

# SCRA ANNUAL ACCOUNTS 2013/14

Changing for children and young people



**The Accountable Officer has authorised these financial statements for issue on 25 September 2014**

# MANAGEMENT COMMENTARY

## Strategic Report

### 1. Background

The Scottish Children's Reporter Administration (SCRA) is a Non-Departmental Public Body, which was established under the Local Government Etc. (Scotland) Act 1994. It came into existence on 1 April 1995 and on 1 April 1996 assumed full responsibility for three main statutory functions, which are:

- To ensure that, so far as practicable, a children's hearing takes place in the area of the relevant local authority for the child to whom the hearing relates (*Children's Hearings [Scotland] Act 2011, Section 17*),
- Facilitating the performance by the Principal Reporter/Chief Executive of Reporters' statutory functions (*2011 Act, Section 20*)
- Providing suitable accommodation and facilities for Children's Hearings throughout Scotland (*2011 Act, Section 21*)

SCRA is accountable to the Scottish Ministers and to the Scottish Parliament through the Scottish Government Education Department (SGED). Sponsorship responsibility rests with the Children's Hearings Team in the Care and Justice Division.

SCRA is subject to a Management Statement and Financial Memorandum agreed with its sponsor department. SCRA is wholly financed by grant-in-aid, other than a contribution from some local authorities towards the funding of specialist Reporter and support posts.

SCRA's Head Office is situated within Ochil House, Springkerse Business Park, Stirling FK7 7XE.

### 2. Financial results

In the year ended 31 March 2014, SCRA reported an excess of expenditure over income of £26,257k (31 March 2013: £24,780k) against revenue grant-in-aid of £21,940k (31 March 2013: £22,445k). The General Fund has a surplus of £11,177k as at 31 March 2014 (31 March 2013: £14,494k).

In accordance with IAS 19 (revised) 'Employee Benefits' the financial statements reflect at fair value the assets and liabilities arising from SCRA's retirement benefit obligations. As a result SCRA has a deficit of £31,878k on its pension reserve at 31 March 2014 (31 March 2013: £29,223k). Further details of pension liabilities are provided in the Remuneration Report and Note 11 to the Financial Statements.

To the extent that the pension deficit is not met from SCRA's other sources of income it may only be met by the future grants of GIA from SCRA's sponsoring department. This is because, under the normal conventions applying to

Parliamentary control over income and expenditure, such grants may not be paid in advance of need. The Board of SCRA has no reason to believe that the department's future sponsorship and future Ministerial approval will not be forthcoming or will only provide a reduced support to SCRA. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements in relation to which SCRA received a letter of reassurance from Scottish Government in June 2013.

### **3. Non-current assets**

SCRA owns property in the form of office and hearing accommodation throughout Scotland. The full estate of Land and Buildings was valued on an open market basis as at 31 March 2010 and reviewed by way of a desktop valuation as at 31 March 2014.

### **4. Review of principal activities**

The main activities carried out during the year were the fulfilment of the Principal Reporter/Chief Executive's statutory functions in respect of children referred to the Reporter. Statistical information on children referred and the statutory functions in respect of them are contained within SCRA's Annual Report for 2013-14 and are available online at [www.scra.gov.uk](http://www.scra.gov.uk).

The other principal activities carried out in relation to SCRA's statutory functions were prioritised in the context of changing operational pressures and influenced significantly by the ongoing SCRA change programme.

All SCRA's activity works towards achieving SCRA's vision which is "*that vulnerable children in Scotland are safe, protected and offered positive futures.*" – and the Scottish Government's overall purpose for government. SCRA contributes directly to seven of the Scottish Government's national outcomes by delivering on its Corporate Plan for 2011-14 which contains three outcomes. These are:

- Our decisions are proportionate, timely and make a positive impact on the welfare, safety and protection of children, young people and communities.
- Our work with partners ensures children are only subject to compulsory supervision if required and only for as long as it benefits them.
- Our service is efficient, responsive, inclusive and continually improving.

In working to deliver these three outcomes, SCRA set out five priority objectives to be achieved in 2013-14. These are :

- Engaging children, young people and families in improving what we do;
- Quality Assuring what we do;
- Driving improvement through partnership working;
- Delivering the Children's Hearings (Scotland) Act 2011 for children and young people; and

- Delivering the Children’s Hearings (Scotland) Act 2011 for children and young people; and
- Helping build stronger Localities.

SCRA met four of its ten Key Performance Indicators in 2013-14. The targets are in three groupings: Outcomes for Children, Young People and Families, Outcomes for Panel Members, Partners and Staff and Organisational Efficiency Outcomes. The targets that were not met in the year were, the percentage of written notifications of Hearing outcomes sent to children and families from the Reporter within five working days, the percentage of Hearings scheduled to take place within 20 working days, the percentage of decisions on referrals made within 50 working days of receipt and the variance in annual capital spends as a percentage of the available capital budget. In addition, the percentage of written notifications of referral outcomes sent to children and families from the Reporter within five working days was not reportable.

A more substantial review of our progress against these priorities can be found in the published SCRA Annual Report 2013-14.

## 5. Future developments in activities

For the financial year 2014-15 SCRA has been allocated revenue grant-in-aid of £20,800k (2013-14: £21,940k inclusive of additional grant-in-aid of £1,140k and £686k ScotsConnect funding deducted at source) and £500k for capital expenditure (2013-14: £1,000k). Both capital figures exclude retained capital receipts. The major activity for which this grant will be applied is the continuing provision of staff to fulfil the Principal Reporter/Chief Executive’s statutory functions for children throughout Scotland.

All SCRA’s activity works towards achieving SCRA’s newly refreshed vision which is *“that SCRA contributes to ensuring that vulnerable children and young people in Scotland are safe, protected and offered positive futures, which allows them to fulfil their potential”* – and the Scottish Government’s overall purpose for government. SCRA has recently published its 2014-17 Corporate plan which explains our vision and strategic direction over the next three years, based on achieving five outcomes:

- The views of children and young people influence both their individual cases and how to better deliver services that meet their needs now and in the future;
- Our decisions are proportionate, timely and make a positive impact on the welfare, safety and protection of children, young people and communities;
- We improve the lives of the most vulnerable children and young people in Scotland through the earliest and most effective interventions;
- Together with our partners we will get it right for every child in the Hearings System; and
- Our staff and partners recognise SCRA’s quality of service and overall performance as continually improving

All SCRA's activities for 2014-15 are set out in the Business Plan. These activities continue to support the achievement of the outcomes set out in the Corporate Plan 2014-17 but will focus upon four core strategies.

Core strategies for 2014-15

- Sustainability
- Improved Quality and Performance
- Customer Focus
- Engagement

## **6. Principal risks and uncertainties**

The principal risks on SCRA's strategic risk register are:

- The existing service plan and service model (e.g. processes and procedures) may be insufficient to provide a safe and effective service
- Medium term ability of case management system to support effective operations
- No reduction in number of information breaches
- Efficiency plans do not deliver additional capacity or reduce costs.

