



Annual Report and Accounts

For the year ending
31 March 2017

The Scottish Legal Aid Board

www.slab.org.uk

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THE PERFORMANCE REPORT

OVERVIEW

The Performance Overview explains the purpose and principle activities of the Legal Aid Board, provides the Chief Executives perspective on performance and highlights the main risks pertaining to the organisation.

CHIEF EXECUTIVE'S OVERVIEW

2016-17 has been a year of good performance for the organisation during a continued period of organisational change and a complex external environment. This Annual Report and Accounts details the delivery of a range of activities and our performance against our key performance indicators.

In the past year, we have welcomed Ray Macfarlane as our new Chair, following Iain Robertson's retirement after 10 years. Before being appointed as Chair, Ray served for six years as a SLAB Board Member, and brings with her a wealth of knowledge and experience. Five new Board Members also joined the Board, bringing a fresh perspective to the oversight of the organisation.

Over the past year we have continued the good work started in previous years to improve our business and, in particular, a range of application and accounts processes. As Chief Executive, one of my top priorities is to consider how the organisation can continuously improve whilst delivering a high quality and efficient legal aid system. We must also ensure that the advice we provide to Ministers is sound and evidence based. This is to make sure that, ultimately, the system meets the needs of the people of Scotland.

As part of our efforts over the past year, our Board has agreed a new Purpose and Strategic Objectives. We consider that the new objectives have accurately captured SLAB's role as an organisation, what we should be focusing on as a statutory body, and why. The Strategic Objectives make clear that SLAB, and the legal aid system, does not exist in a vacuum. We will fulfil our purpose by focusing on these strategic objectives. In doing so, we will contribute to the achievement of Scottish Government aims, an efficient justice system and improved outcomes for those who need services supported by legal aid.

The refreshed Purpose and Strategic Objectives are the cornerstone of our latest Corporate Plan which takes us up to March 2020. The Plan focuses on operational excellence, with a vision that we will transform the administration of legal aid. Although a significant focus of the Corporate Plan is on our internal operations and culture, everything that we do in pursuance of it will also aim to deliver positive outcomes for those seeking, accessing, and delivering legal aid.

There were a number of achievements that I would consider highlights from last year. We have been given important new duties as a Corporate Parent which gives us special responsibilities towards care experienced and looked after children and young people. We published our first Corporate Parenting Plan for implementing these duties between 2017-19. We also have important equalities duties and during the year we developed and published a refreshed set of equality outcomes for delivery between 2017-20. Both of these initiatives focus on raising staff awareness, improving our communications and expanding our knowledge so that we can offer a better service to our customers.

We also made good progress on a major piece of work to review our Key Performance Indicators (KPIs) and wider performance framework. This is in order to promote further accountability by ensuring that we properly capture what we do and how well we do it. Our revised KPIs will also inform any improvements to the services we deliver. The start of 2017-18 saw the introduction of the first elements of the new performance framework. Next year's Annual Report and Accounts will therefore report on performance in a slightly different way to this year.

Finally, last year saw a major announcement for legal aid. In February, the Minister for Community Safety and Legal Affairs announced an independent review of legal aid, expected to last 12 months. The review will look at legal aid in the twenty-first century: how best to respond to the changing justice, social, economic, business and technological landscape. The Review is chaired by Martyn Evans, Chief Executive of the Carnegie Trust, who is supported by an advisory group, of which I am a member. The Review is due to report its recommendations back to Ministers in February 2018.

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The purpose of legal aid in Scotland is to provide access to justice for those people who are unable to pay for it on their own.

Services funded by legal aid make a difference to people's lives and contribute to the efficient and fair operation of the justice system. Legal aid helps the criminal Justice system work fairly, efficiently and effectively by providing publicly funded legal services to those accused of crimes who otherwise could not pay for their defence. Services funded by us can mean people are able to ensure their future financial security when their family breaks down, or prevent them slipping into poverty; pursue a case for asylum to obtain the right to live here, or obtaining guardianship orders to make decisions about elderly relatives and future care. In doing so our funding can help improve people's lives and contribute to the creation of a more successful country. Legal aid also helps the criminal justice system work fairly, efficiently and effectively by providing publicly funded legal services to those accused of crimes who otherwise could not pay for their defence. By providing people with access to assistance and representation at difficult times in their lives, we contribute to the Scottish Government's Purpose and to a number of the Scottish Government's National Outcomes. The services provided and supported by SLAB contribute to the Scottish Government's aim of reducing inequality.

SLAB manages the legal aid system in Scotland within the scope of our governing legislation and advises Scottish Ministers about legal aid issues. The funding for legal aid is different from many other public services: it is not cash limited. The Scottish Government provides SLAB with the necessary funds to meet the cost of cases that meet the statutory tests. The organisation's administrative costs are met from the grant-in-aid provided by the Scottish Government. This expenditure is cash limited. SLAB plays an important role in administering the legal aid system in a way which enables people to gain access to justice, supports the courts system, and delivers value for money. A significant proportion of our administrative costs support our assessment of solicitors' and advocates' accounts, determination of applications for legal aid and other measures to secure best value from legal aid, including minimising fraud and abuse. This ensure that legal aid supports those cases that meet the statutory tests and that the cost of those cases, and therefore overall expenditure, remains at a level appropriate to the scale and nature of the demands placed on the Legal Aid Fund.

Principal activities of the Legal Aid Board are:

- managing the Legal Aid Fund
- deciding whether to grant applications for legal aid
- determining if people have to pay towards the cost of legal assistance, then collecting the amounts due to SLAB
- assessing solicitors' and advocates' accounts for legal aid work, and paying them for the work they have done
- investigating and minimising fraud and abuse of legal aid
- advising Scottish Ministers on the operation of legal aid, and ways to develop it in terms of providing cost effective access to justice and in supporting the operation of the Justice System
- managing networks of employed solicitors offering criminal legal assistance through the Public Defence Solicitors' Office (PDSO) and civil legal assistance through the Civil Legal Assistance Office (CLAO)
- monitoring and reporting to Scottish Ministers on the availability and accessibility of legal services in Scotland
- providing grant funding for targeted legal advice and other services.

The Scottish Government decides legal aid policy and the Scottish Parliament makes and changes legislation.

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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 36, 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 48 shows net liabilities of £81.7m (2015-16: £63.3m). 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 2017-18, 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, whereby they fund SLAB’s administrative costs, including the provision for the 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, the Scottish Legal Aid Fund statement of financial position on page 30 shows net liabilities of £55.2m (2015-16 £57.4). 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 2016-17, 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.

Conclusion

Accordingly, it has been 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

PERFORMANCE SUMMARY

Throughout 2016-17 we achieved our objectives via a range of key activities that contributed to the delivery of our Corporate and Operational Plans and Scottish Government objectives.

Our Strategic Aims

During 2016-17 our five Strategic Aims were:

- 1 To facilitate access to a range of quality assured legal help in Scotland, when and where it is needed
- 2 To provide access to service providers that deliver services in ways that benefit the justice system
- 3 To obtain best value for the taxpayer from legal aid expenditure
- 4 To contribute to an efficient justice system by providing an efficient legal aid system
- 5 To reduce the environmental impact of the services that we fund as well as reducing our own carbon footprint

Through the achievement of these objectives, we contributed to the achievement of the Scottish Government’s Purpose and National Outcomes. We approached our work by:

- **Working in partnership** with the Scottish Government, the courts, the legal profession, the advice sector, local authorities, others in the justice system and representative bodies
- **Consulting** with applicants, assisted persons, opponents, solicitors, advocates and others with an interest in legal aid and access to justice
- **Communicating** directly with applicants, assisted persons and opponents through letters, meetings and consultations, as well as through their solicitors
- **Sharing** with others our policies and practices to achieve greater openness, understanding and effectiveness
- **Engaging** in others’ consultations and development processes to play our full part in improving the justice system and the operation of legal aid within it
- **Continuously improving** through evaluation and learning, investment in our people, processes and systems, and implementing changes to achieve efficiency and effectiveness of our operations.

The Strategic Risk register sets out, at a high level, the current and anticipated risks to achieving our Strategic Aims and this is covered in more detail in the Governance Statement on pages 16 to 20.

OUR PERFORMANCE IN 2016-17

We carried out a range of key activity in 2016-17 that contributed to the delivery of our Corporate and Operational Plans and Scottish Government objectives.

Activity	Contribution to Strategic Aims
Legal Aid Delivery	
<p>We undertook further work to streamline, modernise and simplify the legal aid system in Scotland.</p> <p>We held consultation meetings with a number of firms around Scotland in which they provided their experiences of, and suggestions for, current civil legal aid procedures.</p> <p>This resulted in a number of changes being implemented in June 2016, including removing the need for multiple applications in certain cases and the removal of the requirement for solicitors to submit time based Stage Reports to us.</p>	

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<p>We began to implement the recommendations from our review of financial assessment processes in civil legal aid.</p> <p>We commenced the development of our online portal which will allow applicants to send their financial application forms for civil legal aid via our Legal Aid Online system.</p>	
<p>We implemented a range of criminal legal aid, advice and assistance, and ABWOR account improvements to our Legal Aid Online system. We are applying the lessons learned to the next phases scheduled for implementation, including civil accounts.</p>	
<p>We appraised options for improved facilities for electronic payment of debts arising in civil legal aid cases.</p> <p>We are now in the process of implementing enhanced payment options for our customers. This will allow them to make payments using an automated telephone system and also pay their contributions online.</p>	
<p>In consultation with the Law Society of Scotland, we implemented a quality assurance system for children's legal assistance, a first for this category of legal assistance.</p>	
<p>Policy and Reform</p>	
<p>In collaboration with the Scottish Government and justice sector partners, we developed changes to legal aid regulations to facilitate the commencement of certain parts the Court Reform (Scotland) Act. These regulations were then successfully passed by the Scottish Parliament and came into effect in late 2016.</p>	
<p>In collaboration with the Scottish Government we developed changes to legal aid to facilitate the implementation of the new Scottish Tribunals.</p> <p>These changes will be implemented in 2017-18 when new regulations are presented to the Scottish Parliament.</p>	
<p>To aid the implementation of the new Criminal Justice (Scotland) Act, we reviewed the Code of Practice for Criminal Legal Assistance.</p> <p>We formulated an updated Code and consulted publicly on the draft. Development of the Code and consultation will continue over the summer of 2017.</p>	
<p>We conducted a survey of solicitors on their use and views of the legal aid system and also a survey of the experiences of people who have applied for civil legal aid. We will use the findings of these surveys in 2017-18 to inform our future service delivery.</p>	

