



# Annual Report and Accounts

For the year ended  
31 March 2020

The Scottish Legal Aid Board

[www.slab.org.uk](http://www.slab.org.uk)

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## THE PERFORMANCE REPORT

### Foreword from Chair and Chief Executive

#### CHAIR'S WELCOME

We are in unprecedented times. The last few months have seen SLAB managing the impact of a global health pandemic on its staff, its operations and those it delivers services to. During this period, the Board and the Executive's number one priority has been the health and wellbeing of SLAB's workforce.

I know I speak for the whole of the Board when I say how grateful we are for the efficient and effective way that the Executive and the whole team at SLAB have ensured that the funding of legally aided services has continued, including during a period of full lockdown, while minimising any impacts on legal aid applicants. I am also proud of the way that the organisation has prioritised working with the Scottish Government, the Law Society of Scotland and the Faculty of Advocates to do all it can, again in an extremely short period of time, to assist solicitors and advocates delivering services to people during this challenging period.

Heading into our new corporate planning period during a time of uncertainty will no doubt be challenging. This may require the first year of that plan to focus on understanding the new look of our organisation and the longer term implications of the various short term measures we have had to take, rather than on the legal aid improvement work that we had initially envisaged. The Board looks forward to working with the Executive to oversee another challenging, and worthwhile, programme of work.

This reports sets out the positive achievements that the organisation is delivering and the role that the Board plays in that. I hope you find it informative.

As always, I would like to thank my fellow board members, who have both challenged and supported the Executive during the year, and also adapted quickly and positively to the changes to the operation of board business that remote working has brought about. I look forward to working with them over the next 12 months.

#### CHIEF EXECUTIVE'S INTRODUCTION

It is difficult to fully reflect on the last year without considering the profound and transformative effect the events of March 2020 have had. Some comfort can at least be drawn from the fact that the 2019-2020 period demonstrates progress across all the corporate priorities, the advancement of a number of key projects and improvement across applications and accounts performance measures.

During 2019/20 we have worked hard to build on established relationships with the legal profession and other justice sector partners and we have done - and continue to do - a huge amount of work in relation to improving our internal decision making framework. There is no doubt in my mind that this enabled us to respond quickly and successfully maintain the operation of the legal aid system in Scotland in the face of an unprecedented crisis.

Throughout 2019-2020 there has been much focus on the complexity of the system and the difficulties in making changes. If nothing else, the changes enforced upon us by the pandemic are a unique opportunity to test ideas, improve our knowledge and learn from practical experience in the hope that we can emerge from the crisis a stronger, more resilient organisation delivering an improved service.

## THE PERFORMANCE REPORT

### 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.

The vast majority of 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 services. The Legal Aid Fund also finances the quality assurance schemes we manage.

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.

## THE PERFORMANCE REPORT

### 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 64 shows net liabilities of £112m (2018-19: £87.1m). 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 2020-21, 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 43 shows net liabilities of £58.5m (2018-19 £45.5m). 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 2020-21, 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.

## THE PERFORMANCE REPORT

### How we use the Legal Aid Fund<sup>1</sup>

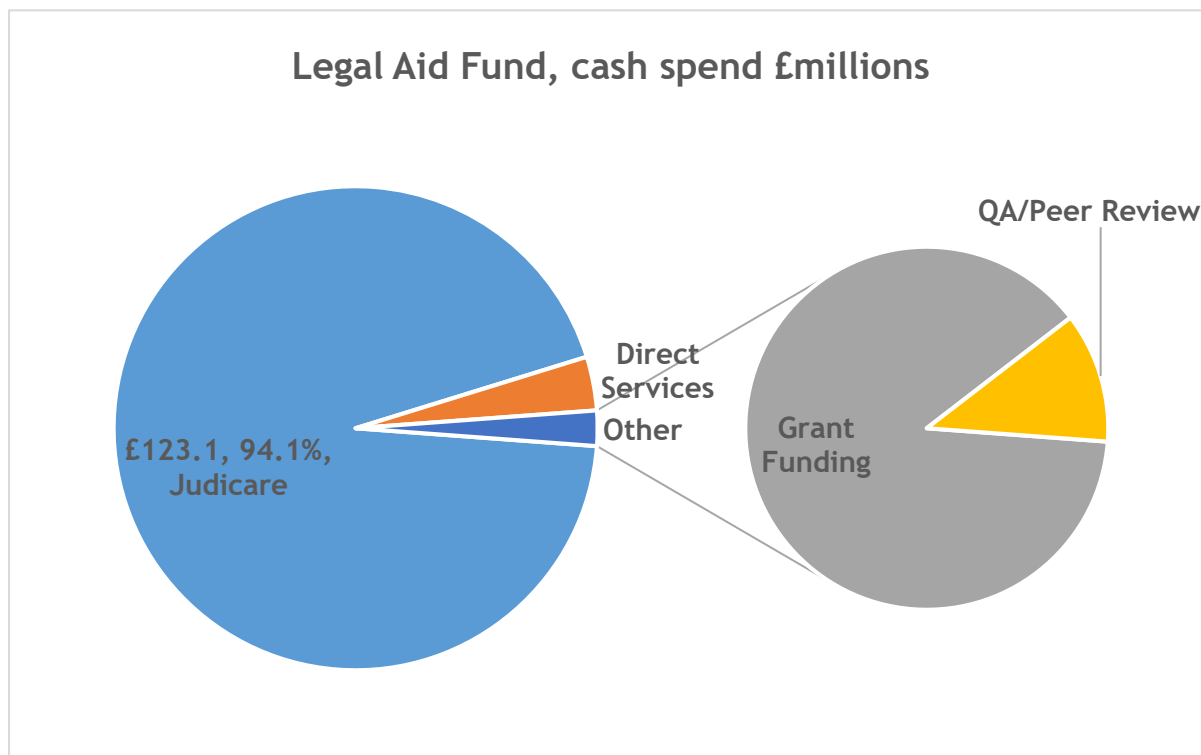
Scottish Government funding is paid to SLAB to fund legal services and our own administrative costs. We refer to the Legal Aid Fund to represent payment for legal and advice services and some supporting expenditure such as the accreditation scheme for advice agencies and peer review of solicitor legal services.

The majority of expenditure from the Legal Aid Fund is judicare funding. That is funding to provide case by case services. The nature of judicare funding is that it is unplanned and largely non-targeted. It is distributed via payment schemes (civil legal assistance, criminal legal assistance 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. In 2019-20, 733 solicitor firms received a legal aid payment for providing services to the public. Legal services will include a mix of advice and representation. The funding can also pay for 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.

### Managing the Legal Aid Fund

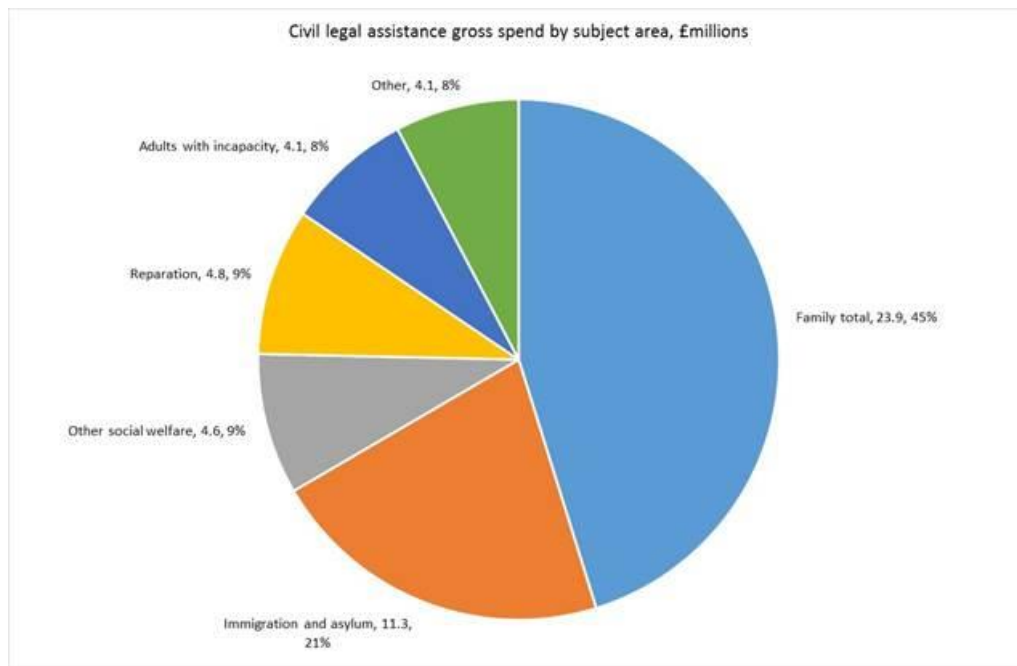
<sup>1</sup> The cash table at page 17 details cash spend for legal aid, as this is the basis on which funding is received from the Scottish Government. The charts here relate to that cash spend.



## THE PERFORMANCE REPORT

### Judicare: Civil Legal Assistance

Civil judicare funding was distributed to support people in the following case types.



Legal services trying to resolve problems flowing on from relationship breakdown represent 45% of gross expenditure (contact and residence disputes, divorce and other relationship breakdown legal problems).

Immigration and asylum represents 21% of expenditure and funds legal services for those seeking asylum and others before the First Tier and Upper Tribunals of the Immigration and Asylum Chamber. Expenditure in this and other categories is influenced by case numbers, duration and complexity. In May 2019 it was reported that the UK government had dropped a target to deal with most asylum cases within six months. As credibility has been the primary reason for the Home Office refusing leave to remain in the UK, firms are spending more time ensuring the evidential information provided by the client is conveyed accurately in the documentation/application. This has an impact on costs.

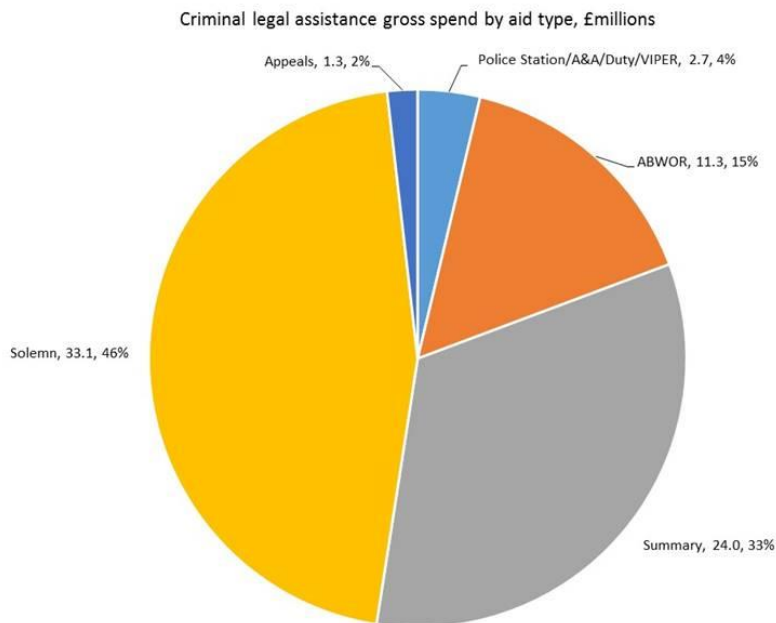
Reparation claims (including medical negligence cases), legal advice and representation around guardianship for Adults with Incapacity and a broad grouping of social welfare law topics and related remedies (mental health, housing, homelessness, judicial review, discrimination, and others) each account for around 8-9% of judicare expenditure. As a supplement to judicare funding on social welfare law grant funding and CLAO services are focussed largely on the broad social welfare law themes.

552 firms received payment for provision of civil legal services.



## THE PERFORMANCE REPORT

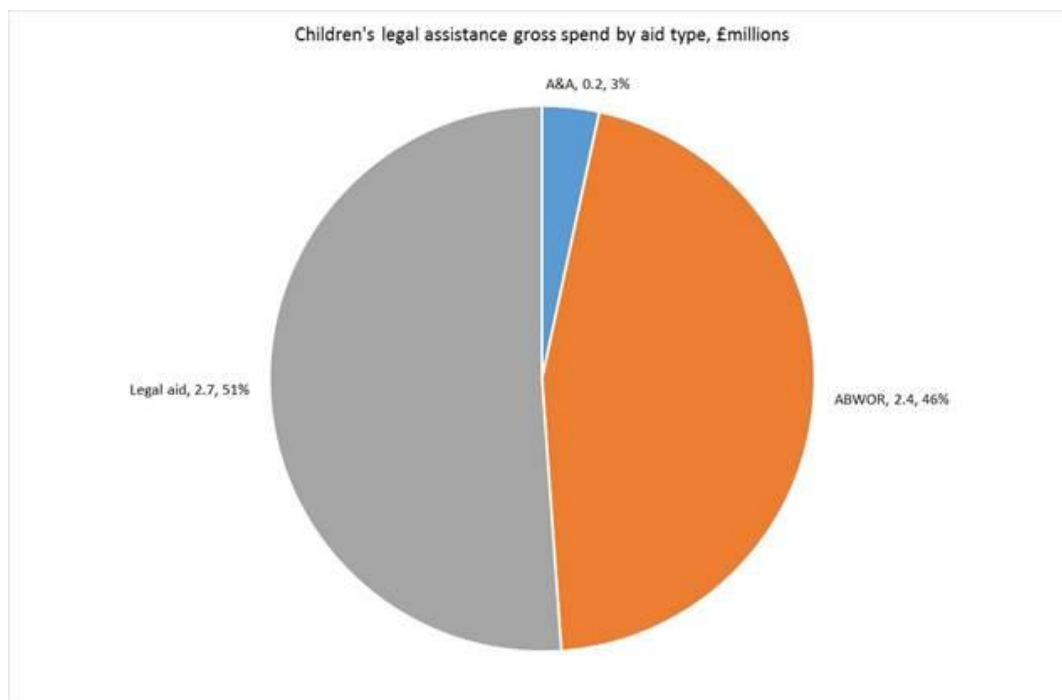
### Judicare: Criminal Legal Assistance



438 firms received payment for provision of criminal legal services.