## **7. Equalities**

SCRA is committed to a Single Equality Scheme and will meet the General and Specific duties for public bodies. Whilst we will continue to address the needs and rights of all employees to be treated with respect and dignity, SCRA continues to develop good equality outcomes as well as equality impact assess all decision-making procedures and policies/practices that affect both internal and external services users. Employment and equal pay data statistics and results will be regularly published and appropriate action plans agreed.

## **8. Consultation with employees**

SCRA has confirmed in its Corporate Plan a commitment to involve staff throughout the organisation in its decision-making process.

National and Local Partnership arrangements are the established mechanism for staff engagement and involvement across SCRA. The Partnership model, which has recently been reviewed, has successfully embedded within SCRA.

SCRA has an established Recognition and Procedure Agreement with UNISON, which governs the negotiations of pay and national conditions of service for all staff. It formally acknowledges the importance of establishing and maintaining confidence in the negotiating arrangements voluntarily established under the Agreement and recognises the need to negotiate in good faith.

## **9. Payment performance**

In line with Scottish Government guidance SCRA's policy is to pay all invoices, not in dispute, within the lesser of 10 working days and the agreed contractual terms.

During the year ended 31 March 2014 SCRA paid 70% (31 March 2013: 77%) of all invoices within the terms of its payment policy.

## **10. Sustainability**

SCRA's Environmental Policy sets out the organisation's commitment to the environment and SCRA's contribution to the Scottish Government's 'Greener Scotland' strategic objective. During the year SCRA published its second Sustainability Report in line with duties set out in part 4 of the Climate Change (Scotland) Act 2009. In addition, a project team is now in place to develop and implement an action plan which will ensure SCRA meets its duties under the Act and to develop a sustainable reporting mechanism which will allow SCRA to report on progress and meet the needs of Government. Throughout the year the Procurement Team continued to promote procurement sustainability by reflecting sustainability requirements in tender exercises where appropriate.

## **11. Report of personal data incidents**

### **Non-Disclosure Orders**

A Non-Disclosure Order is a special provision attached to a child's case in instances when it is considered necessary to protect the whereabouts of a child, or relevant person with whom the child is residing, due to significant concerns about their safety.

There were 30 incidents in 2013-14 where Non-Disclosure Orders were breached. These 30 incidents involved 42 Non-Disclosure Orders. This is a decrease from 2012-13 where there were 46 incidents involving 65 Non-Disclosure Orders.

In 2013-14, the main sources of breaches were the SCRA – 16 breaches of Non-Disclosure Orders. The next most common sources were foster carers and child/family members with six breaches each of Non-Disclosure Orders, then local authorities/social work with five breaches, and health with three.

### **Case information**

SCRA holds information on children, and their families, who are involved in the Children's Hearings System. Much of this information is sensitive personal data as defined by the Data Protection Act 1998.

SCRA continues to monitor breaches of case information and Non-Disclosure Orders as part of its activities to improve information security and DPA compliance. In 2011-12 an Information Governance Working Group (IGWG) was established which reports to the Board's Audit Committee. All staff have been trained in Data Protection. Each Locality has an Information Governance

Lead, and the Information Governance Leads Group (IGLG) was established in 2012-2013 and meets regularly. The Information Governance Action Plan is monitored by the IGWG and IGLG. In 2012-2013, SCRA agreed with the Information Commissioner's Office for an audit of its data protection compliance which was carried out in March 2014.

## Directors' Report

### 12. Board and Executive Management Team (EMT) members

Board members in 2013-14	Date of original appointment
Carole Wilkinson (Chair)	1 May 2010
Malcolm Dickson (Deputy Chair)	22 July 2008
Neil Hunter (Principal Reporter / Chief Executive)	4 April 2011 (Board membership ceased 24 June 2013)*
Andrew Miller	26 May 2008
Bernadette Docherty	13 September 2010
Joseph Hughes	13 September 2010 (resigned 4 September 2013)
Louise Macdonald	13 September 2010
Andrew Menzies	11 March 2013
Douglas Yates	1 July 2013
Catherine Robertson	1 November 2013

\*The Children's Hearings Scotland Act 2011 (implemented 24 June 2013) changed the composition of SCRA's Board in that the Principal Reporter/Chief Executive would no longer be a Board member

The Principal Reporter/Chief Executive has specific responsibility for the discharge of Reporters' statutory functions.

The Board members have been appointed by the Scottish Ministers. They are appointed on the basis of having knowledge or experience relevant to the general purpose of SCRA or to the functions of the Principal Reporter/Chief Executive.

EMT members in 2013-14	Date of original appointment
Neil Hunter (Principal Reporter / Chief Executive)	4 April 2011
Margaret McManus (Director of Support Services)	10 March 2008
Edward Morrison (Head of Finance and Resources)	1 December 2010
Malcolm Schaffer (Head of Practice and Policy)	5 October 2009
Thomas Philliben (Senior Operational Manager)	5 October 2009
Alistair Hogg (Senior Operational Manager)	5 November 2012
Elliot Jackson (Head of Planning and Strategy)	16 February 2009

### **13. Audit**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each central government body in Scotland. For the financial years from 2011-12 to 2015-16 the Auditor General has appointed PricewaterhouseCoopers LLP to undertake the audit of SCRA. The general duties of the auditors of central government bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

### **14. Staff absence**

In the year to 31 March 2014 average staff absence was 9.5 days (31 March 2013: 9.3 days).

### **15. Register of interests**

A Register of Interests for Board members and senior staff is maintained by SCRA and may be accessed by contacting the Director of Support Services at Ochil House, Springkerse Business Park, Stirling, FK7 7XE.

**Neil Hunter**  
**Accountable Officer**

**Date: 25 September 2014**

# Remuneration Report

## 1. Unaudited remuneration report

### Remuneration Committee

The Remuneration Committee, a sub-committee of the full SCRA Board, oversees the remuneration and performance management arrangements of all staff.

### Membership of Remuneration Committee

For the financial year under review, the Remuneration Committee consisted of:

Andrew Miller (Chair of committee)  
Louise MacDonald (to 1 July 2013)  
Douglas Yates (from 1 July 2013)  
Catherine Robertson (from 1 November 2013)

### Policy on remuneration of senior managers

Proposals on the remuneration of the Principal Reporter/Chief Executive are made by the Remuneration Committee and form the basis of recommendations to the Scottish Government. Proposals in relation to remuneration of other senior managers and staff remuneration are included in a pay and grading remit, which is submitted to the Scottish Government for approval following approval by the Remuneration Committee.