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<p>In order to facilitate the implementation of the Criminal Justice (Scotland) Act, we developed and delivered comprehensive advice for Scottish Ministers on options for the delivery of legal aid for police station and court duty advice.</p>	
<p>Following a request from Scottish Ministers, we developed and delivered advice on a range of options to reform to fees for summary criminal legal aid, solemn criminal legal aid, and criminal ABWOR.</p>	
<p>Organisational Development</p>	
<p>We reviewed and secured approval from our Board for a new purpose and strategic aims to ensure that will drive the organisation's service delivery between 2017 and 2020.</p> <p>Our new purpose and strategic objectives were considered and approved by the Board in September 2016.</p>	
<p>In addition to the review of our purpose and strategic objectives, we completed a review of some key aspects of our corporate governance functions.</p> <p>This included our complaints handling processes, our handling of requests for information, revising our approach to corporate business planning and reviewing a range of aspects of Board and Committee business.</p>	
<p>We prioritised the development of the operational (e.g. applications and accounts) element of our new performance framework and we aim to continue to develop the non-operational areas (e.g. HR and Finance) of the new framework during 2017-18.</p> <p>The new operational part of the framework went live from 1st April and will allow us to better gauge our overall performance and delivery to ensure optimal delivery against a range of measures. Our performance will be presented in a way that is more reflective of the customer's experience, more transparent and increases SLAB's accountability.</p>	
<p>Direct Delivery</p>	
<p>We developed, for the first time, three year business plans for our network of Civil Legal Assistance Offices (CLAO).</p> <p>We also reviewed, and agreed with the Scottish Government, a revised remit for the CLAO network which will result in a more targeted approach to casework based on local needs and the ability to deliver maximum impact to clients.</p>	

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<p>We worked with the Scottish Government and the Money Advice Service to identify priorities for a new round of direct delivery grant funding for 2017-18 that was approved in February 2017.</p>	
<p>We implemented a new model for accreditation of advice providers against the Scottish National Standards for Information and Advice Provision.</p>	
<p>Other Duties and Wider Government Objectives</p>	
<p>We published our first Corporate Parenting Plan for 2017-19. The plan focuses on ensuring that the needs of care experienced young people are taken into account when developing advice, policies or procedures.</p> <p>Good progress has been made on implementing the activities in the plan and a number of important links have been established with other Corporate Parents.</p>	
<p>As an organisation we set equality outcomes that focus on changes we want to make to the experiences of people - staff, the public and the profession.</p> <p>In April 2017 we published a report on delivery of our Equalities Outcomes, and revised our outcomes for 2017-20.</p>	
<p>We developed a baseline for a new carbon management plan which will be used to measure our performance in future years.</p> <p>We published our Carbon Management Plan in Autumn 2016. We also began work to improve energy efficiency in our main office building, Thistle House, for example by moving to LED lights.</p>	

PERFORMANCE ANALYSIS

Our main functions include taking decisions on legal aid applications and assessing and paying the accounts of solicitors and counsel. We set performance indicators and targets to provide a measure of our performance. Our targets are agreed by Scottish Ministers annually. The key measures of our performance are our headline indicators, which combine individual timeliness and accuracy targets for each legal aid type.

In 2015-16 we made a small number of our existing targets more challenging, either by shortening the timescales within which we aim to process applications (our service standards), or by increasing the percentage of cases in which we aim to meet our service standard, or both. We have continued with these demanding targets in 2016-17 whilst undertaking a significant programme of streamlining and change.

As part of our aim to speed up payments to solicitors, in 2015/16 we significantly shortened our service standards for processing accounts. For Criminal ABWOR fixed fees we shortened our service standard from 30 working days to 15 working days, to be in line with summary criminal fixed fees, and we shortened the service standard for all other account types from 30 working days to 20 working days.

We have also commenced a major review of our Key Performance Indicators (KPIs) and wider performance framework as highlighted in the Chief Executives overview, moving towards a balanced scorecard approach. During 2017-18 we will commence reporting on the initial elements of the new performance framework which was introduced from April 2017.

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All application and account types met or exceeded the headline performance indicator for the year (as shown in the table below) with the exception of Children's accounts. Whilst timeliness was exceeded, accuracy failed the 97% target by 3%. Due to the relatively small numbers of accounts this fail derived from our handling of only 13 accounts throughout the year. Overall, a continued strong performance against service standards has again been delivered this year.

Headline indicators	Target	Actual	Headline indicators	Target	Actual
Criminal legal aid applications	99%	100%	Criminal accounts	97%	99%
Civil legal aid applications	97%	99%	Civil accounts	97%	97%
Children's legal aid applications	98%	100%	Children's accounts	97%	96%
Advice and assistance applications	98%	99%	A&A accounts	97%	99%

MAIN TRENDS IN LEGAL AID EXPENDITURE AND APPLICATIONS

On a cash basis, net expenditure on the Legal Aid Fund was £135.7m, compared to £137.8m in 2015-16:

	2016-17 Cash basis £000	2015-16 Cash basis £000
Civil legal assistance		
Civil legal aid	30,719	34,160
Civil advice & assistance (A&A) and advice by way of representation (ABWOR)	18,439	18,592
Civil Legal Assistance Office	1,442	1,397
Grant funding	6,255	7,799
Less operating income	(9,774)	(11,827)
Less income from MAS	(2,350)	(2,350)
Total net civil legal assistance cash expenditure	44,731	47,771
Criminal legal assistance		
Summary criminal legal aid	29,365	29,808
Solemn criminal legal aid	37,456	36,337
Criminal appeals	1,290	1,348
Criminal advice & assistance and advice by way of representation	13,060	13,106
Duty scheme	941	939
Public Defence Solicitors' Office	2,253	2,129
Police station Solicitor Contact Line	649	640
Glasgow Courts	50	46
Total criminal legal assistance cash expenditure	85,064	84,353
Children's legal assistance		
Children's legal aid	3,041	3,123
Children's advice & assistance and advice by way of representation	2,329	1,982
Total children's legal assistance cash expenditure	5,370	5,105
Contempt of court	296	296
Miscellaneous payments	212	284
Total cash expenditure	135,673	137,809

The table above details legal aid cash spend, 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 29 to 46 (the accruals basis) results in accounting adjustments, including depreciation, accruals and prepayments. Once such adjustments are made, the statement of comprehensive net expenditure on page 29 shows a net cost of operations of £129.9m (2015-16: £130.2m).

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

Civil legal assistance

After three continuous years of falling grant volumes in civil legal aid there was a 5% increase in the number of grants in 2016-17. This has been brought about predominantly by the continuing trend of year on year growth in the adults with incapacity subject matter and by internal process improvements which have subsequently led to a 3% increase in the number of initial decisions taken during the year.

Gross civil legal aid expenditure in 2016-17 was impacted by previous years' reductions in grants. Consequently for most subject matters the expenditure was lower than in 2015-16 with the contact/parentage subject matter (which makes up nearly 30% of the gross expenditure) falling by 10%. Following last years large increase in accounts involving an award of judicial expenses there has been a large reduction for these in 2016-17. These awards are more prevalent in the medical negligence and reparation subject matters and as such the gross cost of both of these fell by 30% in 2016-17. As a result, our income also reduced significantly in 2016-17. Net civil legal aid expenditure has fallen each year since its peak in 2011-12 when the highest impact of the recession was felt for payments in civil legal aid. This trend continued in 2016-17 with a further 7% drop to £20.9m and it is now nearing the levels last seen in 2007-08.

Intimations of civil advice and assistance (A&A) and civil ABWOR, after a reducing trend that had been evident for several years, remained at around 68,000 with the previous year's reductions subsequently reducing expenditure by £0.2m, to £18.4m, in 2016-17.

The cost of the grant funding programme in 2016-17 fell by £1.5m to £6.3m reflecting the fact that there was only 10 months of payments (compared to the full 12 months in 2015-16) due to those programmes being due to end in March 2017.

Overall the net cost of civil legal assistance reduced by £3.0m, 6.4%, to £44.7m.

Criminal legal assistance

Although the cost of summary criminal legal aid fell by £0.4m to £29.4m in 2016-17 it still represents a high level of expenditure. This is due to the high number of accounts received, which was a direct result of the process to reduce the number of outstanding cases within the justice system following a slowdown in previous years. As the levels of summary cases within the justice system are now back to more typical levels it is anticipated the cost of summary will drop back to underlying levels during 2017-18.

The pattern of expenditure on legal aid for more serious (solemn) cases has shown some volatility in recent years. In 2013-14 the number of grants of solemn criminal legal aid increased by 7% and then by a further 1% in 2014-15, followed by a 9% and then 10% fall in 2015-16 and 2016-17 respectively. As anticipated the volumes of outstanding solemn cases within the justice system were reduced in 2016-17 creating an upwards pressure on expenditure in the year similar to that seen for the last two years for summary. The resulting impact of this was a £1.1m increase in 2016-17.

The overall cost of criminal legal assistance increased by £0.7m, 0.8%, to £85.1m.

Children's legal assistance

In 2013-14 we saw the introduction of the Children's Hearings (Scotland) Act 2011, which made ABWOR available for the first time in children's cases. Consequently we continue, albeit very marginally in 2016-17, to see increases in the volume of ABWOR intimations and this has led to a 15% increase, to £2.3m, in children's A&A and ABWOR expenditure in 2016-17. With the introduction of the Act there was a movement in the volume of applications from children's legal aid to ABWOR. This has been a main contributor to the overall reduction in children's legal aid costs, in 2016-17, of 3% to £3.0m. Overall, the cost of children's legal assistance has increased, by 6%, to £5.4m.

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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 £11.7m, compared to £12.2m in 2015-16, as shown in the statement of cash flows on page 49 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:

	2016-17 £k	2015-16 £k
Staff costs	9,685	9,777
Running costs	1,932	1,928
Capital	130	513
Total administration spend	11,747	12,218

The decrease in cash spent on staff costs is mainly due to higher than normal pension payments during 2015-16 as a result of (i) employees retiring and receiving lump sum pension payments and (ii) the transfer of accrued benefits to other pension schemes. This is partially offset by the implementation of SLAB's 2016-17 approved pay remit which was in line with SG pay policy. Capital costs are decreased due to high expenditure in 2015-16 in relation to increased building access security systems and electronic network storage.