Solemn legal aid, which is for representation in jury trials either in the Sheriff Court or High court, is the single biggest area of expenditure. Summary and ABWOR are for representation in the summary courts (where there is no jury). Summary is the aid type for people who are pleading not guilty whilst ABWOR is available to support someone pleading guilty but who is still in need of representation.

### Children's Legal Assistance



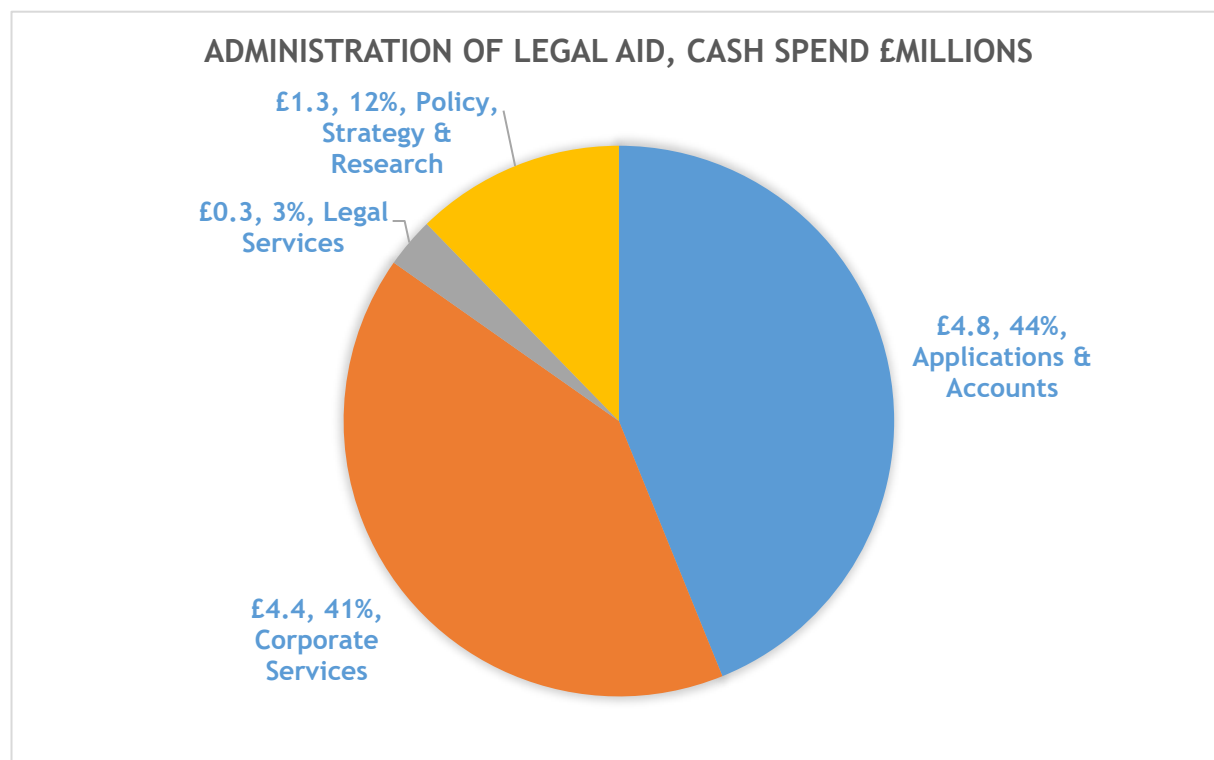
264 firms received payment for provision of children's legal services. Expenditure was slightly higher for representation when proceedings reach Court, but 46% of expenditure was for representation of parents, other relevant persons or children at a children's hearing.

## THE PERFORMANCE REPORT

### Administration of Legal Aid<sup>2</sup>

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 including 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.

<sup>2</sup> Excludes pension costs see Table at page 18



## THE PERFORMANCE REPORT

### PERFORMANCE SUMMARY

At the beginning of this corporate planning period, we set a fresh mission to transform how we deliver our functions and to advise Scottish Ministers on strategic development of publicly funded legal services for the benefit of society.

We embarked on an important programme to strengthen our decision making systems and processes to make it easier for us to carry out our role, easier for solicitors to work with us, and easier for the public to understand what they can expect from legal aid and to navigate the process.

This last year has been the final year of the [2017-20 plan](#).

#### Legal Aid and justice system reform

Legal aid and wider justice system policy is the responsibility of central government but we have an important role in advising on the impacts of change on our specific role and the services we fund.

Progress has been made this year on work to influence and support Scottish Government's future design of the legal aid and justice system.

We continued to progress work flowing from the Scottish Government's legal aid review. [Our response](#) to the Government's consultation set out a range of potential different legal aid models that the Scottish Government could adopt to meet the aims set out in the [review](#).

The legal aid review was also the backdrop to our involvement in the Scottish Government's [legal aid payment advisory panel](#) which is tasked with reviewing the payment mechanisms for legal aid. We assess all accounts for legal services funded by legal aid; it is a complex task, both for us and the profession. We have a clear interest in the development of a range of payment models that support the development and delivery of high quality services directed towards people's needs and which can be administered quickly, simply and accurately by both us and legal services providers. We have provided a range of evidence and other inputs to the panel and we look forward to further contributing to the panel's conclusions and working with Scottish Government to take forward any reforms that emerge.

There will be more for us to do in this regard in the coming corporate planning cycle. The complexity of reforms through the legal aid review, payment panel and the wider justice system has been compounded as the justice system and the means of advising, supporting and representing people are having to adapt to COVID-19 and prepare for the post COVID-19 world. Work on these major themes will continue.

In our work on both the legal aid review and the payment panel we are working with others to use our experience and evidence-base to identify options for change and assess their impacts with a view to helping shape the future design of the system we manage. In addition to this external and future focused work, our programme this year has also had an emphasis on work we can do now to transform our existing decision making functions.

#### Internal transformation progress

We have prioritised our most complex project work which will be key to the future design and delivery of our role in the legal aid system. The GALA project (Guidance on Administration of Legal Aid) is a multi-year endeavour and aims to improve our internal decision making framework, helping ensure the consistency and transparency of our decision making in applications for legal aid funding and payment of accounts.

Such is the complexity of the legal aid schemes that the policy framework we have developed this year - as the central organising structure for our future decision making - includes around 160 separate types of decision. Our review and reframing of the framework for operational decision making is an opportunity to review our operational policies - how we apply the rules set out in the legislation and regulations - and, flowing from that, our guidance both for solicitors and our own decision makers.

As part of this process, we have are taking the opportunity to make more explicit and transparent the link between our decision making and our public sector equalities duty. To support that we have also developed changes to the collection of data in our application systems to encourage greater disclosure of equalities characteristics for applicants.

## THE PERFORMANCE REPORT

A key output from the GALA project this year has been a complete overhaul and restructuring of the information contained in the legal aid handbook, now accessible with new advanced indexing and search tools on our redesigned website.

### Project delays

Unfortunately, our focus on a small number of major projects has meant that some shorter term projects with obvious and tangible outcomes, such as the development of new PDSO/CLAO case management systems, did not progress as far or as fast as we planned. Nor were we able to fully progress some joint work with Scottish Government, such as implementation of criminal fee reforms and the development of a new grant funding programme.

### Operational performance

This year we have focussed on improving the proportion of decisions we can take on the applications and accounts we receive without asking for further information. This measure focuses us on assisting solicitors in the application and accounts process. In many of the aid types we have been able to improve the proportion of decisions on applications and accounts taken first time, by producing guidance, working directly with solicitors' firms and continuing to ensure we only ask for information when it is required. A detailed assessment of performance can be viewed [here](#).

### Performance against our priorities

#### Priority 1

Our ambition is to achieve cultural and operational excellence; for our staff to be empowered to innovate and do what is necessary and possible within the legislative framework to improve our service and outcomes for our customers.

Key to innovation has been a review of our risk management framework, which has included our Board setting its risk appetite. We also assessed the level of assurance that we were able to give the Board on our management of our corporate risks. Managers in operational teams were involved this year in fully embedding our new approach to risk in their revised functional risk registers. This and other work assisted us as we managed and responded to the COVID-19 pandemic, managing and understanding risk to the functions we deliver and how we could flex controls appropriately to assist both people seeking legal assistance and those delivering the service.

This year we have also developed a risk based approach to our internal audit engagements and this complements the risk review work. We reviewed and changed our controls on expenditure in civil legal aid cases. We reviewed the effectiveness of the requirement on solicitors to report to us at defined stages of cases. The review showed that in most cases this stage reporting control was disproportionate to the risk of unmanaged expenditure that had led to its introduction, especially given the subsequent introduction of an additional control in the form of specific case cost limits. As most stage reporting added little in terms of risk mitigation, but added an administrative burden both for us and the profession, we decided to remove the need for stage reports in most circumstances.

Our programme of engagement with firms continued to assist solicitors better manage the applications and accounts processes and allow us to make decisions in more cases without having to seek further information.

Our main vehicle for achieving operational excellence is the GALA project. This is our most important project which has the potential to transform our decision making functions. It will help us create a framework to support effective decision-making which is communicated effectively to our customers.

This year we concluded the transfer of all of the current 'legal aid handbook' content to a new pamphlet structure for the new website. We also designed a work programme to review all of the decisions we take and develop policy statements to guide the application of discretion where we have it, external guidance to support solicitors and applicants and guidance for our staff. The work programme is extensive and will take us to 2022 to complete.

## THE PERFORMANCE REPORT

The People Strategy is another foundational programme of work to drive transformation. It has not progressed as far as we had hoped this year. A reprioritisation of work during the year focused the programme on workforce planning and a review of our people policies. Our approach to both of these workstreams will now need to be revisited to take into account the shape of the new working environment post COVID-19.

### Priority 2

Our ambition is to improve and build on our understanding of the impact of our key processes and procedures on those that access the legal aid system and those that supply legally aided services in order to reduce barriers.

We have made some progress here but recognise there is more to do through our next corporate plan.

We visited or hosted 30 firms to provide bespoke training on aspects of legal aid, from training on using our online platform for applications and accounts, to technical training on applications and accounts processes for specific legal areas. Most of our visits are arranged at the invitation of the firm but a small number are arranged at our suggestion, and some are arranged following on from quality assurance processes suggesting that support would be helpful.

We worked with the Law Society of Scotland to develop a shared view on the benefits and challenges of a [single or much simplified suite of aid types / grants](#) [See 'Simplification of Judicare' p55], recognising that to achieve that level of simplification would require legislative change. This was reflected in our response to the Scottish Government's consultation of legal aid reform following on from the independent legal aid review published in 2018.

300 solicitors engaged with [our survey of civil legal aid solicitors](#) on their experience of civil legal aid work and their insight into the market. The responses showed a strong commitment to legal aid amongst the profession, but a majority still consider the administration involved in making an application and processing accounts and payments to be a major challenge.

Key to understanding the impact of our processes on people is having a clearer understanding of them and their life circumstances. We have very low rates of completion of the equalities data which we ask for from solicitors as part of all applications processes (93% non-completion across all aid types in 2019).

49% of solicitors in the survey said they never ask applicants to complete the equalities information we ask for as part of the applications processes. Many did not give a reason, though some did not see the point of it.

We have reviewed our equalities questions for applicants and updated them in line with good practice guidelines developed by the EHRC and the NDPB Equality Forum. The placement of the questions will be changed to become part of the usual application process, with an answer mandated, but with a "prefer not to say" option. We plan to work with the Law Society of Scotland to promote the completion of these questions. This work and the timescales for necessary changes to the Legal Aid Online system has been impacted by COVID-19.

Equality research gave us good insight into what different groups may expect from SLAB services. This will inform our GALA work, but this could be better supported with improved equalities data collection as people apply for assistance.

### Priority 3

Our ambition is to design our services to ensure that any bureaucratic burden on SLAB, solicitors and applicants is at the minimum level necessary to support accurate and timely decisions on access to legal aid funding.

This year we have met or [improved on our effectiveness](#) in making decisions across many of our aid types and decisions.

We have progressed work to digitise the main financial assessment form in civil legal aid which is completed by applicants not in receipt of a passported benefit. The applicant will have access to a secure cloud space where the form will be completed by the applicant then securely passed to SLAB.

## THE PERFORMANCE REPORT

We have drawn heavily on applicant research as we developed the digital process and form. We have encountered different technical issues accessing and using the form across a range of different devices and operating systems. The form is now ready for testing prior to roll out.

Our main SLAB website was fully redesigned and rebuilt. The website is mainly used by practitioners for information and guidance on the legal aid schemes. Some of the main changes were

- An improved search function
- A much more modern style of layout and navigation
- Changes to how we set out legal aid guidance.

We have built in a function to allow users to feedback on the utility on the website which has helped us refine some of the search function. Plans for a short survey of all legal aid solicitors were disrupted when lockdown interrupted survey work.

The new website has been one of our main platforms for communicating with solicitors about changes in the legal aid schemes during COVID-19.

### Priority 4

#### Development of our performance management system

We have continued the development of our performance management system. This has been pivotal to our transformation work. We are continuing to refocus our operational performance in the processing of accounts and applications away from an overarching spotlight on a simple measure of the time an application or account is in our hands, which discounts any traffic back and forward between SLAB decision makers and applicants and solicitors. This approach measures and reports on time taken for the whole process as experienced by customers of our major decisions on eligibility and payment.

This has been the first year of reporting performance against static benchmarks, based on an average of the past 2 years' figures and adjusted to reflect particular priorities or anticipated process changes. The performance reported for each month is measured on a rolling three month average, with no overall annual result: this was designed to encourage consistent management of performance throughout the year. As well as showing month to month movement, performance against the benchmark also provides a [comparison against previous year's performance](#).