SCRA's overall remuneration policy aims to:

- Attract, retain and motivate competent and skilled staff at all levels of the organisation,
- Ensure that salaries are as competitive as possible,
- Reward staff for their contribution to SCRA by arrangements which are simple, fair and transparent.

### Performance assessment methods

Performance is measured in accordance with a performance appraisal scheme that includes annual objective setting and performance review. For senior managers these objectives relate to both individual performance and corporate performance.

### Proportion of remuneration covered by performance conditions

SCRA operates a performance related pay scheme which is applied to all members of staff. Annual increases are subject to meeting the predefined performance criteria determined under performance appraisal arrangements.

## Policy on duration of contracts, notice periods and termination payments

It is SCRA's policy normally to offer open-ended appointments, subject to operational and resource considerations. The notice period for senior managers is three months. Any payment in relation to termination of employment through retirement or redundancy is governed by SCRA's relevant policies and procedures. Any discretionary payment made to any member of staff on termination is subject to approval by the Board and/or Scottish Government.

## 2. Audited remuneration report

### Senior managers' service contracts

	Date of contract	Unexpired term	Notice period
Neil Hunter <i>Principal Reporter/Chief Executive</i>	4 April 2011	Open ended contract	
Edward Morrison <i>Head of Finance and Resources</i>	1 December 2010	Open ended contract	
Margaret McManus <i>Director of Support Services</i>	10 March 2008	Open ended contract	All senior managers are required to give 12 weeks' notice of resignation
Malcolm Schaffer <i>Head of Practice and Policy</i>	5 October 2009	Open ended contract	
Thomas Philliben <i>Senior Operational Manager</i>	5 October 2009	Open ended contract	
Alistair Hogg <i>Senior Operational Manager</i>	5 November 2012	Open ended contract	
Elliot Jackson <i>Head of Planning and Strategy</i>	16 February 2009	Open ended contract	

In the event of early termination of a senior manager service contract, a payment in lieu of notice up to a maximum of 12 weeks or 3 months salary may be made.

### Significant awards made to former senior managers

No significant awards were made to senior managers in 2013-14 (2012-13: £nil).

Senior managers' remuneration	Salary and allowances 2013-2014 £000	Salary and allowances 2012-2013 £000
<b>Non-Executive Board Members</b>		
Carole Wilkinson	20-25	20-25
Malcolm Dickson	5-10	5-10
Andrew Miller	0-5	0-5
Louise MacDonald	0-5	0-5
Bernadette Docherty	0-5	0-5
Joseph Hughes (Until 4 Spetember 2014)	0-5	0-5
Andrew Menzies	0-5	0-5
Douglas Yates (Since 1 July 2013)	0-5	n/a
Catherine Robertson (Since 1 November 2013)	0-5	n/a

	Salary and allowances 2013-2014 £000	Pension benefits 2013-2014 £000	Single total figure of remuneration 2013-2014 £000	Salary and allowances 2012-2013 £000	Pension benefits 2012-2013 £000	Single total figure of remuneration 2012-2013 £000
<b>Executive Management Team Members</b>						
Neil Hunter	100-105	18	120-125	100-105	10	110-115
<b>Principal Reporter/Chief Executive</b>						
Margaret McManus	65-70	27	95-100	75-80	20	95-100
<b>Director of Support Services</b>						
Malcolm Schaffer	70-75	7	80-85	70-75	0	70-75
<b>Head of Practice and Policy</b>						
Thomas Philliben	75-80	8	80-85	80-85	(73)	5-10
<b>Senior Operational Manager</b>						
Alistair Hogg	60-65	20	80-85	20-25	3	25-30
<b>Senior Operational Manager</b>						
Edward Morrison	70-75	9	80-85	70-75	2	75-80
<b>Head of Finance &amp; Resources</b>						
Elliot Jackson	65-70	26	80-85	60-65	3	65-70
<b>Head of Planning &amp; Strategy</b>						

	2013-2014	2012-2013
<b>Mid-point of Highest Paid Executive Management Team Member's Total Remuneration</b>	£87,500	£87,500
<b>Median Total Remuneration*</b>	£26,771	£26,506
<b>Ratio</b>	3.3	3.3

\* Remuneration calculations exclude employer pension contributions and cash equivalent transfer values.

No benefits in kind were received in 2013-14 (2012-13: £nil).

#### **Senior managers' non-cash remuneration**

Senior managers did not receive any non-cash remuneration in 2013-14 (2012-13: £nil).

## Senior managers' pension entitlements

	Real increase in pension in year to 31 March 2014 £000	Real increase in lump sum in year to 31 March 2014 £000	Total accrued pension at 31 March 2014 £000	Total accrued lump sum at 31 March 2014 £000	Cash equivalent transfer value at 31 March 2013 £000	Cash equivalent transfer value at 31 March 2014 £000	Real increase in cash equivalent transfer value during year £000
<b>Executive Management Team Members</b>							
Neil Hunter	0-2.5	0	5-10	0	55	72	8
<b>Principal Reporter/Chief Executive</b>							
Margaret McManus	0-2.5	0-2.5	20-25	40-45	263	297	23
<b>Director of Support Services</b>							
Malcolm Schaffer	0-2.5	(2.5)-0	30-35	80-85	695	744	29
<b>Head of Practice and Policy</b>							
Thomas Philliben	0-2.5	(2.5)-0	25-30	67-70	515	553	22
<b>Senior Operational Manager</b>							
Alistair Hogg	0-2.5	0-2.5	10-15	20-25	129	149	14
<b>Senior Operational Manager</b>							
Edward Morrison	0-2.5	(2.5)-0	20-25	55-60	358	385	13
<b>Head of Finance &amp; Resources</b>							
Elliot Jackson	0-2.5	0-2.5	20-25	50-55	285	318	22
<b>Head of Planning &amp; Strategy</b>							

## Prior year comparatives

	Real increase in pension in year to 31 March 2013 £000	Real increase in lump sum in year to 31 March 2013 £000	Total accrued pension at 31 March 2013 £000	Total accrued lump sum at 31 March 2013 £000	Cash equivalent transfer value at 31 March 2012 £000	Cash equivalent transfer value at 31 March 2013 £000	Real increase in cash equivalent transfer value during year £000
<b>Executive Management Team Members</b>							
Neil Hunter	0-2.5	0	5-10	0	54	69	5
<b>Principal Reporter/Chief Executive</b>							
Margaret McManus	0-2.5	0-2.5	5-10	0-5	50	69	12
<b>Director of Support Services</b>							
Malcolm Schaffer	0-2.5	(2.5)-0	25-30	80-85	652	695	19
<b>Head of Practice and Policy</b>							
Thomas Philliben	(5.0)-(2.5)	(12.5)-(10)	25-30	75-80	542	514	(49)
<b>Senior Operational Manager</b>							
Alistair Hogg	0-2.5	0	5-10	20-25	125	129	(3)
<b>Senior Operational Manager</b>							
Edward Morrison	0-2.5	(2.5)-0	20-25	55-60	337	358	7
<b>Head of Finance &amp; Resources</b>							
Elliot Jackson	0-2.5	(2.5)-0	15-20	45-50	268	285	6
<b>Head of Planning &amp; Strategy</b>							

Note: The prior year comparative was based on the information provided at the time in regards to service periods, which have been adjusted in the current period onwards.