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 measures to minimise fraud and abuse. We have made significant efforts to reduce administration costs whilst ensuring that fund expenditure continues to properly reflect the intentions of Parliament and the nature and level of demand by eligible people for services that are within scope.

Since the capping of SLAB's administrative budget in 2007-08, staff numbers have reduced by around 15%. Inevitably this has meant that cost pressures, including those due to inflation, have had to be met through efficiency gains; however, workloads, functions and additional responsibilities given to the organisation by the Scottish Government have impacted across our resource base. 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 to 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.

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 provision. Once such adjustments are made, the statement of comprehensive net expenditure on page 47 shows a cost of operations, including pension costs, of £15.5m (2015-16: £15.1m).

Corporate governance

SLAB periodically reviews and amends its approach to both corporate governance and risk management frameworks. An annual review of Corporate Governance is also carried out by SLAB's internal audit service. SLAB is currently in the middle of a major review of both Corporate Governance and Risk and will implement a number of changes during the next financial year; however this year's internal audit review and the most recent review of risk management concluded that the approach to each was in line with best practice.

Social, community and human rights issues

The purpose of legal aid is to provide 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 important contributions to both the Scottish Government's Purpose and to a number of the National Outcomes, including: contributing to strong, resilient and supportive communities; tackling significant inequalities; and helping to ensure we live our lives safe from crime, disorder and danger. Our grant funding programmes also ensure that a range of help is available when people face difficulties.

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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 equality strategy for 2017-2020, including a refreshed set of equality outcomes, can be found in our Equality Outcomes and Mainstreaming report published in April 2017.

Our equality outcomes 2017 - 2020 are:

- 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

Further information about our approach to equality and diversity can be found on our website - <http://www.slab.org.uk/about-us/equalities/>

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 and, whenever necessary, ensure that suppliers are aware of the organisation's terms of payment. SLAB aims to comply with these terms subject to satisfactory performance by the supplier. SLAB adheres to "The Better Payment Practice Code" and is also committed to meeting the Scottish Government's aspiration of paying small business administration service suppliers within 10 days. SLAB's performance for invoice payment in 2016-17 was to make payment of 98% (2015-16: 94%) of invoices within 10 days for all suppliers.

Environmental Impact and Sustainability

The organisation has a new Carbon Management Plan which targets its asset use. The new Carbon Management Plan, including reduction targets, was produced in 2016 following our relocation from Drumsheugh Gardens to Thistle House. 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 plan was produced in conjunction with the Carbon Trust and Keep Scotland Beautiful - Sustainable Scotland Network. The fundamental aim is that SLAB will have reduced its carbon emissions by 10% on a baseline of 2015. This equates to a figure of 42.6 tonnes CO₂e in 2015.

The 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.

THE PERFORMANCE REPORT

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 CO₂e in 2014-15

SLAB are working with the Scottish Prison Service and Police Scotland to develop the use of video for agents' visits to clients in both prisons and police stations, which will reduce the travel and carbon impact of the process.

Sustainable procurement is promoted through using 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 on our website at www.slab.org.uk



Colin Lancaster
Chief Executive and Accountable Officer
13 September 2017

Directors' Report

Board members

The table below shows the appointments of the serving Board members for the year to 31 March 2017:

Name	Start date	Period of appointment to
Tim McKay	1 April 2016	31 March 2019
Rani Dhir MBE	1 October 2012	30 September 2020
Alastair Kinroy QC	1 April 2010	31 March 2018
Denise Loney	1 January 2007	30 September 2016
Ray Macfarlane (Chairman)	1 April 2010	31 March 2019
Vincent McGovern	1 October 2012	30 September 2016
Bill McQueen CBE	1 April 2010	31 March 2018
Ros Micklem	1 October 2012	31 March 2018
Derek Ogg QC	1 October 2012	30 September 2016
Paul Reid	1 April 2016	31 March 2019
Sheriff Ray Small	1 April 2010	31 March 2018
Lesley Ward	1 April 2016	31 March 2018
Marieke Dwarhuis	1 April 2016	31 March 2019
Sarah O'Neill	1 April 2016	31 March 2018
John Hamilton QC	1 October 2016	31 March 2017

Ray Macfarlane was appointed Chairman on 1st April 2016. Denise Loney, Vincent McGovern and Derek Ogg QC retired on 30th September 2016, and new appointments have been made for each of these posts. In addition, John Hamilton QC was appointed to the Board on 1st October 2016 and resigned (due to conflicting commitments) on 31st March 2017.

Register of Board members' interests

SLAB keeps a register of Board members' interests, which is on our website at www.slab.org.uk/about-us/who-we-are/board/, 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 21 and 40.

Membership of Committees

During 2016-17, committee membership comprised:

Legal Services Policy Committee:

Sheriff Ray Small - Convener
 Bill McQueen CBE
 Ros Micklem
 Derek Ogg QC
 Marieke Dwarshuis
 Paul Reid
 John Hamilton QC
 Colin Lancaster, Chief Executive
 Ray Macfarlane

Legal Services Cases Committee:

Lesley Ward (Convener from 1st October 2016)
 Denise Loney (Convener to 30th September 2016)
 Rani Dhir MBE
 Alastair Kinroy QC
 Ray Macfarlane
 Sarah O'Neill
 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.

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Audit Committee:

Tim McKay - Convener
Rani Dhir MBE
Ray Macfarlane
Ros Micklem
Marieke Dwarshuis

Remuneration and Appointments Committee:

Bill McQueen CBE - Convener
Ray Macfarlane
Marieke Dwarshuis

Membership of the Leadership Team

During 2016-17 the Leadership Team has comprised:

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

Employee sickness absence

Employee sickness absence for 2016-17 was 9.6 days per whole time equivalent (WTE) employee (2015-16: 10.5 days per WTE). This was made up of 2.8 days per WTE for self-certified absence, and 6.8 days per WTE for certified absence. Overall there is an improvement on last year, and our **self-certified** absence level was better than last year (at 2.9 days) and target (at 3.0 days). Despite an unexpectedly high number of long term serious illnesses amongst our staff, encouragingly our **certified** absence level has also improved with a number of supported and phased returns to work in place.

The Office of National Statistics survey Sickness absence in the labour market: 2016 reports the absence rate as 1.9% overall and 2.9% in the public sector, the lowest recorded since the ONS recording series began in 1993. In 2016, the groups who experienced the highest rates of sickness absence were women, older workers, those with long-term health conditions, smokers, public health sector workers and those working in the largest organisations (those with 500 or more employees).

Our equivalent absence rate figure of 3.8 % is higher than we like but with Human Resources input and the support of our occupational health and support services, which is commonly reported as the most effective method for managing long term absence, we continue to proactively manage absence levels downwards. We will continue to monitor aspects that are likely to contribute towards increased levels of certified absence such as the age of our workforce and any environmental factors.

Audit

Audit Scotland carried out the audit of the organisation's accounts for the financial year ended 31 March 2017, covering both the Scottish Legal Aid Fund and the Scottish Legal Aid Board accounts. The agreed fee for this service was £42,050, 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, recognised gains and losses 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 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 the organisation's assets are set out in the *Non-Departmental Public Bodies' Accountable Officer Memorandum*.

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.

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 preceding 2 paragraphs are covered by the audit opinion.

GOVERNANCE STATEMENT

GOVERNANCE FRAMEWORK

The Scottish Legal Aid Board is a Non-Departmental Public Body sponsored by the Scottish Government's Justice Directorate. The broad framework within which the organisation operates, in particular the rules and guidelines relevant to its functions, duties and powers; the conditions under which any public funds are paid to it; and how it is to be held to account for its performance, are governed by a *Management Statement* and associated *Financial Memorandum* drawn up by the sponsor directorate in consultation with SLAB. A revision of the *Management Statement* and *Financial Memorandum* was agreed in May 2010. Notwithstanding the requirement that the *Management Statement* and *Financial Memorandum* shall be reviewed by the sponsor Directorate normally at least every three years, SLAB or the sponsor Directorate may propose amendments at any time; however we are in the process of migrating to the new Scottish Government model framework which is expected to be introduced during 2017-18.

Under the terms of its governing legislation, SLAB has a Chairman appointed by Scottish Ministers and the Board consists of not less than 11 and not more than 15 members who are appointed by Scottish Ministers. Board members are responsible for determining SLAB's strategic aims (within the framework set by our governing legislation, the Scottish Ministers' policy framework for legal aid and the national performance framework); reviewing its corporate plan (approved by Scottish Ministers); monitoring expenditure and operations; providing advice to Scottish Ministers; and reviewing organisational performance. Board Committees are in place to deal with areas such as audit; legal aid policy; complex, sensitive or high profile legal aid cases; and remuneration and appointments. The Chief Executive and directors also attend Board meetings.

The Audit Committee, composed of five Board members, advises the Board and Accountable Officer on the effectiveness of the organisation's internal control system. The Audit Committee and the Accountable Officer periodically review SLAB's corporate governance arrangements. An annual review of corporate governance is also carried out by SLAB's Internal Audit service, which reports on compliance with the organisation's current corporate governance arrangements and best practice.

The Chief Executive is the Accountable Officer of the organisation and is appointed so by the Scottish Government's Principal Accountable Officer. The Chief Executive leads a Leadership Team made up of the three directors responsible for the operational and administrative functions of SLAB, and the Principal Legal Adviser.

The Leadership Team meets at least twice a month and considers governance issues including fraud, delegated authority, internal controls, risk management and performance, as well as overseeing major projects and the operation of the organisation. The Accountable Officer's responsibilities are detailed in the memorandum to Accountable Officers for other public bodies, and include:

- ensuring the propriety and regularity of the NDPB's finances and that there are sound and effective arrangements for internal control, risk management and ensuring that appropriate financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major changes
- ensuring that the resources of the NDPB are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value, also
- ensuring that the assets such as land, buildings or other property, including equipment, are controlled and safeguarded, and with checks as appropriate
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM
- signing the annual accounts and associated governance statements;
ensuring that procurement activity is conducted in accordance with the requirements in the Procurement section of the Scottish Public Finance Manual

During 2016-17, the Board met six times. At its meetings, the Board routinely considered the minutes of the Legal Services Policy Committee, the Legal Services Cases Committee and the Audit Committee. The Board also received regular updates on the resources and performance of the organisation, trends in legal aid, the grant funding programme and on progress against SLAB's business plan. During the year the Board considered the previous year's annual accounts and annual report of the Audit Committee, as well as the annual review of its corporate governance arrangements, and revised standing orders. The Board reviewed; the legal aid fund forecast for 2017/18 through 2019/20, and administrative budget for 2017/18 along with the approved basis of a move from the current performance standards to a balanced scorecard approach for 2017/18

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forwards giving improved focus on customer service. The Board received updates on the operation of both the Civil Legal Assistance Office and on the Public Defence Solicitors' Office.