### Priority 5: Collaboration including wider Scottish Government priorities

Following devolution of financial services levy funding for debt advice to Scottish Government on 1<sup>st</sup> January 2019, SLAB has managed funding for the grant programme on behalf of SG Consumer Directorate and SG Justice Directorate. The grant funding programme currently includes 24 projects which are funded to March 2021. The projects broadly focus on providing help for people at court and in other settings for housing eviction, debt and simple procedure problems. We also continue to fund the Scottish Women's Rights Centre Legal Project managed by Rape Crisis Scotland.

For much of the year we have worked with colleagues in Scottish Government Consumer Directorate to assist them with the design of a new debt focussed grant funding programme, funded by a portion of the devolved levy from the financial services industry. We have assisted in the development of a small programme designed to help debt advice agencies manage demand for advice. This programme will make funding available to test ideas to assist clients and existing debt advice staff achieve more effective resolution of debt problems within free advice services. This is expected to launch in 2020-21.

We continued to deliver a peer review and audit process to support the Scottish Government's accreditation of advice agencies to the Scottish National Standards for Information and Advice Providers.

We work with the Law Society of Scotland to deliver quality assurance schemes for legal aid: solicitor peer review. We manage the Criminal and Children's Quality Assurance Schemes.

### RISK

#### Current risks and issues facing SLAB

SLAB faces a range of risks and issues which reflect our role as a funder, managing statutory based schemes. These include risks that are driven by challenges within our organisation but also from changes in the external environment. In particular, some arise from the constraints of the statutory funding schemes while the services those schemes support need to be able to adapt to change in the wider justice system. We also have risks associated with our role as a public body. This section sets out the principal risks and issues that we managed in 2019-20.

#### COVID-19

A stark example of these external issues is COVID-19. The last six months has seen the world dealing with a global health pandemic. No aspect of daily life has escaped its impact. Like all organisations across Scotland, this has required us to respond and adapt as a business extremely quickly. Our main focus has been to protect the health and wellbeing of our staff, to comply with Scottish Government and UK Government regulations and guidance and follow general public health advice.

As well as the primary health and wellbeing considerations, we have also moved quickly to put a range of measures in place to ensure that the legal aid system continues to operate smoothly for applicants and their solicitors, including through a period of full lockdown. Our previous work on risk provided us with a sound foundation on which to assess the impact of our controls on applications and accounts and take proportionate measures which increased our risk profile in order to assist the advice seeking public and legal aid solicitors and advocates.

For corporate governance purposes, we were able to continue as normal with Board, Executive Team and Committee meetings as these were held via video conferencing with papers issued electronically.

We remain conscious of the financial pressure COVID-19 has put on legal aid applicants who may be contributing to the cost of their case, and solicitors as court business has temporarily reduced to assist with virus control. As our key role is to fund providers of legally aided services, we have an interest in reducing the risk of critical issues in the supply of necessary services. It has though been very difficult to assess the impact, either to date or predicted, on individual providers or the legal aid market as a whole. Nevertheless we have worked closely with the Scottish Government to put in place a range of support measures for solicitors and advocates.

Needless to say, the issues associated with COVID-19 are yet to be fully resolved. The evidence suggests that COVID-19 will necessitate enduring changes to daily life and the operation of public services and all sectors of the economy. At the time of writing we are considering what this means for the delivery of our functions in the future. This is likely to demand a significant amount of staff resource in the first year of our new corporate planning cycle. We are a small organisation. The majority of our workforce is focussed on the assessment of applications and accounts with a much smaller number responsible for the development and improvement side of our work. Our continued response to COVID-19 will no doubt have a consequential impact on the level of wider development and improvement work we can deliver in the short term.

One of the biggest impacts this is having is on the delivery of our People Strategy. This longer term strategy was planned to be a key contributor to our aim of cultural and operational excellence. The strategy was approved by our Board in June 2019. The initial priority for us was analysis of our skill needs as a first step towards a review of job design, job evaluation and grading structures, training and recruitment to support the development of an overall future workforce plan. The shift in our focus of the last six months has significantly impacted the delivery of this strategy. Not only have key staff working on the strategy been diverted to managing our response to COVID-19, but it is likely to have a profound effect on how we deliver our services and utilise our workforce in the future and we are now giving careful consideration to re-focusing the strategy over the 2020-23 corporate planning cycle.

The justice system as a whole is currently considering how it too can respond to these challenges and we will be an important partner in the delivery of that strategy. Again, this is likely to require a significant amount of our senior resource to collaborate with our justice system partners.



## THE PERFORMANCE REPORT

COVID-19 is also a risk to the critical judgements made in relation to the Financial Statements like the legal aid provision, pension estimates and the valuation of SLAB's main premises at Thistle House. Due to the timing of COVID-19 it has had little effect on the figures for 2019-20 however it will likely impact the figures moving into 2020-21. We have these areas under regular review and will adjust our processes where required. For further information on critical judgements please see notes to the accounts numbers 25 and 44.

Risk/Issue	Mitigation
Impact of COVID-19 on the delivery of our functions and strategic priorities	<ul style="list-style-type: none"><li>- Comprehensive range of business continuity measures implemented, including homeworking for all staff</li><li>- Changes to our administrative systems to reduce the impact of building closures</li><li>- Suspended the collection of applicant contributions towards the cost of civil legal aid cases for those in financial difficulty</li><li>- Implementation of measures through the Coronavirus (Scotland) Act 2020 and the Legal Aid and Advice and Assistance (Coronavirus) (Scotland) Regulations 2020</li><li>- Changes to operational policies and procedures to support continued cashflow for the legal profession and enable new ways of working in the justice system.</li></ul>

### Financial sustainability

The delivery of our core functions and strategic priorities is dependent on our ability to manage within the administrative budget set by the Scottish Government.

This funding has remained largely static for some years. Around 85% of our administration budget is spent on staff costs. Simply funding the Scottish Government's recommended pay award for our staff has now become a significant challenge.

Risk/Issue	Action taken
We cannot deliver our core functions or strategic priorities due to financial pressures	<ul style="list-style-type: none"><li>- Scenario plans developed setting out areas of potential savings in our current administration expenditure.</li><li>- Management of vacancies as they arise.</li></ul>

### Responding to external influences on our role

Legal aid is one facet of the justice system, alongside policing, the prosecution, the courts, the children's hearings system, prisons and community justice. Legal aid is susceptible to significant impacts from changes made in other parts of the justice system e.g. crime enforcement and prosecution policy changing the level or shape of demand for legal aid or court procedure impacting the way in which solicitors work and therefore are paid.

Senior resource is required to manage the risk that changes to the justice system require us to make changes to the way that we deal with applications and accounts at short notice. There is a risk that urgency could mean that change is not fully supported by the legislative requirements of our payment schemes, with the result that they act as a drag on change in the system. The risk has increased with the justice response to COVID-19 and we have worked with justice system partners and Scottish Government to respond at pace to ensure the justice system protects those that require to access it.



## THE PERFORMANCE REPORT

We must also be able to react to changing trends in the demand for legal aid. This is so that we can adapt our service where necessary.

Risk/Issue	Action taken
Changes in policy and procedures of external stakeholders has a detrimental impact on legal aid	<ul style="list-style-type: none"><li>- Chief Executive engagement with other senior justice partners at the Justice Board.</li><li>- Senior level collaboration with justice sector partners on justice system reforms.</li></ul>
We fail to respond to changing trends in legal aid	<ul style="list-style-type: none"><li>- Analysis of trends information through our analytics function with regular discussion at our Executive Team and Board meetings.</li></ul>

### Delivering improvements to legal aid

Four out of our five priorities have a focus on delivering improvements and efficiencies that improve the experience of applicants, solicitors or others that we interact with. We therefore need to manage the risk that we fail to do this.

Our GALA project is a key mitigation for this risk but we have also taken action in a range of other areas. An important aspect of delivering improvements is seeking and acting on feedback from service users. Although we have a range of means to do this, we recognise that we could improve the effectiveness of this through central recording and reporting of insights arising from the full range of interactions flowing from our business activity.

Risk/Issue	Action taken
We fail to deliver improvements or efficiencies in legal aid that improve the experience of those we interact with	<ul style="list-style-type: none"><li>- Continued delivery of the GALA, People Strategy and Performance Management projects.</li><li>- Programme of work to improve our policy development processes.</li><li>- Surveying of solicitors.</li><li>- Seeking feedback from solicitors in our training and support work.</li></ul>

### Handling information

Our role requires us to process significant amounts of personal data - much of it of a sensitive personal nature. We therefore need to manage the risk of poor data management and ultimately breaches of data protection legislation. Although a number of minor data breaches took place in 2019-20, none were serious enough to warrant a report to the Information Commissioner's Office, with whom we consult regularly.

## THE PERFORMANCE REPORT

Risk/Issue	Action taken
We fail to comply with relevant data protection legislation	<ul style="list-style-type: none"> <li>- Training delivered for staff on correct handling of information, including as part of corporate induction for all new staff.</li> <li>- Recent creation and recruitment of specialist roles in data protection and records management.</li> <li>- Regular internal communications to staff on best practice delivered via our Data Protection Officer. This has recently included guidance for staff around the protection of information whilst working remotely during COVID-19.</li> <li>- Review and update of our <a href="#">Privacy Notice</a>.</li> <li>- Central recording and monitoring of data breaches with oversight of actions through our Senior Information Risk Owner, the Executive Team and the Audit Committee.</li> </ul>

### Compliance with our statutory obligations

We have a range of statutory obligations to meet, both in our role as the legal aid funding body, but also as a public body. 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.

Our Board has been managing two significant issues that arose during the course of 2019-20.

#### Public sector equality duty

We are subject to the public sector equality duty (PSED). Compliance with the statutory regime is regulated and monitored by the Equality and Human Rights Commission (EHRC).

We have made good progress in our assessment of equalities issues in recent years, developing specific responses to identified issues and impact assessing a number of our policies and practices. Our GALA project also has designed-in a clear process for considering and recording how any policies we develop in GALA to manage the application of discretion (when we have discretion within the legislative framework) will take into account our public sector equality duty.

We acknowledge that further improvements can be made in 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. We have been engaging with EHRC on that to improve our practice.

Our Board consider this as a positive opportunity to develop a close, constructive relationship with the EHRC and to embed improved equalities practice as a key part of our wider corporate governance improvement strategies.

Our prioritisation of this process will have a significant impact on our corporate programme for 2020-21 as we commit to implementing a detailed programme of equalities-focused work, involving staff from across all of our functions. This may require a different prioritisation of core initiatives than we had originally envisaged as we developed our new corporate plan.

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

## THE PERFORMANCE REPORT

### Liability for interest on payments to solicitors

A current risk arises from an action raised against us. The basis of the action is that SLAB is liable to pay interest on the late payment of fees to a solicitor under the Late Payment of Commercial Debts (Interest) Act 1998. We are challenging this argument for a range of reasons, as we do not consider that the terms of the legislation, or the EU Directive it implements, apply to the kind of payment relationship we have with solicitors.

In December 2019 a sheriff agreed with the pursuer that the payment of fees to solicitors was subject to the provisions of the Act. This was not previously thought to be the case. We are currently appealing this decision.

Should our appeal be unsuccessful, this issue will result in a number of significant impacts. One of these is financial. It is very complex to assess accurately (and indeed the precise arrangements for calculating liability for interest and over what period may themselves be subject to further judicial determination), but potentially significant sums may fall to be paid from the Legal Aid Fund. It would also have a major impact on the way in which we manage our performance. Our review of our performance management framework over the previous two years has aimed to increase the focus of our applications and accounts processes on improving the user experience. An unsuccessful appeal is likely to mean that we have to change our focus to reducing our future liability for interest payments. This could force us to revert to our previous emphasis on minimising time in our hands, rather than improving our processes by seeking to reduce the overall time taken to finally resolve accounts.

### OPERATIONAL PERFORMANCE ANALYSIS

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

We also measure the accuracy of the decisions we take and the accounts we assess. And we survey solicitor satisfaction through a series of micro-surveys. A fuller explanation of all these measures can be found online.

Our reporting on the indicators we use can be found in the SOPOR (SLAB Operational Performance Overview Report). The [SOPOR](#) for March 2020 presents the performance for the whole 12 months of 2019-20.

Civil applications performance has met or exceeded all the benchmarks set for the indicators throughout almost the whole year. As a consequence recalibrated benchmarks were being considered for 2020-21 however these have not been adopted at this time due to the uncertainty of current business conditions.

Criminal applications performance was noticeably better in summary than solemn. Application volumes in summary have been at a historical low whereas solemn levels remain high. Both areas were affected towards year end by the wider disruption to the criminal justice system.

Children's applications performance consistently met the desired levels.

In accounts it has been a more challenging year for the civil and criminal assessment areas to meet their benchmarks. The children's area saw a process change implemented in the summer of 2019 which helped them improve their performance considerably. Work is continuing to make the submission of accounts easier and more efficient through system enhancements and online guidance development. We are also placing greater focus on the work done overall in the context of the particular case, which in some areas has reduced the number of abatements being made, the potential number of negotiations and the time taken to make decisions from the point of receipt of a completed application or account.

## THE PERFORMANCE REPORT

There has been a reduced duration in the majority of areas, but for a small number of account types the duration will remain unchanged until further work is undertaken.

Solicitor satisfaction surveys are conducted on the basis of 2 surveys per sector, separated by 3 months within a sector, with each sector offset by 1 month. This design is to avoid survey fatigue across a 12 month period. The latest civil survey was due in March 2020 but this was delayed to avoid clashing with a more in-depth survey of civil solicitors that took place in January 2020.

Satisfaction in applications remains higher than accounts but with both areas showing a majority of solicitors being satisfied. Useful feedback is being obtained from the surveys but the overall low response rates remain a concern. Accuracy of decision making in both applications and accounts has remained at a very high level.