SCRA does not make any contribution to the Local Government Pension Scheme, nor provide any other form of pension benefit, in respect of any Non-Executive Board Member.

### **Compensation payable to former senior managers**

There was no compensation payable to former senior managers in 2013-14 (2012-13: £nil).

### **Amounts payable to third parties for the services of a senior manager**

There were no amounts payable to third parties for the services of a senior manager in 2013-14 (2012-13: £nil).

**Neil Hunter**  
**Accountable Officer**

**Date: 25 September 2014**

## **Statement of Board's and Principal Reporter/Chief Executive's responsibilities**

Paragraphs 19 and 20 of Schedule 3 of the Children's Hearing (Scotland) Act 2011 requires SCRA to prepare a statement of accounts for each financial year in the form and on the basis determined by the Scottish Ministers. The accounts are prepared on an accruals basis and must show a true and fair view of SCRA's state of affairs at the year-end and of its Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Deficit for the financial year.

In preparing the accounts SCRA is required to:

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

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Accountable Officer of the Scottish Government Directorate with responsibility for sponsorship of SCRA designated the Principal Reporter/Chief Executive of SCRA as the Accountable Officer for the Administration. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of financial transactions under his control and for the economical, efficient and effective use of resources placed at his disposal, are set out in the memorandum to Accountable Officers of other Public Bodies issued by the Scottish Government.

**Neil Hunter**  
**Accountable Officer**

**Date: 25 September 2014**

# Statement of Governance

## Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SCRA's policies, aims and objectives, as set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Memorandum to Accountable Officers for Other Public Bodies.

## Governance framework

SCRA's governance framework accords with generally accepted best practice principles and guidance from Scottish Ministers in the Scottish Public Finance Manual and has been in place for the year ended 31 March 2014 and up to the date of the approval of the financial statements.

SCRA has a Board which meets five times per year to consider the plans and strategic direction of the organisation. The Board focuses on achievement of corporate objectives, performance targets, implementation of strategic projects, effective use of resources and management of strategic risks. In scrutinising performance the Board will review a quarterly Organisational Performance Report including actions taken by management to address performance and workload issues across SCRA and within each of the two operating areas.

The Board Committee structure encompasses an Audit Committee and a Remuneration Committee. The Audit Committee meets quarterly and reviews the adequacy of the arrangements for ensuring sound internal control and in particular scrutinises all audit reports and the actions taken by managers in response to audit recommendations.

The Remuneration Committee meets twice per year and is responsible for governance of pay and remuneration policy for the organisation and the approval of Principal Reporter/Chief Executive appraisal and pay.

During 2011-12 an Information Governance Working Group was established which is chaired by a Board Member and which reports to the Audit Committee. Throughout 2013-14 the Working Group met regularly and provided an annual report to the Audit Committee. The Working Group will continue in existence until August 2014 when it is intended that its responsibilities will be taken over by the Information Governance Leads Group.

SCRA's Quality Assurance and Performance Team is responsible for providing assurance on the effectiveness of the arrangements within SCRA for discharging the Principal Reporter/Chief Executive's statutory responsibilities towards children referred to the Reporter and meeting agreed quality standards. A Quality Assurance work programme is approved by the Audit Committee at the start of each business year and the team provides regular reports on case sampling, Inspection and self-assessment to the Audit Committee which monitors the actions taken by managers in response to recommendations made.

In addition to the Quality Assurance and Performance Team, SCRA has an internal audit service provided under contract, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports to the Audit Committee which include an independent opinion on the adequacy and effectiveness of SCRA's system of internal control together with recommendations for improvement.

## **Operation of the Board**

The Board met five times during 2013-14 (June 2013, September 2013, December 2013, January 2014, March 2014) on regular business as well as holding two Board Development days. The Board also held a joint meeting with the Board of Children's Hearings Scotland in September 2013. Key issues for the Board in 2013-14 were:

Organisational Change  
Case Management System (CMS)  
Legislative Change  
Locality Development  
Organisational Performance  
Strategic Risks  
Business Plan and Budget  
Financial Plan and Workforce Planning  
Information Governance (Board Member lead)  
Equalities.

## **Assessment of corporate governance arrangements**

As Accountable Officer, I have reviewed the effectiveness of corporate governance arrangements. My review is informed by:

- the executive managers within SCRA who have responsibility for the development and maintenance of the internal control framework, including the organisation's Senior Information Risk Owner;
- the work of the internal auditors and the Quality Assurance and Performance Team who submit to the Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of SCRA's system of internal control together with any recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.
- assurances from senior staff in SCRA's 2013-14 Internal Control Checklist which was submitted to the Sponsor Division as part of the Scottish Government's Certificates of Assurance process.

## **Risk Management arrangements**

A framework for measuring, controlling and monitoring strategic risks has been in place throughout the financial year. A regular review of the Strategic Risk Register is undertaken by the Executive Management Team and the Strategic Risk Register is reported to the Audit Committee and Board every six months. Strategic risk

management is fully established in the corporate planning and decision making processes of SCRA. The Operational Risk Register is maintained by the Operational Group and the Change Programme Board monitors all significant programme and project risks.

The key strategic risks tracked during 2013-14 included ability of CMS to support effective operations, an inability to meet all data reporting requirements following implementation of the CMS, existing plans and service model are insufficient to provide a safe and effective service, failure to deliver three year sustainable financial plan and achieve acceptable pay outcome, no reduction in numbers of information breaches and efficiency plans do not deliver additional capacity or reduce costs.

The Internal Auditor reviewed corporate governance and risk management arrangements in 2012-13 and improvements to current arrangements continue to be implemented.

## **Significant Issues**

### **Case Management System**

The Case Management System (CMS) was fully implemented by early 2013-14. The system has not performed to a satisfactory level with a resulting impact on the efficiency of teams. A Performance Improvement Plan was implemented in 2013-14 to deliver greater speed and reliability however whilst this Plan has strengthened the underlying infrastructure on which the CMS operates it has not transformed the users experience of working with the system. A detailed three month analysis of the system to take place in the first quarter of 2014-15 has been approved by the Executive Management Team.

### **Data security**

A number of data breaches, including breaches of non-disclosure orders, have been reported to me by SCRA's Senior Information Risk Owner who also ensures appropriate reporting to the Information Commissioner's Office. Controls are in place to mitigate the risk of information loss. SCRA works proactively with partners to highlight information security and assist them in managing their information more securely in their own locations/settings.