The other major items of discussion at the Board meetings included:

- External Communications
- Corporate Plan
- Draft Business Plan 2016-17
- Corporate parenting
- Equality Outcomes
- Moving to Cloud solution from Shared service and supporting business case
- Asset Management plan
- Carbon Management Plan
- Best Value

CORPORATE GOVERNANCE ARRANGEMENTS

The Audit Committee, the Board and the Accountable Officer periodically review the corporate governance arrangements.

The most recent review, undertaken in December 2011, provided assurance on each of the elements of the Board's Corporate Governance framework, but also sought to consider some of the wider implications of good corporate governance by updating the Board's previous review of the Good Governance Standard for Public Service (the 'Langlands Review'); and by considering the Board's response to the more recent Audit Scotland study on the Role of Boards. Reviewing and improving our corporate governance arrangements is an ongoing priority. A review of a range of elements of our governance arrangements is currently underway and is planned for completion during 2017. Some aspects of the review have already been delivered including a revised Purpose and Strategic Objectives, improved processes for business plan monitoring, improved arrangements for board member appraisal, and a review of practice on complaints and FOI(S)A requests.

The Board extended the process of annual formal review of Board and committee effectiveness from the Audit Committee to include the Board, the Legal Services Cases Committee and the Legal Services Policy Committee. The performance of board members is evaluated as part of their annual performance appraisal from the Chair. The Board and Audit Committee carry out annual self assessments on their effectiveness, both of which took place during 2016. It was agreed that the Board self assessment should be reviewed and this has taken place and was presented to the Board in September 2017. Self assessment of the committees will be based on this and will therefore follow on from the development of the new tool for Board effectiveness. This is planned to start in the third quarter 2017/18.

Internal audit carries out an annual review of Corporate Governance. The latest review concluded that SLAB has a sound framework to support the principles of good corporate governance with best practice.

As part of a regular review of the organisation's approach to risk, the Audit Committee agreed in May 2013 that the Board should review the organisation's risk register twice a year.

The Audit Committee continues to consider risk on a quarterly basis. To achieve alignment with guidance from the Standards Commissioner, the Board also agreed to fortify the arrangements for the registering of gifts and hospitality and for registering Board members' interests.

BEST VALUE

Best Value is firmly embedded across all areas of our business and is now so much more than a number of projects and initiatives; it is part of the fabric of our organisation. A report on Best Value is submitted to the Board annually.

RISK MANAGEMENT

Capacity to handle risk

The Board and the Leadership Team lead the organisation's risk management process. Ownership of every identified strategic risk lies with a named member of the Leadership Team. The Leadership Team assigns risks to managers and reviews risk in all operational and support departments on a monthly basis.

A Director is appointed (Director of Operations) as Risk Management Co-ordinator to deal with training as well as administrative and reporting issues within SLAB's risk framework. The Risk Management Co-ordinator has

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undertaken training accredited by the Institute of Risk Management and further training is scheduled to ensure the organisation continues to be aware of and able to apply best practice.

The organisation's Senior Information Risk Owner (SIRO) ensures information risks are discretely categorised and recorded to create a separate risk register covering all SLAB's potential information risks. The organisation's SIRO is the Director of Corporate Services and Accounts.

Training is available for staff on risk management theory and practice. It encourages all staff to apply risk management techniques to setting and reviewing their personal and departmental objectives, and to contribute to preparing and reviewing risk registers. The organisation has documented its risk management process in its "Risk Policy and Risk Management Framework" document, which is available to all staff. This document, and the staff training, explains the principles of risk appetite. The Chief Executive has put in place a Delegated Authority Matrix. This documents the limits of post holders' authority in specified areas, such as business cases for new projects.

SLAB periodically reviews and amends its approach to risk management in accordance with best practice. The last review, undertaken in May 2013, assessed the approach to risk management as being in line with HM Treasury's "*Management of Risk - Principles and Concepts*", the National Audit Office's "*Managing Risks in Government*" and Scottish Government's "*Our Approach to Risk management*". SLAB's risk approach is in line with the National Audit Office's six key principles which underpin and support the use of risk management to improve decision making. We also introduced a new column in the Strategic Risk Register for 'Risk Appetite' in order to enhance our overall approach to risk.

It is intended that reviews will continue to be undertaken every three years and a fundamental one is currently underway supported by the appointment of an external risk consultant, and due to conclude during 2017 in line with the planned change of Risk Management Co-ordinator on conclusion of the review. This will be followed by a comprehensive internal audit review.

Similarly, the 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. Different levels of counter fraud training are provided for managers and staff which encourage them to consider potential fraud risks in relation to their activities and areas of responsibility.

The risk and control framework

The Leadership Team has "Risk" as a standing agenda item at each Leadership Team meeting and receives and reviews monthly updates to risk registers through Leadership Team operational reports. In liaison with the Risk Management Co-ordinator and Internal Audit Department, the Leadership Team and the Audit Committee review, quarterly, the effectiveness of the Board's risk management framework and the content and appropriateness of its strategic risk register. The Board reviews this work twice a year.

The key elements of the organisation's risk management strategy are:

- clear and concise documentation and training for all staff on SLAB's definition of risk, its objectives in having a risk framework and staff roles and responsibilities
- a documented and communicated process of identifying and evaluating risks, assessing risk appetite, identifying and implementing suitable responses to risks, providing ongoing assurance about the effectiveness of the framework and processes to embed and review risk awareness (captured in the document entitled "Risk Policy and Risk Framework", which is reviewed on a three yearly cycle by the Leadership Team and the Audit Committee)
- multi-level review and reporting processes throughout the risk cycle that involve staff, managers, the Leadership Team, Internal Audit, the Audit Committee and the Board
- identification and regular review of both the continuing appropriateness of the risks and responses identified, and of the on-going status of the identified or planned responses to risks.

The key controls that are built into routine processes are:

- ensuring appropriately skilled and experienced staff are responsible for business processes
- documented procedures exist for all key business processes
- management and independent checking ensure quality of processing
- management information is available to assess the volume, timeliness and quality of processing.

The key ways in which risk management is embedded within the Board are:

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- the link between corporate planning and risk management processes
- including risk in routine, regular operational reporting processes
- the ownership and management of risks by directors and managers
- involving the Leadership Team, the Audit Committee and the Board in agreeing and reviewing strategic and operational risks
- including risk management in training plans and as standing items in team meetings
- using risk registers for each of the organisation's projects as part of the PRINCE2 project management methodology
- the documented timetable of monthly, quarterly and annual reviews of strategic and departmental risk profiles.

More generally, the organisation is committed to a process of continuous development and improvement. The organisation has continued to provide training to managers and staff on both the principles of risk management and the practical application of risk management within SLAB. Risk awareness and training forms part of induction for all new staff. Regular review and reporting of risks has taken place throughout the year, with reviews and reports being considered at all levels (team, departments, directorates, Leadership Team, Audit Committee and Board).

Significant risk related matters

The Strategic Risk register sets out, at a high level, the current and anticipated risks to the organisation achieving its strategic objectives, along with an assessment of the likelihood and impact of these risks before and after the application of mitigation strategies for each risk. That register currently reflects a range of risks, such as those relating to:

- relations with key stakeholders, including representative bodies, the legal profession, other justice agencies, the advice sector and the judiciary
- there is uncertainty around the scope and outcome of the Review of Legal Aid at this time
- responding to changes in legislation which might impact on legal aid
- management of administrative resources and capacity in an environment of significant change
- fraud or abuse of legal aid
- reputational risks
- potential failure of digital systems
- the impact on legal aid of changes to the external environment, such as the UK Welfare Reform Act.

INTERNAL CONTROL

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the SLAB's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am responsible, in accordance with the responsibilities assigned to me.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised, and the impact should they be realised; and to manage them efficiently, effectively and economically. The wider system of internal control is based on an ongoing process designed to identify the principal risks to achieving SLAB policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control accords with Scottish Government guidance and has been in place in the organisation for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Review of effectiveness of the internal control system

SLAB has an internal audit service, supervised by the Acting Head of Internal Audit, that reports on a day to day basis to the Director of Corporate Services and Accounts. Internal audit work concentrates on areas of activity determined from an analysis of the areas of greatest risk. These are scheduled in the annual audit activity plan approved by the Accountable Officer and the Audit Committee. The Acting Head of Internal

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Audit is responsible to me as the Accountable Officer for internal audit matters and makes quarterly reports to the Audit Committee. The Acting Head of Internal Audit has direct access to the convener of the Audit Committee.

The Audit Committee and the Leadership Team receive regular reports from the Internal Audit Department, to standards defined in the Public Sector Internal Audit Standards. These include the Acting Head of Internal Audit's opinion on the adequacy and effectiveness of the organisation's system of internal control, and recommendations for improvement. The Audit Committee is also responsible for overseeing financial reporting, external audit, internal control, and audit and compliance department activities.

In 2016, SLAB with the support of the Audit Committee, moved to a risk based approach to auditing, rather than a programme of cyclical work. This enables internal audit to be responsive and flexible to changes within the business or SLAB's risk profile. In the last few years this approach has already been adopted by a number of public sector bodies and is seen in many respects to be the industry standard for internal audit. There is an element of the core business that, due to the higher inherent risk profile, continues to require annual Internal Audit review

The Audit Committee and the Leadership Team regularly review progress on implementing Internal and External Audit recommendations.

In addition to the internal audit work carried out each year, the Head of Internal Audit seeks assurance over the system of internal control through a rolling programme of annual assurance assessment. This requires managers to confirm the existence of the main internal controls for their areas and to both describe the means by which they satisfy themselves that the system of internal control is operating as intended, and to give an assessment of the effectiveness of the controls over the identified risks. Internal Audit perform tests of key controls to validate the manager's assurance. 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 Leadership Team and the Audit Committee.

The Acting 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. 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.

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

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

Significant internal control issues

Although 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, a breach in relation to SLAB mail handling was reported to the Information Commissioner in March 2016 which was not deemed significant nor required any further action.

Personal data related incidents

There were no personal data related incidents during the year.

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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.