Operational performance overview reports for 2019-20 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 AND APPLICATIONS

On a cash basis, net expenditure on the Legal Aid Fund was £130.9m, compared to £123.7m in 2018-19:

	2019-20 Cash basis £000	2018-19 Cash basis £000
<b>Civil legal assistance</b>		
Civil legal aid	31,405	31,379
Civil advice & assistance (A&A) and advice by way of representation (ABWOR)	21,608	19,496
Civil Legal Assistance Office	1,414	1,403
Grant funding	2,723	4,674
Less operating income	(8,290)	(10,433)
Less income from the Money Advice Service (MAS)	-	(1,895)
<b>Total net civil legal assistance cash expenditure</b>	<b>48,860</b>	<b>44,624</b>
<b>Criminal legal assistance</b>		
Summary criminal legal aid	23,999	25,054
Solemn criminal legal aid	33,096	30,297
Criminal appeals	1,320	1,187
Criminal advice & assistance and advice by way of representation	13,136	12,686
Duty scheme	795	713
Public Defence Solicitors' Office	2,282	2,251
Solicitor Contact Line	944	1,017
Glasgow Courts	60	61
<b>Total criminal legal assistance cash expenditure</b>	<b>75,631</b>	<b>73,266</b>
<b>Children's legal assistance</b>		
Children's legal aid	2,723	2,670
Children's advice & assistance and advice by way of representation	2,601	2,590
<b>Total children's legal assistance cash expenditure</b>	<b>5,324</b>	<b>5,260</b>
Contempt of court	232	196
Miscellaneous payments	822	386
<b>Total cash expenditure</b>	<b>130,869</b>	<b>123,732</b>

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 42 to 62 (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 about the future and other major sources of uncertainty) on page 61. Once such adjustments are made, the statement of comprehensive net expenditure on page 42 shows a net cost of operations of £139.4m (2018-19: £117.1m).

## THE PERFORMANCE REPORT

The Legal Aid and Advice and Assistance (Scotland) (Miscellaneous Amendments) Regulations 2019 came into effect on the 26<sup>th</sup> April 2019. This increased solicitors and advocates fees by 3%.

Legal aid expenditure fluctuates from year to year for a variety of reasons. The main trends on a cash basis are:

### Civil legal assistance

Gross Civil legal aid expenditure is broadly in line with last year. Income is down by £2.1m and the main reasons for this are fewer high value cases in the Court of Session due to the effects of the Court Reform (Scotland) Act 2014 and lower contributions as a result of changes to Universal Credits. The reductions in higher value cases is offset by an increase in lower value cases, which unfortunately do not attract awards of expenses.

Civil A&A and ABWOR increased from £19.5m to £21.6m, this is being driven by an increase in Immigration and asylum which increased by £2.3m to £10.6m making it 49% of all Civil A&A and ABWOR spending.

SLAB administers grant funding programmes on behalf of the Scottish Government. The cost of the grant-funding programmes fell in 2019-20 by £0.1m to £2.7m. In 2018-19 MAS provided additional funding for debt advice services, this ceased in December 2018 (along with several funded projects related to money advice), all money is now being received from the Scottish Government. This amount is shown on page 42.

### Criminal legal assistance

In 2019-20, we saw an increase in Summary legal aid grants. This is a reversal of the previous trend of reducing Summary legal aid grants. We have not yet seen the resulting increase in costs.

Cash spend on solemn legal aid has increased by £2.8m in 2019-20. This is driven by an 11% increase in the number of cases paid during the year, reflecting the increase in grants in 2018-19 and 2019-20.

Criminal A&A and ABWOR expenditure has increased by around £0.4m. This is due to the increasing costs of Criminal ABWOR, with more cases paid this year relating to the Sheriff Court, which are more expensive than the Justice of the Peace Court.

### Children's legal assistance

In 2019-20, Children's legal aid and Children's A&A and ABWOR expenditure is broadly in line with 2018-19.

## 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 £12.4m, compared to £11.7m in 2018-19, as shown in the statement of cash flows on page 65 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	2019-20 £000	2018-19 £000
Staff costs	10,632	9,740
Running costs	1,711	1,877
Capital	96	52
<b>Total administration spend</b>	<b>12,439</b>	<b>11,669</b>

Staff costs increased due to a large number of senior, long serving employees retiring in the year causing pension spend to increase by £0.6m and also the application of SG pay policy. Running costs are reduced due to lower maintenance spend at Thistle House.

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.-

## THE PERFORMANCE REPORT

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, and will continue to be, 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.

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 63 shows net operating costs, including pension costs, of £17.4m (2018-19: £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.

<b>Statement of Comprehensive Net Expenditure (page 63)</b>	<b>Outturn £000</b>	<b>Budget £000</b>	<b>Variance £000</b>
Staff and administrative costs (net of income)	11,015	12,137	(1,122)
Depreciation and amortisation	431	550	(119)
Pension scheme service and finance costs	5,978	6,400	(422)
<b>Net operating costs</b>	<b>17,424</b>	<b>19,087</b>	<b>(1,663)</b>
<b>Capital expenditure</b>	<b>96</b>	<b>100</b>	<b>(4)</b>

The staff and administrative costs variance is mainly due to the Scottish Governments' budget figure including £1.1m for cash payments we make in respect of the SLAB pension scheme. 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 65.

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 Governments' 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.

Scottish Government funding for 2020-21 remains static which, when combined with another year of SG pay policy increases, will cause budgetary pressures. We continue to look at efficiencies to reduce this pressure and are confident we can remain within our allocated Administration budget for 2020-21.

### Corporate governance

SLAB periodically reviews and amends its approach to both corporate governance and risk management frameworks. A regular review of corporate governance is also carried out by SLAB's internal audit service. SLAB has completed a major review of both corporate governance and risk, and has implemented a number of changes including a new risk management framework, this work continued into 2019/20 managed through the Corporate Governance Steering Group. Corporate Governance remains under review at a senior management level, this work will remain a priority into 2020/21 to maintain best practice and fully embed the new risk management framework.

### 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 30.



## THE PERFORMANCE REPORT

### Social, community and human rights issues

The purpose of legal aid is to support 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 also supports 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.

### Equalities and diversity

SLAB is committed to equality of opportunity and a culture that respects individuality. Our strategic approach to equality and diversity 2017-2020 can be found in our Equality Outcomes and Mainstreaming report published in April 2017. The strategy outlines the work we will do to achieve the following equality outcomes:

- Our diverse workforce is aware and understands equality and diversity and the impact of this in helping us manage and deliver our business
- Minority ethnic people and disabled people experience equal access to quality accessible services and information about legal aid
- System users and legal aid applicants are aware of why we collect equalities information and can conveniently disclose this information

In October 2018 we reported on our progress to achieve these outcomes and outlined how we continue to embed equality across SLAB. The planned publication of our Equality Outcomes and Mainstreaming Report for May 2020 has been delayed due to the need for staff resource to be directed at emergency changes to the operation of the legal aid schemes. We will publish our report once our new corporate plan has been finalised, in October 2020.

Further information about our approach to equality and diversity can be found on our website - [www.slaborg.uk/corporate-information/how-we-work/equalities-and-diversity/](http://www.slaborg.uk/corporate-information/how-we-work/equalities-and-diversity/). SLAB is a listed public authority in the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.

### 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 2019-20 (2018-19: 97%). Performance for paying these invoices within 30 days was 99% in 2019-20 (2018-19: 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.

## THE PERFORMANCE REPORT

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 CO<sub>2</sub>e in 2015. The fourth year of our Carbon Management Plan concluded in March 2019. During this period we reduced our carbon footprint by 46.2% on the baseline year with a carbon footprint of 229.16 tonnes CO<sub>2</sub>e, we are therefore currently achieving our target. The majority of these savings came from reductions in our energy consumption, gas and electricity, where savings of 45% against our baseline were achieved.

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.

By 2015, SLAB reduced its carbon emissions by 48% on a baseline of 2008. This equates to a figure of 259 tonnes CO<sub>2</sub>e 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.

Our Environmental Impact and Sustainability report is available at:

<https://sustainablesotlandnetwork.org/reports/the-scottish-legal-aid-board>

**Colin Lancaster**  
**Chief Executive and Accountable Officer**  
**12<sup>th</sup> October 2020**



## THE ACCOUNTABILITY REPORT - Corporate Governance Report

### Directors' Report

#### Board members

The table below shows the appointments of the serving Board members for the year to 31 March 2020:

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 (Chairman)	1 April 2010	31 March 2022
Paul Reid	1 April 2016	31 October 2019
Lesley Ward	1 April 2016	31 March 2022
Marieke Dwarshuis	1 April 2016	31 March 2023
Sarah O'Neill	1 April 2016	31 March 2021
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 Chairman from 1<sup>st</sup> April 2019. There were no new appointees in the year. Paul Reid 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/](http://www.slab.org.uk/corporate-information/our-people/board-members/), or available in paper copy from SLAB's Communications department (tel. 0131 226 7061).

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 2019-20, committee membership comprised:

##### Legal Assistance Policy Committee:

Paul Reid- Convener (to October 2019)

Raymond McMenamin - Convener (from October 2019)

Ray Macfarlane

Stephen Humphreys

Marieke Dwarshuis

Sarah O'Neill

Colin Lancaster, Chief Executive

##### Legal Services Cases Committee:

Lesley Ward - Convener

David Sheldon QC

Rani Dhir MBE

Sheriff John Morris

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

## THE ACCOUNTABILITY REPORT - Corporate Governance Report

### Remuneration and Appointments Committee:

Brian Baverstock- Convener  
Ray Macfarlane  
Stephen Humphreys

### Membership of the Executive Team

During 2019-20 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, PDSO
Ian Dickson	Principal Legal Adviser

### Employee sickness absence

Employee total sickness absence for 2019-20 was 10.0 days per whole time equivalent (WTE). This result is compares with data from the annual CIPD/Simplyhealth survey (*Health and Well-being at Work, published March 2020*) showing a public sector absence level of 8.0 days. However, expressed as a percentage, our 10.0 days per wte would be 3.90% which is less than the national standard set for NHS at 4.0%.

Our self-certified absence level at 2.8 days per WTE, against a target of 3.0 days, was encouraging in that it appears stabilised even if slightly higher than the previous year at 2.6 days per WTE, which was the best result in four years. The certified absence level at 7.3 days per wte was higher than the previous year (5.8 days) but was impacted by a small number of long- term illnesses over 40 days in length although we also saw an increased number of shorter-term certified absence linked to viral-type illnesses, towards the end of year.

We have been taking a proactive holistic approach to managing absence and supporting our employees' health and well-being in the last two years, including increasing awareness about mental health across our workforce. The increase in absence may partly as a result of a greater willingness to talk about psychological ill health and seek support, rather than 'presenteeism' (working when unwell and often underperforming as a result).

We plan, as part of our People Strategy programme to develop a Well-Being Strategy and build a healthy workplace based on prevention - with mental health the most common priority, but also 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 31 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 31.

### Audit

Audit Scotland carried out the audit of the organisation's accounts for the financial year ended 31 March 2020, covering both the Scottish Legal Aid Fund and the Scottish Legal Aid Board accounts. The agreed fee for this service was £44,120, 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 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 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 also provides oversight and scrutiny of the organisation's operational and financial performance, including our delivery of efficiency and best value.

[Biographies](#) of Board Members are available on SLAB's 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 Chief Executive and Directors also attend Board meetings.

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 Committee advises the Board and the Accountable Officer on the effectiveness of our internal control system. This includes reviewing risk 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 Directors 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 Directors Report.

## THE ACCOUNTABILITY REPORT - Corporate Governance 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.

Membership of the Committee can be found in the Directors Report.

### Remuneration and Appointments Committee

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

Membership of the Committee can be found in the Directors Report.

### Board Member attendance during 2019-20

Meeting	Board	Audit Committee	Policy Committee	Cases Committee	R&A Committee
Number of meetings	7	4	7 <sup>1</sup>	8	1
Meetings attended					
Ray Macfarlane	7	4	7	8	1
Tim McKay	7	4			
Brian Baverstock	6	4			1
Rani Dhir	4	2		3	
Marieke Dwarshuis	7	4	7		
Sheriff John Morris QC	7			8	
Raymond McMenamin	4		5		
Stephen Humphreys	6		5		1
Sarah O'Neill	7		6		
Lesley Ward	6		1	8	
David Sheldon QC	3			7	

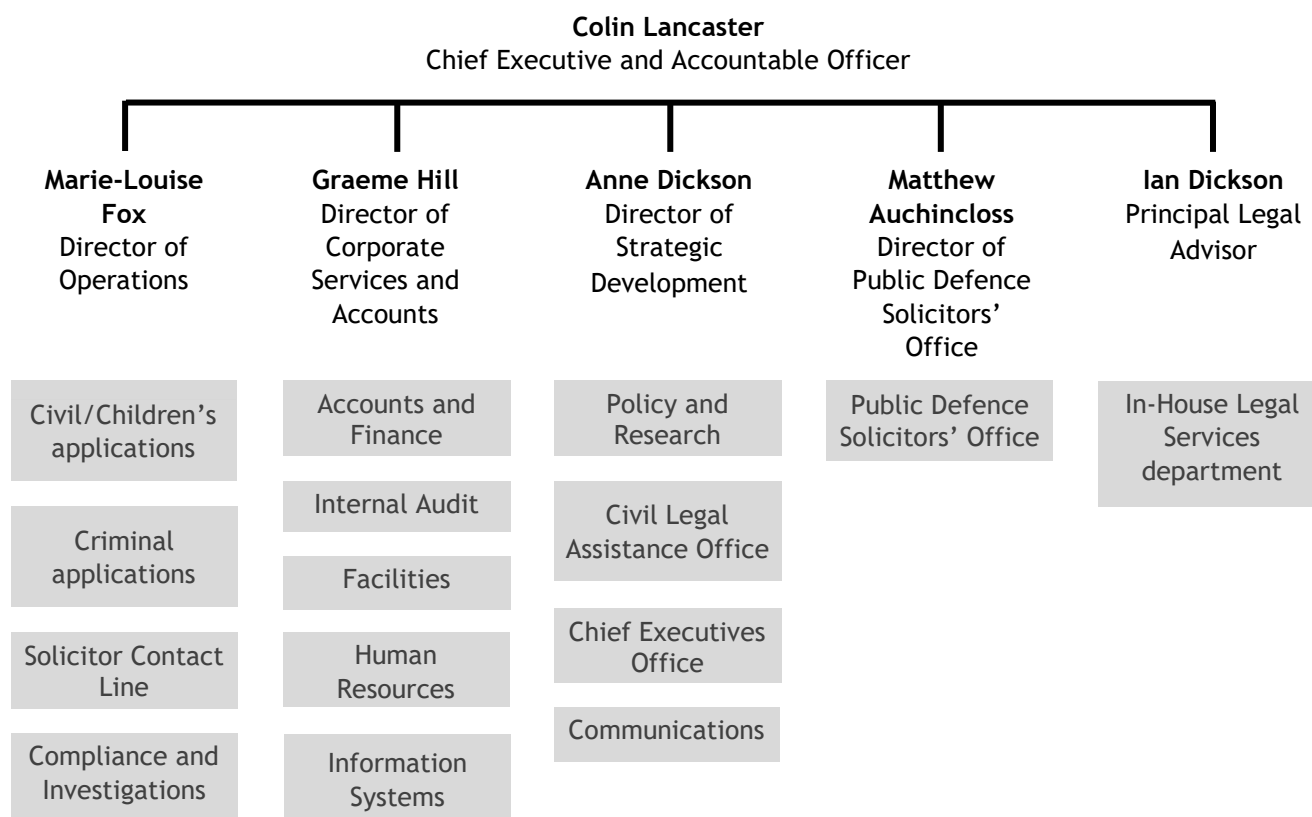
Further information about the remits of the Standing Committees is included in the [Standing Orders](#).

