	8	8
	68,437	63,330

Amounts falling due after more than one year included above are:	2001	2000
	£'000	£'000
Accruals	11,521	9,130
(These represents the estimated value of certificates at 31 March 2001, that are due to be settled after more than one year).	11,521	9,130

Scottish Legal Aid Board	2001	2000
	£'000	£'000
Accruals	236	78
Trade creditors	91	159
	327	237

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.

General Fund

	2001 £'000	2000 £'000
Scottish Legal Aid Fund		
Balance at 1 April 2000	4,532	5,228
Government grant	123,908	117,201
Government grant - movement in accrued funding	3,955	(3,820)
Net cost of operations (excluding notional charges)	(128,197)	(114,077)
Balance as at 31 March 2001	4,198	4,532

Scottish Legal Aid Board

	2001 £'000	2000 £'000
Balance at 1 April 2000	1,140	463
Vote funding	8,404	8,530
Net cost of operations (excluding notional charges)	(8,818)	(7,853)
Balance as at 31 March 2001	726	1,140

Government Grant (Scottish Legal Aid Board)

	2001 £'000	2000 £'000
Balance at 1 April 2000	-	-
Government grant	762	-
Government grant Amortisation	(48)	-
Balance as at 31 March 2001	714	-

Revaluation reserve

	2001 £'000	2000 £'000
Balance at 1 April 2000	10	9
Revaluation of cost	1	4
Backlog depreciation	(8)	(3)
Balance as at 31 March 2001	3	10

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

	2001 £'000	2000 £'000
Scottish Legal Aid Fund		
Net cost of operations	(128,197)	(114,077)
Government grant - movement in accrued funding	3,955	(3,820)
Depreciation charges	15	18
Permanent diminution in value of fixed assets	8	5
(Increase) / decrease in debtors	(4,498)	4,456
Increase / (decrease) in creditors	5,107	(4,377)
Net cash outflow from operating activities	(123,610)	(117,795)

	2001 £'000	2000 £'000
Scottish Legal Aid Board		
Net cost of operations excluding notional charges	(8,818)	(7,853)
Deferred income	(25)	0
Depreciation charges	305	181
Permanent diminution in value of fixed assets	173	25
Loss/ (gain) on disposal of fixed assets	(4)	2
Amortisation of government grant	(48)	-
Decrease / (increase) in debtors	(30)	(37)
Decrease / (increase) in stock	(3)	13
Increase in creditors	90	54
Net cash outflow from operating activities	(8,360)	(7,615)

Contingent liabilities, for the Board, Fund or PDSO

Since its inception, the Board's practice had been to aggregate the sums paid out of the Fund under advice and assistance and civil legal aid in calculating the net liability to the Fund. The net liability would then be recouped from sums recovered or preserved, expenses or the contribution paid by the assisted person. Following an internal legal review and subsequent opinions from three senior counsel, it became clear that a change in legislation in 1988 had inadvertently removed the Board's power to aggregate accounts for advice and assistance and civil legal aid. As a consequence, the Board ceased the practice of aggregation on 1 June 1999. Arrangements are being made to enable those whose advice and assistance accounts were aggregated and suffered a financial loss as a consequence to claim back from public funds with compensation.

As the amount of the obligation cannot be measured with sufficient reliability a value has not been recognised in the accounts.

Capital commitments

During 2001-02, the Board is committed to implementing the "Electronic Delivery of Legal Aid". At the year-end, no contractual commitment to expenditure had been made.

Operating leases	2001		2000	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Annual commitments under operating leases are as follows:				
Leases expiring				
in one year or less	0	17	0	18
between one and five years	0	14	0	14
in five years or more	522	0	510	0
	522	31	510	32

Committed expenditure for operating leases during 2001/02 will be similar to the charges in 2000/01.

19. 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.

	2001 £'000	2000 £'000
Brian Adair	46	32
Jack Adair	109	104
Jill Adair	13	25
Graeme Jessop	41	44
Derek O'Carroll	8	24
Maurice O'Carroll	5	1
Margaret Scanlan	28	25
Michael Scanlan	6	10
Alexander Wylie	19	14

These related parties are Board members and their spouses or relatives who were transacting with the Board at any time during the year. 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.

20. 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.

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.

Notes

1. As agreed with the Scottish Executive, the Accounts Direction above, subject to the amendments below, shall remain in force for the 2000/01 financial year.
2. The functions of the Secretary of State were transferred to the Scottish Ministers by section 53 of the Scotland Act 1998, the approval by the Treasury is deleted by the Public Finance and Accountability (Scotland) Act 2000 and for Accounting Officer read Accountable Officer.