Leadership Team

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

Name (see roles on page 12)	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

The current Leadership 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. The Chief Executive (Colin Lancaster) received a 1% pay increase from 1 August 2016 in accordance with the Scottish Government's pay policy for senior appointments. In addition to his salary, in recognition of the timing of his start date he also received a non-consolidated non-pensionable payment of £66.31 a month. This was equivalent to an additional 0.75% of his monthly salary, paid with effect from 1 September 2016 until 31 July 2017 to coincide with the pay progression due on 1 August 2017.

In 2016-17, in accordance with Scottish Government's pay policy for staff, other members of the Leadership Team's salaries were uplifted by 1%, and progressed, if applicable, up pay ranges, both subject to at least satisfactory performance. Bonus arrangements for other members of the Leadership 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 2016-17 (2015-16: nil), in accordance with Scottish Government's pay policy for staff which reflected the ongoing financial and budgetary circumstances.

Remuneration

The following table provides a breakdown of remuneration for members of the Leadership Team in 2016-17 and 2015-16 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.

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	Salary 2016-17 £000	Salary 2015-16 £000	Pension benefits accrued 2016-17 £000	Pension benefits accrued 2015-16 £000	Single total remun- eration 2016-17 £000	Single total remun- eration 2015-16 £000
C Lancaster, Chief Executive,	105 - 110	95 - 100	24	189 ¹	125 - 130	285 - 290
M Fox, Director of Operations	65 - 70	60 - 65	25	23	90 - 95	80 - 85
G Hill, Director of Corporate Services and Accounts	75 - 80	75 - 80	27	25	105 - 110	100 - 105
A Dickson, Director of Strategic Development ²	60 - 65	20 - 25 ²	17	5	75 - 80	25 - 30
I Dickson, Principal Legal Advisor	80 - 85	75 - 80	25	26	105 - 110	100 - 105

1. The Chief Executive has the same pension scheme benefits as other employees.
2. A Dickson became director part way through 2015-16

Pension benefits

	Real increase in pension and related lump sum £000	Accrued pension at 31 March 2017 and related lump sum £000	Cash equivalent transfer value at 31 March 2017 £000	Cash equivalent transfer value at 31 March 2016 £000	Real increase/ (decrease) in cash equivalent transfer value* £000
C Lancaster, Chief Executive					
Pension	0 - 5	20 - 25			
Related lump sum	0 - 5	65 - 70			
Transfer value			378	333	24
M Fox, Director of Operations					
Pension	0 - 5	10 - 15			
Related lump sum	0 - 5	35 - 40			
Transfer value			179	149	18
G Hill, Director of Corporate Services and Accounts					
Pension	0 - 5	5 - 10			
Related lump sum	n/a	n/a			
Transfer value			128	98	22
A Dickson, Director of Strategic Development					
Pension	0 - 5	5 - 10			
Related lump sum	n/a	n/a			
Transfer value			79	59	14
I Dickson, Principal Legal Advisor					
Pension	0 - 5	15 - 20			
Related lump sum	0 - 5	50 - 55			
Transfer value			403	356	34

* 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 2017 and 31 March 2016.

The pension benefits table above provides a breakdown of pension benefits for members of the Leadership Team in 2016-17 and 2015-16 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 2017.

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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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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:

	2016-17	2015-16
Band of highest paid director's remuneration (Chief Executive)	105-110k	110-115k
Median total remuneration	27,110	26,840
Ratio	4.0	4.2

The banded remuneration of the highest paid officer at SLAB in the financial year 2016-17 was £105-110k (2015-16: £110-115k). This was 4.0 times (2015-16: 4.2) the median remuneration of the workforce, which was £27,110 (2015-16: £26,840). The banded remuneration of the lowest paid employee at SLAB in the financial year 2016-17 was £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.

The median salary for all staff has increased during the year mainly as a result of a revalorisation of the pay bands and salary progression for staff who were paid below their grade maximums.

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 & Staff Report

Remuneration (excluding any accrued pension benefits) of the Board members for 2016-17 was as follows:

Name	2016-17	2015-16
	£000	£000
Tim McKay	5-10	-
Rani Dhir MBE	5-10	5-10
Alastair Kinroy QC	5-10	5-10
Denise Loney	0-5	5-10
Ray Macfarlane (Chairman)	30-35	5-10
Vincent McGovern	0-5	0-5
Bill McQueen CBE	5-10	5-10
Ros Micklem	5-10	5-10
Derek Ogg QC	0-5	5-10
Paul Reid	5-10	-
Sheriff Ray Small (not remunerated)	0-5	0-5
Lesley Ward	5-10	-
John Hamilton QC	0-5	-
Marieke Dwarhuis	5-10	-
Sarah O'Neill	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	
	2016-17 Average WTE	2015-16 Average WTE	2016-17 Average WTE	2015-16 Average WTE
Permanent staff	81	74	251	253
Other staff	3	5	7	8
	<u>84</u>	<u>79</u>	<u>258</u>	<u>261</u>
	£000	£000	£000	£000
Staff costs	<u>4,235</u>	<u>3,964</u>	<u>10,865</u>	<u>10,767</u>

Further detail can be found in notes 8, 9, 10 and 27 to the accounts.

Staff equalities

In April 2017 SLAB published our Equality Outcomes and Mainstreaming report, providing information on the progress we have made over the last three years towards achieving our equality outcomes. The report also includes our equality strategy for 2017-2020 and a refreshed set of equality outcomes. We also published an updated analysis of our employee data in relation to equal pay

Our equality outcomes and further information on the SLAB's work on equalities can be found in the Performance Report on page 9 and at www.slab.org.uk/about-us/equalities.

**THE ACCOUNTABILITY REPORT -
Remuneration & Staff report**

The table below shows our gender breakdown at 31 March 2017:

	Female	Male
Leadership team	2	3
Senior Managers*	2	7
Other Employees	234	117
Total	238	127

*Senior managers' salaries are the equivalent of senior civil service level. In 2016-17 one senior manager was paid within the band £55-60k, seven in band £60-65k and one in £85-90K. (2015-16 = one in band £55-60k, six in band £60-65k and two in band £80 - 85k).

Employee sickness absence

Employee sickness absence is detailed on page 14.

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.

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 Leadership 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

The tables on page 22 and the sections of this report on Pay multiples, Staff numbers and costs and Exit packages are covered by the audit opinion.

THE ACCOUNTABILITY REPORT - Parliamentary Accountability

The Scottish Legal Aid Board (“SLAB”) presents its accounts for the financial year ended 31 March 2017.

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 2016-17. 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 20 and 37. There are no remote contingent liabilities to disclose. The Scottish Legal Aid Board accounts show income of £500k as disclosed in note 29 to the accounts. This includes £419k from subletting space in our Thistle House head office to a number of different tenants and £81k from sharing services with other public bodies.



Colin Lancaster
Chief Executive and Accountable Officer
13 September 2017

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

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 approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2017 under the Legal Aid (Scotland) Act 1986. 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 2016/17 Government Financial Reporting Manual (the 2016/17 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 2017 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 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accountable Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) 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.

ACCOUNTABILITY REPORT - Independent 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 and my auditor's report thereon. 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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 other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

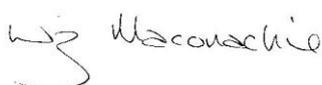
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers;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



Liz Maconachie
Audit Scotland
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW, G2 1BT

14 September 2017

Scottish Legal Aid Fund
Statement of comprehensive net expenditure for the year ended 31 March 2017

	Notes	2016-17 £000	2015-16 £000
Civil legal assistance			
Civil legal aid	3	27,038	32,550
Civil advice & assistance and advice by way of representation	3	18,872	18,485
Civil Legal Assistance Office	3	1,769	1,738
Grant funding	3	6,255	7,780
Gross civil legal assistance expenditure		<u>53,934</u>	<u>60,553</u>
Less operating income	4	(10,354)	(12,341)
Less grant funding income	4	(2,350)	(2,350)
Total net civil legal assistance expenditure		<u>41,230</u>	<u>45,862</u>
Criminal legal assistance			
Criminal legal aid	5	64,346	60,747
Criminal advice & assistance and advice by way of representation	5	12,834	12,569
Public Defence Solicitors' Office	5	2,594	2,505
Solicitor contact line & Glasgow Courts	5	823	804
Total criminal legal assistance expenditure		<u>80,597</u>	<u>76,625</u>
Children's legal assistance			
Children's legal aid	6	3,076	3,146
Children's advice & assistance	6	2,282	1,994
Total children's legal assistance expenditure		<u>5,358</u>	<u>5,140</u>
Other expenditure			
Contempt of court	7	275	297
Quality assurance costs		157	235
Miscellaneous legal aid expenditure		55	49
Bad debt (including impairment charges)	11	1,923	1,697
Total other expenditure		<u>2,410</u>	<u>2,278</u>
Net operating costs before interest		129,595	129,905
Interest paid to advocates		-	-
Pension scheme finance costs	19	284	266
Net operating costs		<u>129,879</u>	<u>130,171</u>

All income and expenditure is derived from continuing activities.

Scottish Legal Aid Fund
Statement of financial position as at 31 March 2017

	Notes	2016-17 £000	2015-16 £000
Non-current assets			
Property, plant and equipment	12	10	5
Intangible assets	13	-	-
Trade and other receivables	14	8,344	10,068
Total non-current assets		<u>8,354</u>	<u>10,073</u>
Current assets			
Trade and other receivables	14	5,477	5,040
Cash and cash equivalents	15	2,720	3,725
Total current assets		<u>8,197</u>	<u>8,765</u>
Total assets		<u>16,551</u>	<u>18,838</u>
Current liabilities			
Trade and other payables	16	(2,644)	(2,431)
Provisions	18	(38,435)	(44,616)
Total current liabilities		<u>(41,079)</u>	<u>(47,047)</u>
Non-current assets less net current liabilities		<u>(24,528)</u>	<u>(28,209)</u>
Non-current liabilities			
Provisions	18	(18,695)	(21,213)
Pension scheme liability	19	(12,008)	(7,938)
Total non-current liabilities		<u>(30,703)</u>	<u>(29,151)</u>
Assets less liabilities		<u>(55,231)</u>	<u>(57,360)</u>
Taxpayers' equity			
General fund		<u>(55,231)</u>	<u>(57,360)</u>
Total taxpayers' equity		<u>(55,231)</u>	<u>(57,360)</u>

The Accountable Officer authorised these financial statements for issue on 13 September 2017.



Colin Lancaster
Chief Executive and Accountable Officer
13 September 2017

The notes on pages 33 to 46 form part of these accounts.