<sup>1</sup> November 2019's LAPC meeting was held via correspondence,

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### The Executive Team

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



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.

Since the start of the COVID-19 health pandemic, we have been able to continue as normal with Board, Executive Team and Committee meetings as these are being held via video conferencing with papers issued electronically.

### 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 2020-21. The matrix documents the limits of post holders' authority in specified areas, including operational decision-making, incurring of expenditure and business cases for new projects.

#### 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

## THE ACCOUNTABILITY REPORT - Corporate Governance Report

doing we are regularly assessing our compliance with generally accepted best practice principles. In the past two years, reviews of corporate governance have resulted in: the setting of corporate values for the organisation; development and implementation of a new [risk management framework](#); implementation of a risk based approach to our internal audit programme; review of the Board's and Chief Executive's reserved and delegated authority; changes to the remit of the Legal Assistance Policy Committee; changes to the format and presentation of board papers; a [new framework](#) for measuring and reporting on our operational performance.

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 2019-20 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. At the time of writing the plan is being refreshed for the period 2020-23. This has been delayed slightly due to our response to the COVID-19 pandemic. Progress against each of the Corporate Plan's annual programmes of work is regularly monitored by the Executive Team and reported to the Board on a quarterly basis.

### Accountability for governance

Our [governance and accountability framework](#) document 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) which has been in place since 2018 and refreshed in January 2019. 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 has been scrutinised by the Board at each of its meetings. In line with SLAB's corporate value on transparency, quarterly data from the SOPOR is published on our website.

### 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.

### 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, such as risk assurance mapping, 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 Convenor of the Audit Committee. The Head of Internal Audit reports on a quarterly basis to the Audit



## THE ACCOUNTABILITY REPORT - Corporate Governance Report

Committee. This includes the scrutiny of progress against implementing recommendations from internal audit reports.

In line with requirements, the operation of our internal audit function was independently reviewed in August 2019 through an External Quality Assessment of Conformance to the Public Sector Internal Audit Standards. The review was completed by CIPFA. This resulted in a specific Mission Statement being included within the Internal Audit Charter to comply with the requirements of the standards. There was also a minor change to the report format, to include the name of the Head of Audit and the Lead Auditor responsible for the review.

Based on the overall assessment of internal controls, Internal Audit consider that our internal controls are sound and that nothing has been identified that would warrant the Accountable Officer not signing this Governance Statement.

Key internal audit work during 2019-20 included elements of our corporate governance framework. Audits included our accounts assessment and civil finance functions, information governance, financial accounting and budgeting, cyber security, payroll and pensions and purchasing and supply chain management.

### 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](#).

### Risk management

We have a [risk management framework](#) which was fully reviewed, updated and approved by the Board 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.

During 2019-20 the assurance provided through our risk work has continued to improve with (i) further refinement of our functional risk registers, (ii) consideration of risk issues on a monthly basis through our Corporate Governance and Risk Group (Chaired by our Director of Strategic Development and attended by our Director of Corporate Services and Accounts), (iii) becoming more experienced in the deeper interrogation of specific risks, (iv) presenting to the Audit Committee for the first time an analysis of the level of assurance provided by our corporate risk controls and (v) moving to a risk based approach to our programme of internal audit work.

The corporate risk register is reviewed on a monthly basis by the Executive Team, at every meeting of the Audit Committee and by the Board twice a year. Functional risks are regularly discussed between managers and their Directors and are also a feature of managerial reporting to meetings of the Executive Team. If functional risks increase in their severity or coverage, they are considered for escalation to the corporate register.

At the time of writing, our corporate risks are being fully reviewed in line with the development of our new Corporate Plan 2020-23 and will be presented to our Board for discussion and approval in October 2020.

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 noncompliance with statutory obligations.

High level risks were also highlighted during the course of the year which took a significant amount of senior resource to manage - this included the risk of noncompliance with our statutory obligations on equalities and the risk that statutory interest was judged to be payable on the accounts submitted by solicitors.

Our previous work in assessing our risk management framework and awareness of our risk appetite has also allowed us to respond to the COVID-19 health pandemic. This has allowed us to accept greater levels of risk



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through proportionate changes to our controls on applications and accounts in order to assist the legal aid applicants and legal aid solicitors and advocates. Our management of our risk environment continues to operate as normal whilst we transition to a new working environment post COVID-19.

Further detail about the risks that we managed during 2019-20 can be found in the Performance Report.

### 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 on data protection and information security has been undertaken, supported with a Cyber Security Stay Safe online course, and this forms part of our induction process for all new staff. Generic mailboxes have been set up to 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, some of which is highly sensitive, in the discharge of our functions. The extent of manual personal data processing limits the potential for eliminating the risk of data breaches arising from human error. As a result, a number of minor data breaches did occur during 2019-20. None were serious enough to report to the Information Commissioner's Office. Update reports on data breaches are provided to the Audit Committee quarterly as part of risk reporting. The Committee have been given assurance that the current number of breaches recorded are very small when compared to the amount of correspondence, and personal data, that we deal with in the course of our business.

### 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. During 2019-20, we carried out a review of our counter fraud computer based training (CBT). The CBT has been updated both in content to reflect changes within the organisation and in corporate style.

Fraud risk was an active consideration through 2019-20 on both our corporate and functional risk registers. Specific papers covering our key roles in managing fraud in the use of the Legal Aid Fund are 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. During 2019-20 the former carried out compliance audits of 158 firms, responsible for over £33 million of expenditure on criminal legal assistance. Good levels of assurance of compliance from these firms was reported. The latter investigated the information provided by over 750 legal aid applicants. Around a quarter of concluded 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 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 ACCOUNTABILITY REPORT - Corporate Governance Report

- 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 her opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied on. Her opinion is that our internal controls are sound. Nothing has been identified that would warrant me not signing the standard 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 2020 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 progress.

### Personal data related incidents

A breach in relation to personal data which had been published on our website through our Register of Interpreters was reported to the Information Commissioner (ICO) in March 2020. The ICO confirmed that this incident did not need to be reported as a data breach, but should be recorded as an infringement of the GDPR, as we had failed to retain an audit trail of how consent to publish this information was captured. This incident highlighted a gap in our existing process, which we have now taken steps to address. The Register of Interpreters has temporarily been removed from our website.

In addition to this, a complaint was received from the ICO in relation to the way that we had dealt with a Freedom of Information request. The complainant was unhappy that we had treated their request as a Subject Access Request. Our position was set out and a response issued in January 2020. No further communication has been received in relation to this matter.

## THE ACCOUNTABILITY 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 the staff pay remit submitted to 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 pages 23 & 27)	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	-	12 weeks
Ian Dickson	4 February 2002	1 February 2013	-	12 weeks
Matthew Auchincloss	1 November 2003	1 April 2018	-	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 £1,600 plus pay progression (capped at 1.5%) from 1 April 2019.

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. Salaries for 2 directors were repositioned accordingly along with back pay based on date of role change. Otherwise, in 2019-20, in accordance with Scottish Government's pay policy for staff, other members of the Executive Team's salaries were uplifted by 2% (capped at £1,600), and progression, if applicable, subject to satisfactory performance. Additionally, a 1% non-consolidated rise was applied to those who had been at the top of their grade for longer than one year. 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 2019-20 (2018-19: 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 2019-20 and 2018-19 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.

## THE ACCOUNTABILITY REPORT - Remuneration and Staff Report

	Salary 2019-20 £000	Salary 2018-19 £000	Pension benefits accrued 2019-20 £000	Pension benefits accrued 2018-19 £000	Single total remun- eration 2019-20 £000	Single total remun- eration 2018-19 £000
C Lancaster, Chief Executive,	110 - 115	110 - 115	33	29	145 - 150	140 - 145
M Fox, Director of Operations	85 - 90	80 - 85 <sup>1</sup>	30	64 <sup>1</sup>	115 - 120	145 - 150 <sup>1</sup>
G Hill, Director of Corporate Services and Accounts	90 - 95	85 - 90	25	30	115 - 120	115 - 120
A Dickson, Director of Strategic Development	85 - 90	80 - 85 <sup>1</sup>	30	51 <sup>1</sup>	115 - 120	130 - 135 <sup>1</sup>
I Dickson, Principal Legal Advisor	90 - 95	85 - 90	21	28	110 - 115	115 - 120
M Auchincloss, Director of PDSO	90 - 95	90 - 95	-	-	90 - 95	90 - 95

1. Figures from last year have been restated as, following a grade pay review, backdated remuneration was administered.

### Pension benefits \*\*

	Real increase in pension and related lump sum £000	Accrued pension at 31 March 2020 and related lump sum £000	Cash equivalent transfer value at 31 March 2020 £000	Cash equivalent transfer value at 31 March 2019 £000	Real increase in cash equivalent transfer value* £000
<b>C Lancaster, Chief Executive</b>					
Pension	0.0 - 2.5	25 - 30			
Related lump sum	5.0 - 7.5	85 - 90			
Transfer value			554	502	37
<b>M Fox, Director of Operations</b>					
Pension	0.0 - 2.5	15 - 20			
Related lump sum	2.5 - 5.0	55 - 60			
Transfer value			323	286 <sup>1</sup>	27
<b>G Hill, Director of Corporate Services and Accounts</b>					
Pension	0.0 - 2.5	10 - 15			
Related lump sum	n/a	n/a			
Transfer value			234	201	25
<b>A Dickson, Director of Strategic Development</b>					
Pension	0.0 - 2.5	10 - 15			
Related lump sum	n/a	n/a			
Transfer value			189	153 <sup>1</sup>	28
<b>I Dickson, Principal Legal Advisor</b>					
Pension	0.0 - 2.5	20 - 25			
Related lump sum	2.5 - 5.0	65 - 70			
Transfer value			558	521	23

1. Figures from last year have been restated as, following a grade pay review, backdated remuneration was administered.

\* The real increase in cash equivalent transfer value does not include increases due to inflation or employee contributions and is not equal to the arithmetical difference between the cash equivalent transfer values at 31 March 2020 and 31 March 2019.

The pension benefits table above provides a breakdown of pension benefits for members of the Executive Team in 2019-20 and 2018-19 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 2020.

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:

	2019-20	2018-19
Band of highest paid director's remuneration (Chief Executive)	110-115k	110-115k
Median total remuneration	29,060k	28,210k
Ratio	3.9	4.0

The banded remuneration of the highest paid officer at SLAB in the financial year 2019-20 was £110-115k (2018-19: £110-115k). This was 3.9 times (2018-19: 4.0) the median remuneration of the workforce, which was £29,060 (2018-19: £28,210). The banded remuneration of the lowest paid employee at SLAB in the financial year 2019-20 was £15-20k (2018-19: £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.

## THE ACCOUNTABILITY REPORT - Remuneration and Staff Report

Remuneration (excluding any accrued pension benefits) of the Board members for 2019-20 was as follows:

Name	2019-20 £000	2018-19 £000
Tim McKay	5-10	5-10
Rani Dhir MBE	5-10	5-10
Ray Macfarlane (Chairman)	30-35	30-35
Paul Reid (until October 2019)	5-10	5-10
Lesley Ward	5-10	5-10
Marieke Dwarhuis	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

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	
	2019-20 Average WTE	2018-19 Average WTE	2019-20 Average WTE	2018-19 Average WTE
Permanent staff	81	84	235	248
Other staff	2	2	2	4
	<hr/> 83	<hr/> 86	<hr/> 237	<hr/> 252
	£000	£000	£000	£000
Staff costs	<hr/> 4,961	<hr/> 5,209	<hr/> 12,166	<hr/> 12,335

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

### Staff equalities

SLAB gathers and publishes annual information on the composition of our workforce across the employment cycle with respect to the relevant protected characteristics of our employees. Our equality strategy (2017-2020) report was published in April 2017 and includes analysis of our employee data in relation to equal pay and occupational segregation.

Our equality outcomes and further information on SLAB's work on equalities can be found in the Performance Report on pages 15 & 20 and at [www.slab.org.uk/corporate-information/how-we-work/equalities-and-diversity/](http://www.slab.org.uk/corporate-information/how-we-work/equalities-and-diversity/).

## THE ACCOUNTABILITY REPORT - Remuneration and Staff Report

The table below shows our gender breakdown at 31 March 2020 for all other equalities statistics please follow the link above:

	Female	Male
Executive team	2	4
Senior Managers*	3	4
Other Employees	226	110
<b>Total</b>	<b>231</b>	<b>118</b>

\*Senior managers' salaries are the equivalent of senior civil service level. In 2019-20 six senior managers were paid within the band £60-65k, and one in £55-60k. (2018-19: six senior managers were paid within the band £60-65k, and one in £55-60k).