SCRA continues to monitor breaches of case information and Non-Disclosure Orders as part of its activities to improve information security and DPA compliance. In 2011-12 an Information Governance Working Group (IGWG) was established which reports to the Board's Audit Committee. All staff have been trained in Data Protection. Each Locality has an Information Governance Lead, and the Information Governance Leads Group (IGLG) was established in 2012-2013 and meets regularly. The Information Governance Action Plan is monitored by the IGWG and IGLG. In 2012-2013, SCRA agreed with the Information Commissioner's Office for an audit of its data protection compliance which was carried out in March 2014.

**Neil Hunter**  
**Accountable Officer**

**Date: 25 September 2014**

## **Independent auditor's report to the members of the Scottish Children's Reporter Administration, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the Scottish Children's Reporter Administration for the year ended 31 March 2014 under Paragraphs 19 and 20 of Schedule 3 of the Children's Hearing (Scotland) Act 2011. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Tax Payers Deficit and the related notes. 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 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report 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 us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with Paragraphs 19 and 20 of Schedule 3 of the Children’s Hearing (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers of the state of the body’s affairs as at 31 March 2014 and of its net operating cost 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 2013/14 FReM; and
- have been prepared in accordance with the requirements of with Paragraphs 19 and 20 of Schedule 3 of the Children’s Hearing (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

In our 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.

### **Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Paragraphs 19 and 20 of Schedule 3 of the Children’s Hearing (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers; and
- the information given in the Strategic Report and Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion: adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Martin Pitt, Senior Statutory Auditor for and on behalf of  
PricewaterhouseCoopers  
Glasgow  
September 2014

**Statement of Comprehensive Net Expenditure  
For the year ended 31 March 2014**

	Note	2013- 2014 £000	2012- 2013 (restated) £000
<b>Expenditure</b>			
Staff costs	3	17,015	14,705
Other expenditure	4	5,968	8,014
Depreciation and amortisation	5,7	2,706	1,469
		25,689	24,188
<b>Income</b>	2	636	474
<b>Net expenditure</b>		25,053	23,714
Interest payable		2	5
Interest receivable		(3)	(4)
Pension scheme finance cost	11	1,205	1,065
<b>Net expenditure before Scottish Government funding</b>		26,257	24,780

Note: The 2012- 2013 comparative has been restated in accordance with IAS 19 (revised) "Employee Benefits" and to adjust for an overstatement in the unfunded pension liability.

## Statement of Financial Position As at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 (restated) £000
<b>Non-current assets</b>			
Property, plant and equipment	5	8,681	9,842
Investment properties	6	25	30
Intangible assets	7	3,151	3,882
<i>Total non-current assets</i>		11,857	13,754
<b>Current assets</b>			
Trade and other receivables	8	438	663
Cash and cash equivalents	9	333	257
Assets held for sale	5	0	150
<i>Total current assets</i>		771	1,070
<b>Total assets</b>		12,628	14,824
<b>Current liabilities</b>			
Trade and other payables	10(i)	1,944	2,508
Finance lease	13(ii)	36	34
<i>Total current liabilities</i>		1,980	2,542
<b>Non-current assets less net current liabilities</b>		10,648	12,282
<b>Non-current liabilities</b>			
Payables	10(ii)	92	81
Pension liability	11	28,499	24,146
Provision for unfunded pensions	12	537	621
Finance lease	13	1,440	1,476
<i>Total non-current liabilities</i>		30,568	26,324
<b>Assets less liabilities</b>		<b>(19,920)</b>	<b>(14,042)</b>
<b>Taxpayers' deficit</b>			
General fund		11,177	14,494
Pension reserve		(31,828)	(29,223)
Revaluation reserve		731	687
<b>Total taxpayers' deficit</b>		<b>(19,920)</b>	<b>(14,042)</b>

Note: The 31 March 2013 comparative has been restated in accordance with IAS 19 (revised) "Employee Benefits" and to adjust for an overstatement in the unfunded pension liability.

The Financial Statements set out on pages 24 to 45 were approved by the Board on 25 September 2014 and signed on its behalf by

**Neil Hunter**  
Accountable Officer

## Statement of Cash Flows for the year ended 31 March 2014

	Note	2013-2014 £000	2012-2013 (restated) £000
<b>Cash flows from operating activity</b>			
Net expenditure before Scottish Government funding		(25,053)	(23,714)
<i>Adjustments for non-cash items</i>			
Increase in pension fund liability		4,353	4,852
Decrease in pension reserve		(2,605)	(4,191)
Depreciation and amortisation charges	5,7	2,706	1,469
Permanent diminution	4	36	1,467
Loss on disposal of tangible non current assets	4	10	6
<i>Movements in working capital</i>			
Decrease/(increase) in trade and other receivables	8(i)	225	(127)
(Decrease)/increase in trade and other payables	10, 13(ii)	(587)	493
<i>Movements in provisions</i>			
Provision for unfunded pension contribution	12	(84)	(1,528)
<b>Net cash (outflow) from operating activities</b>		<b>(20,999)</b>	<b>(21,273)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	5	(460)	(586)
Purchase of intangible assets	7	(330)	(6)
Increase in assets under construction	5	(11)	(1,681)
Proceeds of disposals of property, plant and equipment		140	17
Proceeds of disposals of intangible assets		0	0
Interest received		3	4
<i>Cash flow from financing activities</i>			
Scottish Government funding for year		22,940	24,138
Interest paid		(2)	(5)
Net interest expense on pension asset	11	(1,205)	(1,065)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>76</b>	<b>(457)</b>

Note: The 2012-2013 comparative has been restated in accordance with IAS 19 (revised) "Employee Benefits" and to adjust for an overstatement in the unfunded pension liability.

## Statement of Changes in Taxpayers' Deficit for the year ended 31 March 2014

	General Fund £000	Pension Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012	15,136	(25,032)	1,354	<b>(8,542)</b>
Changes in taxpayers' deficit for 2012-13				
Net loss on revaluation of property	0	0	(667)	<b>(667)</b>
Actuarial loss on pension reserve (restated)	0	(4,193)	0	<b>(4,193)</b>
Actuarial gain on group assurance	0	2	0	<b>2</b>
Net expenditure for the year (restated)	(24,780)	0	0	<b>(24,780)</b>
Total recognised income and expense for 2012-13 (restated)	(24,780)	(4,191)	(667)	<b>(29,638)</b>
Funding from Scottish Government	24,138	0	0	<b>24,138</b>
Balance at 31 March 2013 (restated)	14,494	(29,223)	687	<b>(14,042)</b>
Changes in taxpayers' deficit for 2013-14				
Net gain on revaluation of property	0	0	44	<b>44</b>
Actuarial loss on pension reserve	0	(2,606)	0	<b>(2,606)</b>
Actuarial gain on group assurance	0	1	0	<b>1</b>
Net expenditure for the year	(26,257)	0	0	<b>(26,257)</b>
Total recognised income and expense for 2013-14	(26,257)	(2,605)	44	<b>(28,818)</b>
Funding from Scottish Government	22,940	0	0	<b>22,940</b>
Balance at 31 March 2014	<b>11,177</b>	<b>(31,828)</b>	<b>731</b>	<b>(19,920)</b>

.Note: The 2013 comparative has been restated in accordance with IAS 19 (revised) "Employee Benefits" and to adjust for an overstatement in the unfunded pension liability.