Scottish Legal Aid Fund
Statement of cash flows for the year ended 31 March 2017

	Notes	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating cost before Scottish Government funding		(129,879)	(130,171)
Adjustments for non-cash items			
Depreciation on property, plant and equipment and amortisation on intangible assets	12 & 13	5	7
Movements in working capital			
Decrease in trade and other receivables	14	1,287	1,093
(Decrease)/increase in trade and other payables	16	213	(1,927)
Movements in provisions			
(Decrease) in provisions	18	(8,699)	(8,579)
Pension scheme service and finance costs	19	1,109	1,091
Payments in respect of pension scheme	19	(60)	(14)
Net cash outflow from operating activities		<u>(136,024)</u>	<u>(138,500)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(10)	-
Net cash outflow from investing activities		<u>(10)</u>	<u>-</u>
Cash flows from financing activities			
Scottish Government funding & retained pension contributions		<u>135,029</u>	<u>138,584</u>
Net cash inflow from financing activities		<u>135,029</u>	<u>138,584</u>
Net Increase/(decrease) in cash and cash equivalents		(1,005)	84
Cash and cash equivalents as at 1 April	15	<u>3,725</u>	<u>3,641</u>
Cash and cash equivalents as at 31 March	15	<u>2,720</u>	<u>3,725</u>

Scottish Legal Aid Fund
Statement of changes in taxpayers' equity for the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Balance at 1 April		(57,360)	(66,429)
Changes in taxpayers' equity			
Net cost of operations		(129,879)	(130,171)
Net movement on pension scheme	19	<u>(3,021)</u>	<u>656</u>
Total recognised income and expense		<u>(132,900)</u>	<u>(129,515)</u>
Funding from the Scottish Government		134,880	138,408
Retained pension contributions & transfers in		149	176
Total funding		<u>135,029</u>	<u>138,584</u>
Balance at 31 March		<u>(55,231)</u>	<u>(57,360)</u>

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

1 Accounting policies

1.1 Basis of accounting

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2016-17 *Government Financial Reporting Manual*. 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 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.

1.5 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, as detailed in note 18 to the accounts.

1.6 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.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

1.7 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
- other computer hardware: 5 years

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

1.8 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.

1.9 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.

1.10 Accruals and prepayments

The Scottish Legal Aid Fund adjusts cash spend using accruals and prepayments to match expenditure to the period it was actually incurred. Only invoices over £500 are accrued or prepaid.

1.11 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.

1.12 Short term employee benefits

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

1.13 Pension costs (Public Defence Solicitors’ Office, Police Station Contact Line, Glasgow Courts and Civil Legal Assistance Office staff)

The Legal Aid (Scotland) Pension Scheme 1988 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*”.

1.14 VAT

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

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

1.15 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 20).

1.16 Related party disclosures

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

1.17 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.

1.18 Changes in estimation techniques

There have been no material changes in estimation techniques between 2015-16 and 2016-17.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

2 Segmental analysis

	Civil legal assistance £000	Criminal legal assistance £000	Children's legal assistance £000	Total £000
Legal aid				
Solicitors' fees	15,181	46,722	2,427	64,330
Advocates' fees	4,291	10,447	287	15,025
Solicitor advocates' fees	1	2,979	-	2,980
Outlays	7,440	4,198	362	12,000
Expenses paid to successful unassisted persons	125	-	-	125
	<u>27,038</u>	<u>64,346</u>	<u>3,076</u>	<u>94,460</u>
Advice & Assistance and Advice by Way of Representation				
Solicitors' charges	14,624	12,441	2,165	29,230
Outlays	4,248	393	117	4,758
	<u>18,872</u>	<u>12,834</u>	<u>2,282</u>	<u>33,988</u>
Civil Legal Assistance Office/Public Defence Solicitors' Office/Police station contact line				
Outlays	81	277	-	358
Salaries and wages	1,049	2,059	-	3,108
Social security costs	97	206	-	303
Pension scheme service costs	323	502	-	825
Accommodation	93	84	-	177
Audit fee	1	3	-	4
Rentals under operating leases	36	98	-	134
Depreciation and amortisation	-	5	-	5
Other operating costs	89	183	-	272
	<u>1,769</u>	<u>3,417</u>	<u>-</u>	<u>5,186</u>
Grant funding	6,255	-	-	6,255
Total expenditure	<u>53,934</u>	<u>80,597</u>	<u>5,358</u>	<u>139,889</u>
Operating income	(10,354)	-	-	(10,354)
Grant funding income	(2,350)	-	-	(2,350)
Net operating costs 2016-17	<u>41,230</u>	<u>80,597</u>	<u>5,358</u>	<u>127,185</u>
Net operating costs 2015-16	45,862	76,625	5,140	127,627

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 operating costs	127,185
Contempt of court	275
Quality assurance costs	157
Miscellaneous legal aid expenditure	55
Bad debt (including impairment charges)	1,923
Net operating costs before interest per statement of comprehensive net expenditure	<u>129,595</u>

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

3 Civil legal assistance expenditure	2016-17	2015-16
	£000	£000
Civil legal aid		
Solicitors' fees	15,181	18,693
Advocates' fees	4,291	5,064
Solicitor advocates' fees	1	1
Outlays	<u>7,440</u>	<u>8,701</u>
	26,913	32,549
Expenses paid to successful unassisted persons	<u>125</u>	<u>91</u>
	27,038	32,550
Civil advice & assistance and advice by way of representation		
Solicitors' fees	14,624	14,507
Outlays	<u>4,248</u>	<u>3,978</u>
	18,872	18,485
Civil Legal Assistance Office		
Civil defence costs - outlays	81	135
Salaries and wages	1,049	925
Social security costs	97	63
Pension scheme service costs	323	331
Accommodation	93	138
Audit fee	1	2
Rentals under operating leases	36	45
Depreciation and amortisation	-	2
Other operating costs	<u>89</u>	<u>97</u>
	1,769	1,738
Grant funding	6,255	7,780
Gross civil legal assistance expenditure	53,934	60,553
Less operating income (see note 4)	(10,354)	(12,341)
Less grant funding income (see note 4)	(2,350)	(2,350)
Total net civil legal assistance expenditure	41,230	45,862

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2017 (see note 18).

4 Civil legal assistance income	2016-17	2015-16
	£000	£000
Contributions by assisted persons ¹	3,016	2,752
Expenses recovered ²	6,113	8,546
Amounts recovered out of property recovered or preserved by assisted persons ³	87	83
Amounts recovered from damages	<u>1,138</u>	<u>960</u>
Total operating income	10,354	12,341
Amounts received to fund grant funding ⁴	<u>2,350</u>	<u>2,350</u>
Total	12,704	14,691

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

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

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

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

³ Included in the amounts recovered out of property recovered or preserved by assisted persons are sums relating to assets over which SLAB has taken a standard security. Under certain circumstances, SLAB will 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 2016-17, including accrued interest, is £460,000 (2015-16: £450,000).

⁴ The organisation received funding during the year from the Money Advice Service to help finance grant funding projects.

5 Criminal legal assistance expenditure	2016-17	2015-16
	£000	£000
Criminal legal aid		
Solicitors' fees	46,722	44,862
Advocates' fees	10,447	8,975
Solicitor advocates' fees	2,979	2,735
Outlays	4,198	4,175
	<u>64,346</u>	<u>60,747</u>
Criminal advice & assistance and advice by way of representation		
Solicitors' fees	12,441	12,216
Outlays	393	353
	<u>12,834</u>	<u>12,569</u>
Public Defence Solicitors' Office (PDSO)		
Criminal defence costs - outlays	252	273
Salaries and wages	1,477	1,394
Social security costs	152	121
Pension scheme service costs	371	378
Accommodation	74	63
Audit fee	2	2
Rentals under operating leases	98	94
Depreciation and amortisation	5	5
Other operating costs	163	175
	<u>2,594</u>	<u>2,505</u>
Solicitor contact line & Glasgow Courts (SCL)		
Criminal defence costs - outlays	25	25
Salaries and wages	582	594
Social security costs	54	42
Pension scheme service costs	131	116
Accommodation	10	9
Audit fee	1	1
Other operating costs	20	17
	<u>823</u>	<u>804</u>
Total PDSO and SCL	<u>3,417</u>	<u>3,309</u>
Total criminal legal assistance expenditure	<u>80,597</u>	<u>76,625</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2017 (see note 18).

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

6 Legal aid for children	2016-17	2015-16
	£000	£000
Children's legal aid		
Solicitors' fees	2,427	2,530
Advocates' fees	287	296
Outlays	362	320
	<u>3,076</u>	<u>3,146</u>
Children's advice & assistance & ABWOR		
Solicitors' fees	2,165	1,909
Outlays	117	85
	<u>2,282</u>	<u>1,994</u>
Total children's legal assistance expenditure	<u>5,358</u>	<u>5,140</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2017 (see note 18).

7 Contempt of Court	2016-17	2015-16
	£000	£000
Contempt of Court		
Solicitors' fees	242	275
Advocates' fees	25	10
Solicitor advocates' fees	3	4
Outlays	5	8
	<u>275</u>	<u>297</u>

These figures include estimates of the value of work done for which payment is outstanding at 31 March 2017.

8 Public Defence Solicitors' Office staff	2016-17	2015-16
	£000	£000
Staff costs		
Staff salaries and wages	1,321	1,286
Social security costs	152	121
Agency/temporary/contract	155	108
Pension scheme service costs	371	378
	<u>1,999</u>	<u>1,893</u>
	2016-17	2015-16
	Average	Average
	WTE	WTE
Staff numbers		
Operations and legal services	22	24
Administration and support functions	14	10
Agency/temporary/contract	2	3
	<u>38</u>	<u>37</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 2017

9 Solicitor Contact Line & Glasgow Courts	2016-17 £000	2015-16 £000
Staff costs		
Staff salaries and wages	582	594
Social security costs	54	42
Agency/temporary/contract	-	-
Pension scheme service costs	131	116
	767	752
	2016-17 Average WTE	2015-16 Average WTE
Staff numbers		
Operations & legal services (SCL)	14	11
Administration & support services (GC)	2	2
Operations and legal services	16	13
10 Civil Legal Assistance Office staff	2016-17 £000	2015-16 £000
Staff costs		
Staff salaries and wages	1,004	870
Social security costs	97	63
Agency/temporary/contract	45	55
Pension scheme service costs	323	331
	1,469	1,319
	2016-17 Average WTE	2015-16 Average WTE
Staff numbers		
Operations and legal services	15	13
Administration and support functions	14	14
Agency/temporary/contract	1	2
	30	29

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

11 Bad debt (including impairment charges)	2016-17 £000	2015-16 £000
Irrecoverable amounts (including impairment charges)	1,923	1,697

The sums written off during the year were £2.4m (2015-16: £2m). Debts written off in the year are still quite high (as is the provision) as we are still clearing a backlog caused by the delayed implementation of the ASH debt management system. This process is expected to cease in 2017-18.