### Employee sickness absence

Employee sickness absence is detailed on page 23.

### 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 that meets quarterly and is comprised of members of staff from every area of the business as well as representatives of the trade union, Facilities Management and the Director of Corporate Services and Accounts. The group reviews safety statistics and proactively raises concerns for discussion.

### 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 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. Our pay offer to staff, effective from 1 April 2020, was recommended by the union for acceptance and was subsequently accepted by all staff and applied without delay or dispute, despite the COVID-19 emergency situation.

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



## THE ACCOUNTABILITY REPORT - Remuneration and Staff Report

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.

We will publish the data for 2019-20 on the SLAB website at [www.slab.org.uk](http://www.slab.org.uk) and is as follows:

Headcount	50 to 1,500
Number of TU representatives	5
FTE number of TU representatives	5
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	3
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	£12,758,328 <sup>1</sup>
Total cost of facility time	£1,488
Percentage of pay spent on facility time	0.01%
Percentage of total paid facility time spent on paid Trade Union activities	0

<sup>1</sup> This is Fund and Admin combined on a cash basis, the figures on page 35 are on the accruals basis



## THE ACCOUNTABILITY REPORT - Parliamentary Accountability

The Scottish Legal Aid Board (“SLAB”) presents its accounts for the financial year ended 31 March 2020.

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 2019-20. 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 three contingent liabilities to disclose: 1. with regard to statutory interest in relation to payment of Solicitors accounts (affecting Fund only), 2. regarding guaranteed minimum pension (GMP) equalisation (affecting Fund and Admin accounts) and, 3. with regard to paying equal survivor benefits between same and opposite sex widowers (affecting Fund and Admin accounts). Please see notes 26 and 37 for further details.

The Scottish Legal Aid Fund accounts show income of £8.3m 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 £518k as disclosed in note 32 to the accounts. This is derived from subletting space in our Thistle House head office to a number of different tenants.

**Colin Lancaster**  
**Chief Executive and Accountable Officer**  
**12<sup>th</sup> October 2020**

## ACCOUNTABILITY REPORT - Independent Auditor's Report

### Independent auditor's report to the members of the 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 2020 under the Legal Aid (Scotland) Act 1986. The financial statements for the Scottish Legal Aid Fund comprise the Statement of Comprehensive Net Expenditure, Statement of financial position, Statement of cash flows, Statement of changes in taxpayers' equity and notes to the financial statements, including a summary of significant accounting policies. For the Scottish Legal Aid Board, the financial statements comprise: the Statement of Comprehensive Net Expenditure, Statement of financial position, Statement of cash flows, Statement of changes in taxpayers' equity and notes to the financial statements, 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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 5 March 2020. The period of total uninterrupted appointment is seven 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.

##### Emphasis of matter: Valuation of land and buildings

I draw attention to Note 44 in the financial statements, Assumptions about the future and other major sources of uncertainty, which describes material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

##### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Risks of material misstatement

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

## ACCOUNTABILITY REPORT - Independent Auditor's Report

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, 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 assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **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.

#### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. 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.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Legal Aid (Scotland) 1986 and directions made thereunder by the Scottish Ministers.

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.

### 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.

Pauline Gillen  
Senior Audit Manager  
Audit Scotland  
The Athenaeum Building  
8 Nelson Mandela Place  
GLASGOW, G2 1BT

12 October 2020

**Scottish Legal Aid Fund**  
**Statement of comprehensive net expenditure for the year ended 31 March 2020**

	Notes	2019-20 £000	2018-19 £000
<b>Civil legal assistance</b>			
Civil legal aid	3	35,498	27,400
Civil advice & assistance and advice by way of representation	3	22,481	17,515
Civil Legal Assistance Office	3	1,923	2,026
Grant funding	3	2,720	4,674
Gross civil legal assistance expenditure		62,622	51,615
Less operating income	4	(8,290)	(10,433)
Less grant funding income	4	-	(1,895)
<b>Total net civil legal assistance expenditure</b>		<b>54,332</b>	<b>39,287</b>
<b>Criminal legal assistance</b>			
Criminal legal aid	5	61,602	55,304
Criminal advice & assistance and advice by way of representation	5	12,745	12,763
Public Defence Solicitors' Office	5	2,881	2,829
Solicitor Contact Line & Glasgow Courts	5	1,196	1,247
<b>Total criminal legal assistance expenditure</b>		<b>78,424</b>	<b>72,143</b>
<b>Children's legal assistance</b>			
Children's legal aid	6	2,753	2,409
Children's advice & assistance	6	2,662	2,658
<b>Total children's legal assistance expenditure</b>		<b>5,415</b>	<b>5,067</b>
<b>Other expenditure</b>			
Contempt of court	7	215	202
Quality assurance costs	2	213	194
Advice Standards	2	145	130
Miscellaneous legal aid expenditure	2	71	51
Bad debt (including impairment charges)	12	187	(293)
<b>Total other expenditure</b>		<b>832</b>	<b>284</b>
<b>Net operating costs before interest</b>		<b>139,002</b>	<b>116,781</b>
Interest paid to advocates		-	-
Pension scheme finance costs	20	401	360
<b>Net operating costs</b>		<b>139,403</b>	<b>117,141</b>

All income and expenditure is derived from continuing activities.

**Scottish Legal Aid Fund**  
**Statement of financial position as at 31 March 2020**

	Notes	2019-20 £000	2018-19 £000
<b>Non-current assets</b>			
Property, plant and equipment	13	41	17
Intangible assets	14	-	-
Trade and other receivables	15	8,574	8,909
<b>Total non-current assets</b>		<u>8,615</u>	<u>8,926</u>
<b>Current assets</b>			
Trade and other receivables	15	2,344	2,482
Cash and cash equivalents	16	1,387	1,810
<b>Total current assets</b>		<u>3,731</u>	<u>4,292</u>
<b>Total assets</b>		<u>12,346</u>	<u>13,218</u>
<b>Current liabilities</b>			
Trade and other payables	17	(1,776)	(2,640)
Provisions	19	(36,776)	(32,465)
<b>Total current liabilities</b>		<u>(38,552)</u>	<u>(35,105)</u>
<b>Non-current assets less net current liabilities</b>		<u>(26,206)</u>	<u>(21,887)</u>
<b>Non-current liabilities</b>			
Provisions	19	(12,710)	(9,760)
Pension scheme liability	20	(19,608)	(13,841)
<b>Total non-current liabilities</b>		<u>(32,318)</u>	<u>(23,601)</u>
<b>Assets less liabilities</b>		<u>(58,524)</u>	<u>(45,488)</u>
<b>Taxpayers' equity</b>			
General fund		(58,524)	(45,488)
<b>Total taxpayers' equity</b>		<u>(58,524)</u>	<u>(45,488)</u>

The Accountable Officer authorised these financial statements for issue on 12<sup>th</sup> October 2020.

**Colin Lancaster**  
**Chief Executive and Accountable Officer**  
**12<sup>th</sup> October 2020**

The notes on pages 46 to 62 form part of these accounts.

**Scottish Legal Aid Fund**  
**Statement of Cash Flows for the year ended 31 March 2020**

	Notes	2019-20 £000	2018-19 £000
<b>Cash flows from operating activities</b>			
Net operating cost before Scottish Government funding		<b>(139,403)</b>	(117,141)
<b>Adjustments for non-cash items</b>			
Depreciation on property, plant and equipment and amortisation of intangible assets	13 & 14	<b>18</b>	9
<b>Movements in working capital</b>			
Decrease in trade and other receivables	15	<b>474</b>	(435)
(Decrease)/increase in trade and other payables	17	<b>(865)</b>	616
<b>Movements in provisions</b>			
(Decrease)/ Increase in provisions	19	<b>7260</b>	(8,593)
Pension scheme service and finance costs	20	<b>1,577</b>	1,745
Payments in respect of pension scheme	20	<b>(79)</b>	(11)
<b>Net cash outflow from operating activities</b>		<b><u>(131,018)</u></b>	<u>(123,810)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	<b>(41)</b>	(7)
<b>Net cash outflow from investing activities</b>		<b><u>(41)</u></b>	<u>(7)</u>
<b>Cash flows from financing activities</b>			
Scottish Government funding and retained pension contributions		<b><u>130,636</u></b>	<u>123,226</u>
<b>Net cash inflow from financing activities</b>		<b><u>130,636</u></b>	<u>123,226</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(423)</b>	(591)
<b>Cash and cash equivalents as at 1 April</b>	16	<b><u>1,810</u></b>	<u>2,401</u>
<b>Cash and cash equivalents as at 31 March</b>	16	<b><u>1,387</u></b>	<u>1,810</u>



**Scottish Legal Aid Fund**  
**Statement of changes in taxpayers' equity for the year ended 31 March 2020**

	Notes	2020 £000	2019 £000
<b>Balance at 1 April</b>		<b>(45,488)</b>	<b>(53,591)</b>
<b>Changes in taxpayers' equity</b>			
Net cost of operations		<b>(139,403)</b>	(117,141)
Net movement on pension scheme	20	<b>(4,269)</b>	2,018
<b>Total recognised income and expense</b>		<b>(143,672)</b>	<b>(115,123)</b>
Funding from the Scottish Government		<b>130,457</b>	123,054
Retained pension contributions & transfers in		<b>179</b>	172
<b>Total funding</b>		<b>130,636</b>	<b>123,226</b>
<b>Balance at 31 March</b>		<b>(58,524)</b>	<b>(45,488)</b>

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

## **1 Accounting policies**

### **1.1 Basis of accounting**

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2019-20 *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 2019-20. 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 2021. 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 31<sup>st</sup> March 2020.

<b>SoCNE impacts IFRS16</b>	<b>£k</b>
Depreciation expected	107
Interest expense expected	5
IAS17 rental payments expected	(97)
<b>Increased expenditure</b>	<b>15</b>

<b>SoFP impacts IFRS16</b>	<b>£k</b>
Existing IAS17 operating leases - right to use asset	985
<b>Right to use asset</b>	<b>985</b>
Existing IAS17 operating lease - lease liability	(995)
<b>Lease liability</b>	<b>(995)</b>

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

**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.

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.

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

**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 new 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. Up until December 2018 the UK Money Advice Service (MAS) also provided ring fenced funding of these services in Scotland. After this date, equivalent funding was provided by Scottish Government. The Scottish Government funding is included in the DEL (Delegated Expenditure Limit) budget for SLAB. MAS funding in 2018-19 is shown as Grant Funding income in the Statement of comprehensive net expenditure.

**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 2020**

**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 2018-19 and 2019-20.

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

**2 Segmental analysis**

	Civil legal assistance £000	Criminal legal assistance £000	Children's legal assistance £000	Total £000
<b>Legal aid</b>				
Solicitors' fees	22,699	46,224	2,108	71,031
Advocates' fees	3,727	8,971	366	13,064
Solicitor advocates' fees	17	2,525	-	2,542
Outlays	8,900	3,882	279	13,061
Expenses paid to successful unassisted persons	155	-	-	155
	<b>35,498</b>	<b>61,602</b>	<b>2,753</b>	<b>99,853</b>
<b>Advice &amp; assistance and advice by way of representation</b>				
Solicitors' charges	16,565	12,323	2,496	31,384
Outlays	5,916	422	166	6,504
	<b>22,481</b>	<b>12,745</b>	<b>2,662</b>	<b>37,888</b>
<b>Civil Legal Assistance Office/Public Defence Solicitors' Office/Solicitor Contact Line</b>				
Outlays	90	347	-	437
Salaries and wages	949	2,394	-	3,343
Social security costs	94	254	-	348
Pension scheme service costs	541	635	-	1,176
Accommodation	113	146	-	259
Audit fee	2	4	-	6
Rentals under operating leases	41	86	-	127
Depreciation and amortisation	-	18	-	18
Other operating costs	93	193	-	286
	<b>1,923</b>	<b>4,077</b>	<b>-</b>	<b>6,000</b>
<b>Grant funding</b>	<b>2,720</b>	<b>-</b>	<b>-</b>	<b>2,720</b>
<b>Total expenditure</b>	<b>62,622</b>	<b>78,424</b>	<b>5,415</b>	<b>146,461</b>
Operating income	(8,290)	-	-	(8,290)
Grant funding income	-	-	-	-
<b>Net operating costs 2019-20</b>	<b>54,332</b>	<b>78,424</b>	<b>5,415</b>	<b>138,171</b>
Net operating costs 2018-19	39,287	72,143	5,067	116,497

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	138,171
Contempt of court	215
Quality assurance costs	213
Advice Standards	145
Miscellaneous legal aid expenditure	71
Bad debt (including impairment charges)	187
Net operating costs before interest per statement of comprehensive net expenditure	<b>139,002</b>

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

<b>3 Civil legal assistance expenditure</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
<b>Civil legal aid</b>		
Solicitors' fees	22,699	15,305
Advocates' fees	3,727	3,525
Solicitor advocates' fees	17	13
Outlays	8,900	8,399
	<u>35,343</u>	<u>27,242</u>
Expenses paid to successful unassisted persons	155	158
	<u>35,498</u>	<u>27,400</u>
<b>Civil advice &amp; assistance and advice by way of representation</b>		
Solicitors' fees	16,565	12,347
Outlays	5,916	5,168
	<u>22,481</u>	<u>17,515</u>
<b>Civil Legal Assistance Office</b>		
Civil defence costs - outlays	90	63
Salaries and wages	949	1,008
Social security costs	94	101
Pension scheme service costs	541	628
Accommodation	113	102
Audit fee	2	2
Rentals under operating leases	41	41
Depreciation and amortisation	-	-
Other operating costs	93	81
	<u>1,923</u>	<u>2,026</u>
<b>Grant funding</b>	<u>2,720</u>	<u>4,674</u>
<b>Gross civil legal assistance expenditure</b>	<u>62,622</u>	<u>51,615</u>
Less operating income (see note 4)	(8,290)	(10,433)
Less grant funding income (see note 4)	-	(1,895)
<b>Total net civil legal assistance expenditure</b>	<u>54,332</u>	<u>39,287</u>
These figures include estimates of the value of work done for which payment is outstanding at 31 March 2020 (see note 19).		
<b>4 Civil legal assistance income</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
Contributions by assisted persons <sup>1</sup>	2,348	2,468
Expenses recovered <sup>2</sup>	4,964	7,034
Amounts recovered out of property recovered or preserved by assisted persons <sup>3</sup>	94	17
Amounts recovered from damages	884	914
Other Income	-	-
<b>Total operating income</b>	<u>8,290</u>	<u>10,433</u>
Amounts received to fund grant funding <sup>4</sup>	-	1,895
<b>Total</b>	<u>8,290</u>	<u>12,328</u>

<sup>1</sup> 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.