# Notes to the financial statements

## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of SCRA for the purposes of giving a true and fair view has been selected. The particular policies adopted by SCRA are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

### a. Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of land, buildings and investment properties to fair value as determined by the relevant accounting standard. The financial statements have been prepared on a going concern basis.

### b. Employee benefits

SCRA has an agreement with Falkirk Council under which all staff are eligible to enter the Local Government Pension Scheme managed by the Council in accordance with the rules thereof. It is a defined benefit scheme providing pension benefits and life assurance for all staff members.

The defined benefits pension scheme's assets are included at market value and this is compared to the present value of the scheme liabilities using a projected unit method and discounted at a rate in accordance with the FReM and consistent with IAS 19. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to net expenditure. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in pension scheme finance cost. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to reserves and are recognised in the Statement of Comprehensive Net Expenditure.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected accrued benefit method. The valuation used was at 31 March 2011. Details of this valuation are included in a report published by Falkirk Council.

The contribution rates for 2013-14 were an average of 6% by employee and 16% by employer.

### **c. Property, plant and equipment**

SCRA's policy is to carry out a full external valuation of land and buildings every five years supplemented by annual desktop valuations. The full estate of Land and Buildings was valued on an open market basis as at 31 March 2010 and reviewed by way of a desktop valuation as at 31 March 2014.

Other property, plant and equipment are stated at depreciated historical cost as a proxy for fair value as the assets in this category have a low value and short useful life. It is SCRA's policy to capitalise assets which have an expected useful life in excess of one year and cost more than £1,000 including VAT. Purchases as part of a project are considered together when applying the £1,000 minimum limit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to SCRA, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

### **d. Depreciation**

Depreciation is provided on property, plant and equipment on a straight-line basis at rates sufficient to write down their cost or revalued amounts to their residual values over their estimated useful lives. The depreciation rates for the principal categories of assets are as follows:

▪ Land	Not depreciated
▪ Assets under construction	Not depreciated
▪ Buildings	5 - 50 years;
▪ Fixtures & Fittings	4 years;
▪ Plant & Machinery	10 years;
▪ Computer Equipment	4 years;
▪ Other Equipment	4 years;
▪ Leasehold improvements	over lesser of 10 years or the remaining term of the lease.

### **e. Impairment**

Assets which are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised by the amount by which the carrying amount exceeds its recoverable amount.

#### **f. Assets held for sale**

A property is derecognised and held for sale under IFRS 5 when all the following requirements are met:

- A management decision has been made to dispose of the property;
- The property is being actively marketed for sale;
- The sale is highly probable within 12 months of classification as held for sale.

#### **g. Government grants**

It is SCRA's policy to credit all government grants and grant-in-aid to the General Reserve in line with the FReM.

#### **h. Liabilities**

All material amounts outstanding as at 31 March 2014 have been included in the Statement of Comprehensive Net Expenditure irrespective of when actual payment was made.

#### **i. Provisions**

Provision is recognised in the Statement of Financial Position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **j. Other income**

SCRA recognises other income in the year to which it relates.

#### **k. Leases**

Where substantially all the risks and rewards of a leased property are borne by SCRA it is recorded as a non-current asset and a corresponding creditor recorded in respect of debt due to the lessor, with the interest element of the finance lease payment charged to the Statement of Comprehensive Net Expenditure. Payments made under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

#### **l. Intangible assets**

Intangible assets are stated at historic purchase cost less accumulated amortisation. Acquired computer software licences and developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over 4 years.

#### **m. Service concession arrangements**

SCRA has a PFI contract with Logica Limited for the provision of IT services. The PFI contract does not meet the characteristics of a service concession arrangement within the meaning of *International Financial Reporting Interpretations Committee (IFRIC) 12 'Service Concession Arrangements'* and therefore no non-current asset is created. All payments to Logica plc are treated as service elements and are therefore charged to the Statement of Comprehensive Net Expenditure in the period to which they relate.

#### **n. Other administration and programme costs**

The costs reported in the Statement of Comprehensive Net Expenditure include other administration costs but there is no specific expenditure on programme costs.

#### **o. Pensions**

The financial statements have been prepared incorporating the requirements of *International Accounting Standard 19 - Employee Benefits* (IAS 19) and include an actuarial valuation of the pension scheme liability as explained in note 11 to the financial statements. This reflects the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SCRA. Hymans Robertson, the actuary to the pension scheme who has collated the information from the various Local Government Pension Scheme (LGPS) funds in which SCRA participate, has calculated the liability arising under IAS 19. The actuary to each of the LGPS funds in which SCRA participate conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2011. In preparing the projected pension expense for the year to 31 March 2015, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers. The other main financial assumptions are set out in note 11.

To the extent that the pension deficit is not met from SCRA's sources of income it may only be met by future grant in aid from SCRA's sponsoring department, the Scottish Government Education Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

SCRA is required to meet the additional costs of benefits beyond the normal pension scheme benefits in respect of employees who retire early. SCRA provides in full for these costs when the early retirement has been agreed. SCRA, rather than the pension scheme, is liable for that portion of pensions relating to early retirement.

The provision is based on an actuarial valuation of the unfunded liability discounted at the real discount rate of either 1.5% or 1.6%, depending on

the weighted average duration of the benefit obligation, and on the basis of SAPs year of birth mortality tables. The provision is expected to be utilised over a twenty year period in line with the expected life expectancy of the beneficiaries; however due to the nature of the provision there can be no certainty around the timing of the outflow.

**p. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Currently SCRA has no trade payables classified as non-current liabilities.

**q. Value Added Tax**

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

**r. Review of accounting policies and estimation techniques**

These financial statements have been prepared under International Financial Reporting Standards (IFRS).

Areas of judgement in how SCRA's accounting policies are applied include:

- the fair values of properties;and
- pension estimation technique.

Sensitivity Analysis

The most significant financial impact arising by assumptions are those used to calculate the pension's deficit. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2014	Approximate % increase to SCRA	Approximate monetary amount £000
<b>0.5% decrease in Real discount Rate</b>	11%	11,190
<b>1 year increase in life member expectancy</b>	3%	2,973
<b>0.5% increase in the Salary Increase Rate</b>	4%	3,729
<b>0.5% increase in the Pension Increase Rate</b>	7%	7,230

Notes:

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities as at 31 March 2014 have been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in these financial statements.