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

12 Property, plant and equipment	PC/ computer hardware £000
Cost or valuation	
Balance at 1 April 2016	33
Additions	10
Disposals	(4)
As at 31 March 2017	39
Depreciation	
Balance at 1 April 2016	28
Disposals	(4)
Provided during year	5
As at 31 March 2017	29
Net book value at 31 March 2017	10
Net book value at 31 March 2016	5

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

13 Intangible assets	Software £000
Cost or valuation	
Balance at 1 April 2016	23
As at 31 March 2017	23
Amortisation	
Balance at 1 April 2016	23
Provided during year	-
As at 31 March 2017	23
Net book value at 31 March 2017	-
Net book value at 31 March 2016	-

These assets relate to the operation of the Public Defence Solicitors' Office.

14 Trade and other receivables	2016-17 £000	2015-16 £000
Bodies external to Government		
Contributions due from assisted persons	9,526	10,635
Expenses to be recovered	902	1,318
Amounts due out of property recovered or preserved by assisted persons	2,897	2,712
Prepayments	496	443
	13,821	15,108
Amounts falling due in less than one year included above are:		
Bodies external to Government		
Contributions due from assisted persons	3,620	4,041
Expenses to be recovered	117	171
Amounts due out of property recovered or preserved by assisted persons	1,244	385
Prepayments	496	443
	5,477	5,040

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

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

Bodies external to Government

Contributions due from assisted persons	5,906	6,594
Expenses to be recovered	785	1,147
Amounts due out of property recovered or preserved by assisted persons	<u>1,653</u>	<u>2,327</u>
	<u>8,344</u>	<u>10,068</u>

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

	2016-17 £000	2015-16 £000
Balance as at 1 April	4,602	4,887
Increase in provision	1,923	1,697
Provision utilised in the year	<u>(2,411)</u>	<u>(1,982)</u>
As at 31 March	<u>4,114</u>	<u>4,602</u>

15 Cash and cash equivalents

	2016-17 £000	2015-16 £000
Cash at bank and in hand	893	1,572
Principal sums* (note 16)	1,762	2,087
Funds held under arrestment pending resolution (note 16)	<u>65</u>	<u>66</u>
	<u>2,720</u>	<u>3,725</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:

	2016-17 £000	2015-16 £000
Balance as at 1 April	<u>2,087</u>	<u>2,776</u>
Received during the year	3,125	3,361
Interest received during year	4	7
	<u>3,129</u>	<u>3,368</u>
Less:		
Sums repaid to assisted persons	2,310	3,084
Interest paid to assisted persons	6	13
Amounts recovered from damages received	1,138	960
Amounts transferred to fund	-	-
	<u>3,454</u>	<u>4,057</u>
Balance as at 31 March	<u>1,762</u>	<u>2,087</u>

16 Trade and other payables

	2016-17 £000	2015-16 £000
Bodies external to Government		
Accruals	104	97
Amounts due to solicitors and advocates	713	181
Principal sums (note 15)	1,762	2,087
Arrestments (note 15)	<u>65</u>	<u>66</u>
	<u>2,644</u>	<u>2,431</u>

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

17 Financial instruments	2016-17	2015-16
	£000	£000
Financial assets		
Trade and other receivables (see note 14)	13,325	14,665
Cash	746	1,292
Financial liabilities		
Other - trade and other payables (see note 16)	(713)	(181)

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. 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 to the Fund. The Fund operates a debt management process, including monitoring and escalation procedures to recover monies outstanding. Provision is made for non-recovery based on the age of debts and experience of collecting overdue debts. The maximum exposure to credit risk at 31 March 2017 was £13,325,000 (31 March 2016: £14,665,000).

18 Provisions for liabilities and charges	2016-17	2015-16
	£000	£000
Provision for amounts outstanding on granted legal aid cases		
As at 1 April	65,829	74,408
Additions and increase to provision	36,842	42,657
Amounts used in the period	(25,876)	(27,890)
Unused amounts reversed in the period	(19,665)	(23,346)
As at 31 March	57,130	65,829
Split between:		
Current liabilities	38,435	44,616
Non Current liabilities	18,695	21,213

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.

19 Pension arrangements

SLAB operates a contributory defined benefit pension scheme.

The Legal Aid (Scotland) Pension Scheme 1988 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 Ministers.

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 Police Station 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. These contributions are used to offset the expenditure. Contributions from Public Defence Solicitors' Office, Civil Legal Assistance Office, and Police Station Contact Line staff were £149,000 (2015-16 £176,000).

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

A full actuarial valuation of the scheme was carried out as at 31 March 2017 by Conduent HR Services. The major assumptions used by Conduent HR Services were:

	31 March 2017	31 March 2016
Discount rate per annum	2.80%	3.60%
Revaluation of deferred pensions	2.55%	2.20%
Increases to pensions in payment	2.55%	2.20%
Long-term salary increases	4.55%	4.20%
Long-term inflation	2.55%	2.20%

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 2.00% to 31 March 2020 and 4.55% 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	
	2016/17	2015/16
Male - aged 60	87.4	87.2
Female - aged 60	89.1	89.0
Male - aged 40	89.7	89.5
Female - aged 40	91.1	91.0

	2016-17 £000	2015-16 £000
Current service cost (see notes 8, 9 and 10)	825	825
Finance charges on pension scheme liabilities	284	266
	1,109	1,091

	2017 £000	2016 £000
Reconciliation of the liability in the scheme over the year:		
Scheme liability at the beginning of the year	7,938	7,517
Movement in year		
Current service cost	825	825
Benefits paid	(60)	(14)
Finance charge	284	266
Changes in financial assumptions	3,581	(634)
Changes in demographic assumptions	(108)	82
Actuarial loss/(gain)	(452)	(104)
Scheme liability at the end of the year	12,008	7,938

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

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Defined benefit obligation	12,008	7,938	7,517	5,334	4,292
Experience adjustments on plan liabilities	452	104	(474)	223	(19)

Scottish Legal Aid Fund
Notes to the accounts for the year ended 31 March 2017

The defined benefit obligation has been calculated by our actuary using the major assumptions detailed above. This calculation is sensitive to changes in the major assumptions as detailed below:

Assumption	Change in Assumption	Change in Pension Scheme Liability £000
Discount rate per annum	-0.25%	836
Long-term salary increases	0.25%	452
Long-term inflation	0.25%	458
Life expectancy	1 year	260

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 2017, from 2.80% to 2.55% would therefore increase the pension scheme liability from £12,008k to £12,844k (an increase of £836k). The effect of changing the assumption in the opposite direction would be to reduce the liabilities by a similar amount.

20 Losses and special payments

	2016-17		2015-16	
	No of cases	£000	No of cases	£000
Write-off of bad debt	2,119	2,411	2,449	1,982
Special payments*	4	4	5	2
	<u>2,123</u>	<u>2,415</u>	<u>2,454</u>	<u>1,984</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.

21 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.

	2016-17 £000	2015-16 £000
Derek Ogg QC	198	215
Vincent McGovern	142	130

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.

22 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 2017

23 Operating leases

	2017		2016	
	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	7	2	7	1
between one and five years	154	15	217	18
in five years or more	-	-	-	-
	161	17	224	19

24 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 2017

	Notes	2016-17 £000	2015-16 £000
Expenditure			
Staff costs	27	10,865	10,767
Depreciation and amortisation	30 & 31	383	344
Loss on disposal of plant, equipment and intangibles	30 & 31	306	-
Other administrative expenses	28	<u>1,957</u>	<u>1,957</u>
Operating costs		13,511	13,068
Income			
Income from shared services	29	<u>(500)</u>	<u>(480)</u>
Net operating costs before interest		13,011	12,588
Pension scheme finance costs	36	<u>2,485</u>	<u>2,494</u>
Net operating costs		<u>15,496</u>	<u>15,082</u>

All income and expenditure is derived from continuing activities.

Scottish Legal Aid Board
Statement of financial position as at 31 March 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	30	9,789	4,864
Intangible assets	31	<u>247</u>	<u>428</u>
Total non-current assets		<u>10,036</u>	<u>5,292</u>
Current assets			
Trade and other receivables	32	878	500
Cash and cash equivalents		<u>626</u>	<u>514</u>
Total current assets		<u>1,504</u>	<u>1,014</u>
Total assets		<u>11,540</u>	<u>6,306</u>
Current liabilities			
Trade and other payables	33	<u>(235)</u>	<u>(144)</u>
Total current liabilities		<u>(235)</u>	<u>(144)</u>
Non-current assets plus net current assets		<u>11,305</u>	<u>6,162</u>
Non-current liabilities			
Pension scheme liability	36	<u>(93,042)</u>	<u>(69,485)</u>
Total non-current liabilities		<u>(93,042)</u>	<u>(69,485)</u>
Assets less liabilities		<u>(81,737)</u>	<u>(63,323)</u>
Taxpayers' equity			
General fund		(86,876)	(63,323)
Revaluation Reserve		<u>5,139</u>	-
Total taxpayers' equity		<u>(81,737)</u>	<u>(63,323)</u>

The Accountable Officer authorised these financial statements for issue on 13 September 2017.