<sup>2</sup> 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.



**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

<sup>3</sup> 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 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 2019-20, including accrued interest, is £438k (2018-19: £447k).

<sup>4</sup> Money Advice Service funding (to help finance grant funding projects) ceased in December 2018.

<b>5 Criminal legal assistance expenditure</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
<b>Criminal legal aid</b>		
Solicitors' fees	46,224	40,444
Advocates' fees	8,971	8,666
Solicitor advocates' fees	2,525	2,307
Outlays	3,882	3,887
	<u>61,602</u>	<u>55,304</u>
<b>Criminal advice &amp; assistance and advice by way of representation</b>		
Solicitors' fees	12,323	12,362
Outlays	422	401
	<u>12,745</u>	<u>12,763</u>
<b>Public Defence Solicitors' Office (PDSO)</b>		
Criminal defence costs - outlays	323	253
Salaries and wages	1,498	1,484
Social security costs	170	163
Pension scheme service costs	486	578
Accommodation	132	95
Audit fee	3	3
Rentals under operating leases	86	72
Depreciation and amortisation	18	9
Other operating costs	165	172
	<u>2,881</u>	<u>2,829</u>
<b>Solicitor Contact Line &amp; Glasgow Courts (SCL)</b>		
Criminal defence costs - outlays	24	27
Salaries and wages	897	902
Social security costs	84	87
Pension scheme service costs	149	179
Accommodation	13	12
Audit fee	1	1
Other operating costs	28	39
	<u>1,196</u>	<u>1,247</u>
<b>Total PDSO and SCL</b>	<u>4,077</u>	<u>4,076</u>
<b>Total criminal legal assistance expenditure</b>	<u>78,424</u>	<u>72,143</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2020 (see note 19).

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

<b>6 Legal aid for children</b>	<b>2019-20</b> <b>£000</b>	<b>2018-19</b> <b>£000</b>
<b>Children's legal aid</b>		
Solicitors' fees	2,108	1,805
Advocates' fees	366	396
Outlays	279	208
	<u>2,753</u>	<u>2,409</u>
<b>Children's advice &amp; assistance and ABWOR</b>		
Solicitors' fees	2,496	2,483
Outlays	166	175
	<u>2,662</u>	<u>2,658</u>
<b>Total children's legal assistance expenditure</b>	<u>5,415</u>	<u>5,067</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2020 (see note 19).

<b>7 Contempt of court</b>	<b>2019-20</b> <b>£000</b>	<b>2018-19</b> <b>£000</b>
Solicitors' fees	200	187
Advocates' fees	7	8
Solicitor advocates' fees	1	2
Outlays	7	5
	<u>215</u>	<u>202</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2020.

<b>8 Public Defence Solicitors' Office staff</b>	<b>2019-20</b> <b>£000</b>	<b>2018-19</b> <b>£000</b>
<b>Staff costs</b>		
Staff salaries and wages	1,498	1,439
Social security costs	170	163
Agency/temporary/contract	-	44
Pension scheme service costs	486	578
	<u>2,154</u>	<u>2,224</u>
	<b>2019-20</b> <b>Average</b> <b>WTE</b>	<b>2018-19</b> <b>Average</b> <b>WTE</b>
<b>Staff numbers</b>		
Operations and legal services	23	24
Administration and support functions	14	14
Agency/temporary/contract	-	1
	<u>37</u>	<u>39</u>

Public Defence Solicitors' Office 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 2020**

<b>9 Solicitor Contact Line &amp; Glasgow Courts staff</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
<b>Staff costs</b>		
Staff salaries and wages	897	902
Social security costs	84	87
Agency/temporary/contract	-	-
Pension scheme service costs	149	179
	<u>1,130</u>	<u>1,168</u>
	<b>2019-20 Average WTE</b>	<b>2018-19 Average WTE</b>
<b>Staff numbers</b>		
Operations and legal services (SCL)	16	17
Administration and support services (GC)	2	1
	<u>18</u>	<u>18</u>

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

<b>10 Civil Legal Assistance Office staff</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
<b>Staff costs</b>		
Staff salaries and wages	912	994
Social security costs	94	101
Agency/temporary/contract	37	15
Pension scheme service costs	541	628
	<u>1,584</u>	<u>1,738</u>
	<b>2019-20 Average WTE</b>	<b>2018-19 Average WTE</b>
<b>Staff numbers</b>		
Operations and legal services	13	14
Administration and support functions	11	12
Agency/temporary/contract	2	1
	<u>26</u>	<u>27</u>

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

<b>11 Advice Standards staff</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
<b>Staff costs</b>		
Staff salaries and wages	85	72
Social security costs	8	7
Agency/temporary/contract	-	-
Pension scheme service costs	-	-
	<u>93</u>	<u>79</u>
	<b>2019-20 Average WTE</b>	<b>2018-19 Average WTE</b>
<b>Staff numbers</b>		
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 2020**

<b>12 Bad debt (including impairment charges)</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>

Irrecoverable amounts (including impairment charges)	<u><b>187</b></u>	<u><b>(293)</b></u>
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The sums written off during the year were £0.7m (2018-19: £1.2m). The figures shown are the overall movement in the provision which has actually fallen this year by £551k (from £2,951k to £2,400k) the £187k increase shown is the difference between the drop of £551k plus the add-back for amounts utilised in the year of £738k.

**13 Property, plant and equipment**

	PC/ computer hardware £000
<b>Cost or valuation</b>	
Balance at 1 April 2019	46
Additions	41
Disposals	<u>(13)</u>
<b>As at 31 March 2020</b>	<u><b>74</b></u>
<b>Depreciation</b>	
Balance at 1 April 2019	29
Disposals	(13)
Provided during year	<u>18</u>
<b>As at 31 March 2020</b>	<u><b>34</b></u>
<b>Net book value at 31 March 2020</b>	<u><b>40</b></u>
Net book value at 31 March 2019	<u><b>17</b></u>

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

**14 Intangible assets**

	Software £000
<b>Cost or valuation</b>	
Balance at 1 April 2019	23
<b>As at 31 March 2020</b>	<u><b>23</b></u>
<b>Amortisation</b>	
Balance at 1 April 2019	23
Provided during year	<u>-</u>
<b>As at 31 March 2020</b>	<u><b>23</b></u>
<b>Net book value at 31 March 2020</b>	<u><b>-</b></u>
Net book value at 31 March 2019	<u><b>-</b></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 2020**

<b>15 Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Bodies external to Government</b>		
Contributions due from assisted persons	7,374	7,254
Expenses to be recovered	753	690
Amounts due out of property recovered or preserved by assisted persons	2,467	2,736
Prepayments and other debtors	323	711
	<u>10,917</u>	<u>11,391</u>

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

<b>Bodies external to Government</b>		
Contributions due from assisted persons	1,916	1,668
Expenses to be recovered	23	34
Amounts due out of property recovered or preserved by assisted persons	81	69
Prepayments and other debtors	323	711
	<u>2,343</u>	<u>2,482</u>

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

<b>Bodies external to Government</b>		
Contributions due from assisted persons	5,458	5,586
Expenses to be recovered	730	656
Amounts due out of property recovered or preserved by assisted persons	2,386	2,667
	<u>8,574</u>	<u>8,909</u>

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Balance as at 1 April	2,951	4,473
Increase in provision	187	(293)
Provision utilised in the year	<u>(738)</u>	<u>(1,229)</u>
<b>As at 31 March</b>	<u>2,400</u>	<u>2,951</u>

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

<b>16 Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	299	399
Principal sums* (note 17)	1,031	1,344
Funds held under arrestment pending resolution (note 17)	57	67
	<u>1,387</u>	<u>1,810</u>

\*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:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April</b>	<u>1,344</u>	<u>1,386</u>
Received during the year	1,083	2,985
Interest received during year	3	3
	<u>1,086</u>	<u>2,988</u>
Less:		
Sums repaid to assisted persons	509	2,104
Interest paid to assisted persons	5	12
Amounts recovered from damages received	885	914
Amounts transferred to fund	-	-
	<u>1,399</u>	<u>3,030</u>
<b>Balance as at 31 March</b>	<u>1,031</u>	<u>1,344</u>

<b>17 Trade and other payables</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Bodies external to Government</b>		
Accruals	124	119
Amounts due to solicitors and advocates	564	1,110
Principal sums (note 16)	1,031	1,344
Arrestments (note 16)	57	67
	<u>1,776</u>	<u>2,640</u>

<b>18 Financial instruments</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Trade and other receivables (see note 15)	10,594	10,680
Cash	177	339
<b>Financial liabilities</b>		
Other - trade and other payables (see note 17)	(564)	(1,110)

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 2020**

**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 2020 was £10,594k (31 March 2019: £10,680k). 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.

<b>19 Provisions for liabilities and charges</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Provision for amounts outstanding on granted legal aid cases</b>		
As at 1 April	42,225	50,818
Additions and increase to provision	49,965	42,732
Amounts used in the period	(28,839)	(35,385)
Unused amounts reversed in the period	(13,865)	(15,940)
<b>As at 31 March</b>	<b>49,486</b>	<b>42,225</b>
 Split between:		
Current liabilities	36,776	32,465
Non-current liabilities	12,710	9,760

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.

**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.

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 £171,000 (2018-19 £171,000). These contributions, along with transfers from other schemes, are used to offset expenditure.



**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

An interim actuarial valuation of the scheme was carried out as at 31 March 2020 by Buck Consultants, the agreed fee for this service was £9,000. The major assumptions used by Buck Consultants were:

	31 March 2020	31 March 2019
Discount rate per annum	1.80%	2.90%
Revaluation of deferred pensions	2.35%	2.60%
Increases to pensions in payment	2.35%	2.60%
Long-term salary increases	3.85%	4.10%
Long-term inflation	2.35%	2.60%

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 4.20% to 31 March 2021 and 3.85% thereafter.

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	
	2019-20	2018-19
Male - aged 60	87.0	86.6
Female - aged 60	89.3	88.5
Male - aged 40	88.8	88.9
Female - aged 40	90.8	90.4

Analysis of the amount charged to operating costs	2019-20 £000	2018-19 £000
Current service cost (see notes 8, 9 & 10)	1,176	1,385
Finance charges on pension scheme liabilities	401	360
	<u>1,577</u>	<u>1,745</u>

Reconciliation of the liability in the scheme over the year:	2020 £000	2019 £000
Scheme liability at the beginning of the year	13,841	14,125
<b>Movement in year</b>		
Current service cost	1,176	1,385
Benefits paid	(79)	(11)
Finance charge	401	360
Changes in financial assumptions	3,904	(2,214)
Changes in demographic assumptions	194	(28)
Actuarial gain	171	224
<b>Scheme liability at the end of the year</b>	<u>19,608</u>	<u>13,841</u>

The pension liability is split between the Scottish Legal Aid Fund and the Scottish Legal Aid Board. The full liability is £142.8m (2018-19: £111.0m).

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

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Defined benefit obligation	<u>19,608</u>	<u>13,841</u>	<u>14,125</u>	<u>12,008</u>	<u>7,938</u>
Experience adjustments on plan liabilities	<u>(171)</u>	<u>(224)</u>	<u>110</u>	<u>452</u>	<u>104</u>

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

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%	1,418
Long-term salary increases	+ 0.25%	828
Long-term inflation	+ 0.25%	742
Life expectancy	+1 year	428

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 2020, from 1.80% to 1.55% would therefore increase the pension scheme liability from £19,608k to £21,026k (an increase of £1,418k). 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

	2019-20		2018-19	
	No of cases	£000	No of cases	£000
Write-off of bad debt	1,004	738	2,231	1,231
Special payments*	6	7	8	2
	<u>1,010</u>	<u>745</u>	<u>2,239</u>	<u>1,233</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.

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

	2019-20 £000	2018-19 £000
Paul Reid	54	61
David Sheldon QC	3	10

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.

## 23 Capital commitments

No capital commitments existed at the end of reporting period.

**Scottish Legal Aid Fund**  
**Notes to the accounts for the year ended 31 March 2020**

**24 Operating leases**

	2020		2019	
	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:				
In one year or less	38	-	70	-
between one and five years	355	-	-	-
in five years or more	-	-	-	-
	<u>393</u>	<u>-</u>	<u>70</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 2020 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 £1.4m, 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 £0.7m and increasing the life expectancy assumptions by 1 year would result in an increase to liabilities of £0.4m.
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 £0.9m from £49.5m to £50.4m. 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 2020 SLAB has a debtor balance of £10.6m. A sample of debts reviewed suggests that an impairment of doubtful debts of £0.2m, taking the provision for doubtful debts to £2.4m, 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 three contingent liabilities for Fund:

- 1) An ongoing legal challenge with regard to statutory interest in relation to payment of solicitors accounts. SLAB's view is that this is not an appropriate challenge on a number of grounds and that the Late Payment of Commercial Debts (Interest) Act 1998 does not apply to these payments. This complex matter will require significant interpretation of criteria surrounding the structure and nature of the payments and future Appeal Court decision.
- 2) Following advice from our pension scheme advisors, no allowance has been included for GMP equalisation on the basis that the UK Governments position has not been concluded. Once this is clear we expect to follow the same approach as other public sector schemes.
- 3) A recent legal case has resulted in changes to the pension entitlement of male survivors in opposite sex marriages. We will liaise with the Scottish Public Pensions Agency and our actuaries to ensure the changes we make are consistent with those being made by other public sector schemes.