To quantify the uncertainty around life expectancy, the difference in cost to SCRA of a one year increase in life expectancy has been calculated. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

Please note the above figures have been derived based on the membership profile of SCRA as at the date of the most recent actuarial valuation.

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

## **2. Income**

Income of £636k (2012-13: £474k) is comprised mainly of shared services income (including rents) and funding from local authorities for youth justice posts.

There is no income in respect of programme costs.

### 3. Staff numbers and related costs

#### (i) Staff costs – staff with a permanent (UK) employment contract

	2013-14 £000	2012-13 (restated) £000
Salaries and wages	12,450	12,102
Social security costs	933	923
Contributions to pension scheme	1,964	1,985
Cost of early retirement	560	655
IAS 19 adjustment to pension scheme contributions	687	(261)
Provision for unfunded pension liability	(36)	(1,366)
	<b>16,558</b>	<b>14,038</b>

#### (ii) Staff costs – other staff

	2013-14 £000	2012-13 £000
Salaries and wages	398	609
Social security costs	25	28
Contributions to pension scheme	34	30
	<b>457</b>	<b>667</b>

#### (iii) Staff costs – all staff

	2013-14 £000	2012-13 £000
Salaries and wages	12,848	12,711
Social security costs	958	951
Contributions to pension scheme	1,998	2,015
Cost of early retirement	560	655
IAS 19 adjustment to pension scheme contributions	687	(261)
Provision for unfunded pension liability	(36)	(1,366)
	<b>17,015</b>	<b>14,705</b>

Note: The prior year comparatives have been restated to adjust for an overstatement in the unfunded pension liability.

#### (iv) Average number of employees

The average number of whole-time persons employed during the year was as follows:

	2013-14 Number	2012-13 Number
<b>Category of staff</b>		
Staff with permanent contract	394	413
Staff with short-term contract	21	23
<b>Total</b>	<b>415</b>	<b>436</b>

Average numbers are calculated using actual whole-time person equivalents at 1 April 2013, 30 June 2013, 30 September 2013, 31 December 2013 and 31 March 2014.

#### (v) Exit Packages

A summary of exit packages agreed during 2013-14 is as follows.

	Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)	Number of departures where special payments have been made (special payment element totalled)
1	<£20,001	0	7	7	0
2	£20,001 - £40,000	0	4	4	0
3	£40,001 - £60,000	0	4	4	0
4	£60,001 - £80,000	0	1	1	0
5	£80,001 - £100,000	0	0	0	0
6	£100,001 - £150,000	0	0	0	0
7	£150,001 - £200,000	0	0	0	0
8	<b>Total number of exit packages by type (total cost)</b>	0	16 (£436k)	16 (£436k)	0

A summary of exit packages agreed during 2012-13 is as follows.

	<b>Exit package cost band (including any special payment element)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band (total cost)</b>	<b>Number of departures where special payments have been made (special payment element totalled)</b>
1	<b>&lt;£20,001</b>	0	2	2	0
2	<b>£20,001 - £40,000</b>	0	5	5	0
3	<b>£40,001 - £60,000</b>	0	4	4	0
4	<b>£60,001 - £80,000</b>	0	0	0	0
5	<b>£80,001 - £100,000</b>	0	1	1	0
6	<b>£100,001 - £150,000</b>	0	2	2	0
7	<b>£150,001 - £200,000</b>	0	0	0	0
8	<b>Total number of exit packages by type (total cost)</b>	0	14 (£655k)	14 (£655k)	0

#### 4. Other expenditure

	2013-14	2012-13
	£000	£000
IT service charges	41	687
Other property costs	1,872	1,767
Running costs	2,122	2,133
Rentals under operating leases	1,171	1,243
Hearing and legal costs	436	414
Training, recruitment and other staff costs	180	185
Board Fees and Expenses	46	41
Auditor remuneration	30	32
Internal auditors' remuneration	24	39
Non-cash items		
Permanent diminution	36	1,467
Loss/(gain) on disposal of non current assets	10	6
	<b>5,968</b>	<b>8,014</b>

## 5. Property, plant and equipment

	Land	Buildings	Assets Under Construction	Leasehold Improvements	Fixtures and Fittings	Computer equipment	Other Equipment	Plant and Machinery	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost/Valuation</b>									
At 1 April 2013 (restated)	752	6,110	486	5,256	1,409	913	3,964	137	19,027
Additions	0	164	2	220	10	64	2	0	462
Transfers	0	237	(331)	5	0	89	0	0	0
Disposals	0	(150)	0	0	(117)	(82)	(92)	0	(441)
Transferred from asset group classified as Held for Sale	0	150	0	0	0	0	0	0	150
Transferred from asset group classified as Investment Assets	0	5	0	0	0	0	0	0	5
Indexation/Revaluation	424	(949)	0	0	0	0	0	0	(525)
Permanent Diminution	0	0	0	0	0	0	0	0	0
At 31 March 2014	1,176	5,567	157	5,481	1,302	984	3,874	137	18,678
<b>Accumulated depreciation</b>									
At 1 April 2013	0	231	0	3,254	1,242	749	3,573	136	9,185
Provided in year	0	425	0	583	106	111	234	1	1,460
Withdrawn on disposal	0	0	0	0	(117)	(82)	(92)	0	(291)
Withdrawn on revaluation	0	(357)	0	0	0	0	0	0	(357)
At 31 March 2014	0	299	0	3,837	1,231	778	3,715	137	9,997
<b>Net Book Value</b>									
At 31 March 2014	1,176	5,268	157	1,644	71	206	159	0	8,681
At 31 March 2013 (restated)	752	5,879	486	2,002	167	164	391	1	9,842
	Land	Buildings	Assets Under Construction	Leasehold Improvements	Fixtures and Fittings	Computer equipment	Other Equipment	Plant and Machinery	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost/Valuation</b>									
At 1 April 2012 (restated)	1,122	7,317	530	4,890	1,372	774	3,902	137	20,044
Additions	0	174	415	324	45	5	38	0	1,001
Transfers	0	267	(459)	42	(8)	134	24	0	0
Disposals	0	(6)	0	0	0	0	0	0	(6)
Transferred from asset group classified as Held for Sale	0	115	0	0	0	0	0	0	115
Transferred from asset group classified as Investment Assets	0	20	0	0	0	0	0	0	20
Indexation/Revaluation	(370)	(1,777)	0	0	0	0	0	0	(2,147)
At 31 March 2013 (restated)	752	6,110	486	5,256	1,409	913	3,964	137	19,027
<b>Accumulated depreciation</b>									
At 1 April 2012	0	158	0	2,790	1,107	646	3,195	124	8,020
Provided in year	0	474	0	464	139	103	381	12	1,573
Withdrawn on disposal	0	0	0	0	(4)	0	(3)	0	(7)
Withdrawn on revaluation	0	(401)	0	0	0	0	0	0	(401)
At 31 March 2013	0	231	0	3,254	1,242	749	3,573	136	9,185
<b>Net Book Value</b>									
At 31 March 2013 (restated)	752	5,879	486	2,002	167	164	391	1	9,842
At 31 March 2012 (restated)	1,122	7,159	530	2,100	265	128	707	13	12,024

Note: Prior year comparatives have been restated to correctly split Assets under Construction between Property, Plant & Equipment and Intangible Assets.