Colin Lancaster
Chief Executive and Accountable Officer
13 September 2017

The notes on pages 51 to 59 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 2017

	Notes	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating cost before Scottish Government funding		(15,496)	(15,082)
Adjustments for non-cash items			
Depreciation on property, plant and equipment and amortisation on intangible assets	30 & 31	383	344
Loss on disposal of property, plant and equipment	30	306	-
Movements in working capital			
Decrease/(increase) in trade and other receivables	32	(378)	(5)
(Decrease)/increase in trade and other payables	33	91	(523)
Movements in provisions			
Pension scheme service and finance costs	36	4,594	4,800
Payments in respect of pension scheme	36	(953)	(1,285)
Net cash outflow from operating activities		<u>(11,453)</u>	<u>(11,751)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	30	(91)	(294)
Purchase of intangible assets	31	(203)	(173)
Net cash outflow from investing activities		<u>(294)</u>	<u>(467)</u>
Cash flows from financing activities			
Scottish Government funding & retained pension contributions		<u>11,859</u>	<u>12,382</u>
Net cash inflow from financing activities		<u>11,859</u>	<u>12,382</u>
Net increase in cash and cash equivalents		112	164
Cash and cash equivalents as at 1 April		<u>514</u>	<u>350</u>
Cash and cash equivalents as at 31 March		<u>626</u>	<u>514</u>

Scottish Legal Aid Board
Statement of changes in taxpayers' equity for the year ended 31 March 2017

	Notes	2017 General Reserve £000	2017 Revaluation Reserve £000	2016 General Reserve £000	2016 Revaluation Reserve £000
Balance at 1 April		(63,323)	-	(65,521)	-
Changes in taxpayers' equity					
Net cost of operations		(15,496)	-	(15,082)	-
Net movement on pension scheme	36	(19,916)	-	4,898	-
Revaluation reserve movement		-	5,139		
Total recognised income and expense		(35,412)	5,139	(10,184)	-
Scottish Government grant in aid		11,444	-	11,968	-
Scottish Government transfer of Thistle House		-	-	-	-
Retained pension contributions & transfers in		415	-	414	-
Total funding		11,859	5,139	12,382	-
Balance at 31 March		(86,876)	5,139	(63,323)	-

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

25 Accounting policies

25.1 Basis of accounting

The accounts have been prepared in accordance with the accounting principles and disclosure requirements of the 2016-17 *Government Financial Reporting Manual*. 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.

25.2 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.

25.3 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.

25.4 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.

25.5 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 36 to the accounts. The scheme liability is calculated annually by SLAB's actuaries and the major assumptions are disclosed in note 36.

25.6 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.

A full valuation was undertaken at 31 March 2017 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.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

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.

25.7 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

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.

25.8 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.

25.9 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.

25.10 Accruals and prepayments

The Scottish Legal Aid Board adjusts cash spend using accruals and prepayments to match expenditure to the period it was actually incurred. Only invoices over £500 are accrued or prepaid.

25.11 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.

25.12 Short term employee benefits

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

25.13 Pension costs

The Legal Aid (Scotland) Pension Scheme 1988 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”.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

25.14 VAT

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

25.15 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 37).

25.16 Related party disclosures

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

25.17 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.

25.18 Changes in estimation techniques

There have been no material changes in estimation techniques between 2015-16 and 2016-17.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

26 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.

	Legal Services & Applications £000	Policy £000	Corporate Services & Accounts £000	Board, Communi- cations & Governance* £000	Total £000
Staff costs	3,412	1,015	3,881	448	8,756
Operating costs	94	115	1,705	43	1,957
Total expenditure	3,506	1,130	5,586	491	10,713
Income	-	(75)	(425)	-	(500)
Net operating costs 2016-17	3,506	1,055	5,161	491	10,213
Net operating costs 2015-16	3,454	940	5,057	487	9,938

* This includes the Chief Executive's Office, Communications and Board costs.

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

	£000
Segmental net costs	10,213
Pension scheme service costs	2,109
Depreciation and amortisation	383
Loss on Disposal	306
Net operating costs before interest per statement of comprehensive net expenditure	13,011

27 Staff

Staff costs	2016-17	2015-16
	£000	£000
Board members' emoluments	129	114
Staff salaries	7,619	7,511
Social security costs	733	554
Pension scheme service costs	2,109	2,306
Agency/temporary/contract	275	282
	10,865	10,767
Staff numbers	2016-17	2015-16
	Average	Average
	WTE	WTE
Operations and legal services	155	150
Administration and support functions	96	103
Agency/temporary/contract	7	8
	258	261

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

28 Other administrative expenses		2016-17	2015-16			
		£000	£000			
Accommodation		746	651			
Audit fee		39	36			
Staff related costs		125	111			
Travel and subsistence		37	50			
Postage, stationery and telephones		216	223			
Office equipment and maintenance		508	628			
External research		50	57			
Corporate publications, leaflets and forms		6	7			
Costs of operating leases		25	20			
Other administrative costs		205	174			
		<u>1,957</u>	<u>1,957</u>			
29 Income from shared services		2016-17	2015-16			
		£000	£000			
Accommodation services provided to third parties		419	360			
Income from shared services provided to third parties		81	120			
		<u>500</u>	<u>480</u>			
30 Property, plant and equipment						
	Land	Buildings & Plant	Furniture	Office Equip- ment	PC/ computer hardware	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Balance at 1 April 2016	825	3,838	47	141	930	5,781
Additions	-	7	22	19	43	91
Disposals	-	-	-	(22)	(177)	(199)
Revaluation	785	4,015	-	-	-	4,800
	<hr/>					
As at 31 March 2017	1,610	7,860	69	138	796	10,473
	<hr/>					
Depreciation						
Balance at 1 April 2016	-	250	9	75	583	917
Disposals	-	-	-	(22)	(177)	(199)
Provided during year	N/A	154	10	29	112	305
Revaluation adjustment	N/A	(339)	-	-	-	(339)
	<hr/>					
As at 31 March 2017	-	65	19	82	518	684
	<hr/>					
Net book value at 31 March 2017	1,610	7,795	50	56	278	9,789
	<hr/>					
Net book value at 31 March 2016	825	3,588	38	66	347	4,864
	<hr/>					

The names and qualifications of the valuers, details of which assets they valued, the date on which they were valued can be found in accounting policy note 25.6.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

31 Intangible assets	Software £000
Cost or valuation	
Balance at 1 April 2016	1,451
Additions	203
Disposals	(311)
As at 31 March 2017	<u>1,343</u>
Amortisation	
Balance at 1 April 2016	1,023
Disposals	(5)
Provided during year	78
As at 31 March 2017	<u>1,096</u>
Net book value at 31 March 2017	<u>247</u>
Net book value at 31 March 2016	<u>428</u>

32 Trade and other receivables	2017 £000	2016 £000
Bodies external to Government		
Trade receivables	78	97
Prepayments	<u>800</u>	<u>403</u>
	<u>878</u>	<u>500</u>

Management have assessed that there is no impairment in relation to the trade and other receivables balance. At 31 March 2017 none of the debt was past its due date

33 Trade and other payables	2017 £000	2016 £000
Bodies external to Government		
Trade payables	1	2
Accruals	<u>234</u>	<u>142</u>
	<u>235</u>	<u>144</u>

34 Contingent liability

Following the move from Drumsheugh Gardens to Thistle House, there are no contingent liabilities.

35 Financial instruments	2017 £000	2016 £000
Financial assets		
Trade and other receivables (see note 32)	78	97
Cash	<u>626</u>	514
Financial liabilities		
Other - trade and other payables (see note 33)	(1)	(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.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

36 Pension arrangements

SLAB operates a contributory defined benefit pension scheme.

The Legal Aid (Scotland) Pension Scheme 1988 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 Ministers.

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, Police Station Duty Scheme 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, Police Station Duty Scheme 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 £415,000 (2015-16: £414,000). 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.

A full actuarial valuation of the scheme was carried out as at 31 March 2017 by Conduent HR Services. The major assumptions used by Conduent HR Services were:

	31 March 2017	31 March 2016
Discount rate per annum	2.80%	3.60%
Revaluation of deferred pensions	2.55%	2.20%
Increases to pensions in payment	2.55%	2.20%
Long-term salary increases	4.55%	4.20%
Long-term inflation	2.55%	2.20%

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 2.00% to 31 March 2020 and 4.55% 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	
	2016/17	2015/16
Male - aged 60	87.4	87.2
Female - aged 60	89.1	89.0
Male - aged 40	89.7	89.5
Female - aged 40	91.1	91.0

	2016-17 £000	2015-16 £000
Finance charges on pension scheme liabilities	2,485	2,494
Current service cost (see note 27)	2,109	2,306
	4,594	4,800

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

Reconciliation of the liability in the scheme over the year:	2017	2016
	£000	£000
Scheme liability at the beginning of the year	69,485	70,868
Movement in year		
Current service cost	2,109	2,306
Benefits paid	(953)	(1,285)
Finance charge	2,485	2,494
Changes in financial assumptions	21,802	(4,101)
Changes in demographic assumptions	(837)	444
Actuarial gain	<u>(1,049)</u>	<u>(1,241)</u>
Scheme liability in scheme at end of the year	<u>93,042</u>	<u>69,485</u>

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

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Defined benefit obligation	<u>93,042</u>	<u>69,485</u>	<u>70,868</u>	<u>62,093</u>	<u>53,364</u>
Experience adjustments on plan liabilities	<u>1,049</u>	<u>1,241</u>	<u>1,351</u>	<u>7</u>	<u>879</u>

The defined benefit obligation has been calculated by our actuary using the major assumptions detailed above. This calculation is sensitive to changes in the major assumptions as detailed below:

Assumption	Change in Assumption	Change in Pension Scheme Liability £000
Discount rate per annum	-0.25%	5,325
Long-term salary increases	0.25%	1,990
Long-term inflation	0.25%	3,447
Life expectancy	1 year	2,130

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 2017, from 2.80% to 2.55% would therefore increase the pension scheme liability from £93,042k to £98,367k (an increase of £5,325k). The effect of changing the assumption in the opposite direction would be to reduce the liabilities by a similar amount.

37 Losses and special payments

	2016-17		2015-16	
	No of Cases	£000	No of Cases	£000
Losses	3	1	2	5
Special payments	-	-	1	3
	<u>3</u>	<u>1</u>	<u>3</u>	<u>8</u>

38 Capital commitments

No capital commitments existed at the end of reporting period.

Scottish Legal Aid Board
Notes to the accounts for the year ended 31 March 2017

39 Operating leases

	2017		2016	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Total commitments, at 31 March, under operating leases are as follows:				
Leases expiring:				
One year or less	-	1	-	1
between one and five years	-	11	-	17
	<u>-</u>	<u>12</u>	<u>-</u>	<u>18</u>

40 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.

41 Events after the reporting period

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

Scottish Legal Aid Board
Direction given by Scottish Ministers



THE SCOTTISH LEGAL AID BOARD

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 5(2) of the Legal Aid (Scotland) Act 1986, hereby give the following direction.
2. In accordance with Section 5(1) of the Legal Aid (Scotland) Act 1986, the Scottish Legal Aid Board has a duty to prepare a separate statement of accounts in respect of the Scottish Legal Aid Fund (the Fund) and the administration of the Fund (the Board). The statement of accounts, of both the Fund and the Board, for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRoM) 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