## **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 2020**

	Notes	2019-20 £000	2018-19 £000
<b>Expenditure</b>			
Staff costs	30	12,166	12,335
Depreciation and amortisation	33 & 34	431	453
Loss on disposal of plant, equipment and intangibles	33 & 34	-	-
Other administrative expenses	31	<u>2,550</u>	<u>2,572</u>
<b>Operating costs</b>		<b>15,147</b>	<b>15,360</b>
<b>Income</b>			
Income from shared services	32	<u>(518)</u>	<u>(580)</u>
<b>Net operating costs before interest</b>		<b>14,629</b>	<b>14,780</b>
Pension scheme finance costs	39	<u>2,795</u>	<u>2,576</u>
<b>Net operating costs</b>		<b><u>17,424</u></b>	<b><u>17,356</u></b>

All income and expenditure is derived from continuing activities.

**Scottish Legal Aid Board**  
**Statement of financial position as at 31 March 2020**

	Notes	2020 £000	2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	33	<b>9,977</b>	9,018
Intangible assets	34	<b>36</b>	15
<b>Total non-current assets</b>		<b><u>10,013</u></b>	<b><u>9,033</u></b>
<b>Current assets</b>			
Trade and other receivables	35	<b>603</b>	836
Cash and cash equivalents		<b>767</b>	450
<b>Total current assets</b>		<b><u>1,370</u></b>	<b><u>1,286</u></b>
<b>Total assets</b>		<b><u>11,383</u></b>	<b><u>10,319</u></b>
<b>Current liabilities</b>			
Trade and other payables	36	<b>(208)</b>	(205)
<b>Total current liabilities</b>		<b><u>(208)</u></b>	<b><u>(205)</u></b>
<b>Non-current assets plus net current assets</b>		<b><u>11,175</u></b>	<b><u>10,114</u></b>
<b>Non-current liabilities</b>			
Pension scheme liability	39	<b>(123,215)</b>	(97,166)
<b>Total non-current liabilities</b>		<b><u>(123,215)</u></b>	<b><u>(97,166)</u></b>
<b>Assets less liabilities</b>		<b><u>(112,040)</u></b>	<b><u>(87,052)</u></b>
<b>Taxpayers' equity</b>			
General fund		<b>(118,495)</b>	(92,191)
Revaluation reserve		<b>6,455</b>	5,139
<b>Total taxpayers' equity</b>		<b><u>(112,040)</u></b>	<b><u>(87,052)</u></b>

The Accountable Officer authorised these financial statements for issue on 12<sup>th</sup> October 2020.

**Colin Lancaster**  
**Chief Executive and Accountable Officer**  
**12<sup>th</sup> October 2020**

The notes on pages 67 to 76 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 2020**

	Notes	2019-20 £000	2018-19 £000
<b>Cash flows from operating activities</b>			
Net operating cost before Scottish Government funding		(17,424)	(17,356)
<b>Adjustments for non-cash items</b>			
Depreciation on property, plant and equipment and amortisation of intangible assets	33 & 34	431	453
Loss on disposal of property, plant and equipment	33	-	-
<b>Movements in working capital</b>			
Increase/(Decrease) in trade and other receivables	35	233	159
Increase/(Decrease) in trade and other payables	36	3	(25)
<b>Movements in provisions</b>			
Pension scheme service and finance costs	39	5,978	6,146
Payments in respect of pension scheme	39	(1,564)	(994)
<b>Net cash outflow from operating activities</b>		<b>(12,343)</b>	<b>(11,617)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	33	(73)	(37)
Purchase of intangible assets	34	(23)	(15)
<b>Net cash outflow from investing activities</b>		<b>(96)</b>	<b>(52)</b>
<b>Cash flows from financing activities</b>			
Scottish Government funding and retained pension contributions		12,756	11,775
<b>Net cash inflow from financing activities</b>		<b>12,756</b>	<b>11,775</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>317</b>	<b>106</b>
<b>Cash and cash equivalents as at 1 April</b>		<b>450</b>	<b>344</b>
<b>Cash and cash equivalents as at 31 March</b>		<b>767</b>	<b>450</b>



**Scottish Legal Aid Board**  
**Statement of changes in taxpayers' equity for the year ended 31 March 2020**

	Notes	2020 General Fund £000	2020 Revaluation Reserve £000	2019 General Fund £000	2019 Revaluation Reserve £000
<b>Balance at 1 April</b>		<b>(92,191)</b>	<b>5,139</b>	<b>(96,121)</b>	<b>5,139</b>
<b>Changes in taxpayers' equity</b>					
Net cost of operations		(17,424)	-	(17,356)	-
Net movement on pension scheme	39	(21,635)	-	9,511	-
Revaluation reserve movement		-	1,316	-	-
<b>Total recognised income and expense</b>		<b>(39,059)</b>	<b>1,316</b>	<b>(7,845)</b>	<b>-</b>
Scottish Government grant in aid		12,300	-	11,331	-
Retained pension contributions & transfers in		456	-	444	-
<b>Total funding</b>		<b>12,756</b>	<b>-</b>	<b>11,775</b>	<b>-</b>
<b>Balance at 31 March</b>		<b>(118,494)</b>	<b>6,455</b>	<b>(92,191)</b>	<b>5,139</b>

## **28 Accounting policies**

### **28.1 Basis of accounting**

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2019-20 *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 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.

### **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 2019-20. 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 2021. 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 2020 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**

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**

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 2018-19 and 2019-20.

**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

**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 £000	Corporate Services & Accounts £000	Strategic Development £000	Total £000
Staff costs	3,579	279	3,877	1,248	8,983
Operating costs	66	45	2,359	80	2,550
<b>Total expenditure</b>	<b>3,645</b>	<b>324</b>	<b>6,236</b>	<b>1,328</b>	<b>11,533</b>
Income	-	-	(518)	-	(518)
<b>Net operating costs 2019-20</b>	<b>3,645</b>	<b>324</b>	<b>5,718</b>	<b>1,328</b>	<b>11,015</b>
Net operating costs 2018-19	3,561	204	5,843	1,149	10,757

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	11,015
Pension scheme service costs	3,183
Depreciation and amortisation	431
Net operating costs before interest per statement of comprehensive net expenditure	<b>14,629</b>

**30 Staff**

Staff costs	2019-20 £000	2018-19 £000
Board members' emoluments	136	137
Staff salaries	8,015	7,782
Social security costs	795	757
Pension scheme service costs	3,183	3,570
Agency/temporary/contract	37	89
	<b>12,166</b>	<b>12,335</b>
Staff numbers	2019-20 Average WTE	2018-19 Average WTE
Operations and legal services	145	151
Administration and support functions	90	97
Agency/temporary/contract	2	4
	<b>237</b>	<b>252</b>

**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

<b>31 Other administrative expenses</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
Accommodation	991	1,094
Audit fee	39	38
Staff related costs	112	141
Travel and subsistence	33	45
Postage, stationery and telephones	168	153
Office equipment and maintenance	751	793
External research	53	26
Corporate publications, leaflets and forms	1	2
Costs of operating leases	3	2
Other administrative costs	399	278
	<b>2,550</b>	<b>2,572</b>

<b>32 Income from shared services</b>	<b>2019-20 £000</b>	<b>2018-19 £000</b>
Accommodation services provided to third parties	518	499
Income from shared services provided to third parties	-	81
	<b>518</b>	<b>580</b>

**33 Property, plant and equipment**

	Land £000	Buildings & Plant £000	Office Equip- ment & Furniture £000	PC/ computer hardware £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>						
Balance at 1 April 2019	1,610	7,860	204	856	35	10,565
Additions	-	-	49	24	-	73
Revaluation	177	273	-	-	-	450
Disposals	-	(127)	(11)	(4)	-	(142)
<b>As at 31 March 2020</b>	<b>1,787</b>	<b>8,006</b>	<b>242</b>	<b>876</b>	<b>35</b>	<b>10,946</b>
<b>Depreciation</b>						
Balance at 1 April 2019	-	702	157	676	12	1,547
Disposals	-	(127)	(11)	(4)	-	(142)
Revaluation adjustment	-	(866)	-	-	-	(866)
Provided during year	N/A	310	27	81	12	430
<b>As at 31 March 2020</b>	<b>-</b>	<b>19</b>	<b>173</b>	<b>753</b>	<b>24</b>	<b>969</b>
<b>Net book value at 31 March 2020</b>	<b>1,787</b>	<b>7,987</b>	<b>69</b>	<b>123</b>	<b>11</b>	<b>9,977</b>
Net book value at 31 March 2019	1,610	7,158	47	180	23	9,018

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 2020 as described in note 28.7.

**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

<b>34 Intangible assets</b>		Software £000
<b>Cost or valuation</b>		
Balance at 1 April 2019		1,026
Additions		23
Disposals		-
<b>As at 31 March 2020</b>		<b>1,049</b>
<b>Amortisation</b>		
Balance at 1 April 2019		1,011
Disposals		-
Provided during year		2
<b>As at 31 March 2020</b>		<b>1,013</b>
<b>Net book value at 31 March 2020</b>		<b>36</b>
Net book value at 31 March 2019		15
<b>35 Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Bodies external to Government</b>		
Trade receivables	139	198
Prepayments	464	638
	<b>603</b>	<b>836</b>
Management have assessed that there is no impairment in relation to the trade and other receivables balance. At 31 March 2020 none of the debt was past its due date		
<b>36 Trade and other payables</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Bodies external to Government</b>		
Trade payables	(2)	2
Accruals	210	203
	<b>208</b>	<b>205</b>

**37 Contingent liabilities**

There are two contingent liabilities for Admin:

1) Following advice from our pension scheme advisors, no allowance has been included for GMP equalisation on the basis that the UK Governments position has not been concluded. Once this is clear we expect to follow the same approach as other public sector schemes.

2) A recent legal case has resulted in changes to the pension entitlement of male survivors in opposite sex marriages. We will liaise with the Scottish Public Pensions Agency and our actuaries to ensure the changes we make are consistent with those being made by other public sector schemes.

**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

<b>38 Financial instruments</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Trade and other receivables (see note 35)	<b>139</b>	198
Cash	<b>767</b>	450
<b>Financial liabilities</b>		
Other - trade and other payables (see note 36)	<b>(2)</b>	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 £455,000 (2018-19: £439,000). 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 interim actuarial valuation of the scheme was carried out as at 31 March 2020 by Buck Consultants, the agreed fee for this service was £9,000. The major assumptions used by Buck Consultants were:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Discount rate per annum	<b>1.80%</b>	2.90%
Revaluation of deferred pensions	<b>2.35%</b>	2.60%
Increases to pensions in payment	<b>2.35%</b>	2.60%
Long-term salary increases	<b>3.85%</b>	4.10%
Long-term inflation	<b>2.35%</b>	2.60%



**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

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 4.20% to 31 March 2021 and 3.85% thereafter.

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:

	<b>Life expectancy in years</b>	
	<b>2019-20</b>	<b>2018-19</b>
Male - aged 60	87.0	86.6
Female - aged 60	89.3	88.5
Male - aged 40	88.8	88.9
Female - aged 40	90.8	90.4

<b>Analysis of the amount charged to operating costs</b>	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
Current service cost (see note 30)	3,183	3,570
Finance charges on pension scheme liabilities	2,795	2,576
	<b>5,978</b>	<b>6,146</b>

<b>Reconciliation of the liability in the scheme over the year:</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Scheme liability at the beginning of the year	97,166	101,526
<b>Movement in year</b>		
Current service cost	3,183	3,570
Benefits paid	(1,564)	(994)
Finance charge	2,795	2,576
Changes in financial assumptions	19,943	(9,678)
Changes in demographic assumptions	1,238	(225)
Actuarial loss / (gain)	454	391
<b>Scheme liability at end of the year</b>	<b>123,215</b>	<b>97,166</b>

The pension liability is split between the Scottish Legal Aid Fund and the Scottish Legal Aid Board. The full liability is £142.8m (2018-19: £111.0m).

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Defined benefit obligation	123,215	97,166	101,526	93,042	69,485
Experience adjustments on plan liabilities	(453)	(391)	(357)	1,049	1,241

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:

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Assumption	Change in Assumption	Change in Pension Scheme Liability £000
Discount rate per annum	- 0.25%	7,121
Long-term salary increases	+ 0.25%	2,709
Long-term inflation	+ 0.25%	4,535
Life expectancy	+1 year	2,780

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 2020, from 1.80% to 1.55% would therefore increase the pension scheme liability from £123,215k to £130,336k (an increase of £7,121k). 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

	2019-20		2018-19	
	No of Cases	£000	No of Cases	£000
Losses	2	1	-	-
Special payments	1	15	-	-
	<u>3</u>	<u>16</u>	<u>-</u>	<u>-</u>

#### 41 Capital commitments

No capital commitments existed at the end of reporting period.

#### 42 Operating leases

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

Leases expiring:

One year or less

between one and five years

	2020		2019	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
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 and other relevant factors. However, because balances cannot be predicted with certainty, actual results may differ materially.

**Scottish Legal Aid Board**  
**Notes to the accounts for the year ended 31 March 2020**

The items in SLAB's accounts as at 31 March 2020 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	SLAB's premises were revalued as at 31 <sup>st</sup> March 2020, 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.	We will keep this under review throughout the year with a view to carry out the exercise again in March 2021 if we believe there has been any 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 £7.1m, a change of +0.25% in the salary increase rate would result in an increase in liabilities of £2.7m, a change of +0.25% to the inflation assumption would result in an increase in liabilities of £4.5m and increasing the life expectancy assumptions by 1 year would result in an increase to liabilities of £2.8m.

#### 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.



**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