The net book amount of property, plant and equipment at 31 March 2014 includes £1,469k (2013: £1,609k) in respect of a building held under a finance lease.

## Assets held for sale

	£000
<b>Assets at market value as determined by the valuers</b>	
As at 1 April 2013	150
Transfers to Property, Plant & Equipment	(150)
As at 31 March 2014	<u>0</u>

Land and buildings were valued as at 31 March 2010 by independent valuers, GVA Grimley Limited in accordance with Royal Institution of Chartered Surveyors Valuation Standards on the basis of Existing Use Value and reviewed by way of a desktop valuation as at 31 March 2014.

## 6. Investment properties

	£000
<b>Investment property at market value as determined by the valuers</b>	
As at 1 April 2013	30
Transfers	(5)
As at 31 March 2014	<u>25</u>

Investment properties were valued as at 31 March 2010 by independent valuers, GVA Grimley Limited in accordance with Royal Institution of Chartered Surveyors Valuation Standards on the basis of Existing Use Value and reviewed by way of a desktop valuation as at 31 March 2014

## 7. Intangible assets

	Intangible assets under construction £000	Software licences £000	Developed software £000	Total £000
Cost at 1 April 2013 (restated)	<b>3,866</b>	<b>111</b>	<b>1,769</b>	<b>5,746</b>
Additions	9	84	247	340
Transfers	(3,866)	92	3,774	0
Disposals	0	0	(1,769)	(1,769)
Permanent Diminution	0	0	(36)	(36)
At 31 March 2014	<b>9</b>	<b>287</b>	<b>3,985</b>	<b>4,281</b>
<b>Accumulated amortisation</b>				
At 1 April 2013	0	95	1,769	1,864
Provided in year	0	77	958	1,035
Withdrawn on disposal	0	0	(1,769)	(1,769)
At 31 March 2014	0	172	958	1,130
<b>Net book value</b>				
31 March 2014	9	115	3,027	3,151
<b>Net book value</b>				
31 March 2013 (restated)	3,866	16	0	3,882

	Intangible assets under construction £000	Software licences £000	Developed software £000	Total £000
Cost at 1 April 2012 (restated)	2,600	110	1,769	4,479
Additions (restated)	1,266	6	0	1,272
Disposals	0	(5)	0	(5)
At 31 March 2013 (restated)	<b>3,866</b>	<b>111</b>	<b>1,769</b>	<b>5,746</b>
<b>Accumulated amortisation</b>				
At 1 April 2012	0	78	1,482	1,560
Provided in year	0	21	287	308
Withdrawn on disposal	0	(4)	0	(4)
At 31 March 2013	0	95	1,769	1,864
<b>Net book value</b>				
31 March 2013 (restated)	3,866	16	0	3,882
<b>Net book value</b>				
31 March 2012 (restated)	2,600	32	287	2,919

Note: Prior year comparatives have been restated to correctly split Assets under Construction between Property, Plant & Equipment and Intangible Assets.

## 8. Trade and other receivables

### (i) Current assets:

	2013-14	2012-13
	£000	£000
Other receivables	108	298
Prepayments	330	365
	<b>438</b>	<b>663</b>

### (ii) Intra governmental balances

	Receivables: current 2013-14	Receivables: current 2012-13
	£000	£000
Balances with other central government bodies	0	174
Balances with local authorities	48	37
Balances with bodies external to government	390	452
At 31 March	<b>438</b>	<b>663</b>

## 9. Cash and cash equivalents

	2013-14 £000	2012-13 £000
Balance at 1 April	257	714
Net change in cash and cash equivalents	76	(457)
Balance at 31 March	333	257
Bank accounts	330	254
Petty cash balance	3	3
	<b>333</b>	<b>257</b>

All bank balances at 31 March 2014 are held in commercial banks.

## 10. Trade and other payables

### (i) Current liabilities

	2013-14 £000	2012-13 £000
Trade payables	344	420
Loan repayable	0	0
Loan interest	0	2
Tax and social security	0	295
Other payables	54	265
Accruals	1,546	1,526
	<b>1,944</b>	<b>2,508</b>

### (ii) Non-current liabilities

	2013-14 £000	2012-13 £000
PWLB loans	37	37
Other payables, accruals and deferred income	55	44
	<b>92</b>	<b>81</b>

(iii) Intra governmental balances

	Payables: current 2013-14 £000	Payables: non-current 2013-14 £000	Payables: current 2012-13 £000	Payables: non-current 2012-13 £000
Balances with other central government bodies	0	37	326	37
Balances with local authorities	110	0	266	0
Balances with bodies external to government	1,834	55	1,916	44
At 31 March	<b>1,944</b>	<b>92</b>	<b>2,508</b>	<b>81</b>

## 11. Pensions

Information about the assumptions underlying the figures in this note can be found in Note 1(b) Employee benefits.

### Retirement benefits

Change in the fair value of plan assets, defined benefit obligation and net liability for the year end 31 March 2014

	Assets £000	Obligations £000	Net (liability) / asset £000
Fair value of employer assets	64,987		64,987
Present value of funded liabilities		85,772	(85,772)
Present value of unfunded liabilities		3,361	(3,361)
<b>Opening position as at 31 March 2013</b>	<b>64,987</b>	<b>89,133</b>	<b>(24,146)</b>
<b>Service cost</b>			
- Current service cost		2,902	(2,902)
- Past service cost (including curtailments)		104	(104)
- Effect of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>3,006</b>	<b>(3,006)</b>
<b>Net interest</b>			
- Net income on plan assets	2,950		2,950
- Net cost on defined benefit obligation		4,051	(4,051)
- Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>2,950</b>	<b>4,051</b>	<b>(1,101)</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>2,950</b>	<b>7,057</b>	<b>(4,107)</b>
<b>Cash flows</b>			
- Plan participants 'contributions	784	784	0
- Employer contributions	2,215		2,215
- Contributions in respect of unfunded pensions	145		145
- Benefits paid	(1,863)	(1,863)	0
- Unfunded benefits paid	(145)	(145)	0
<b>Expected closing position</b>	<b>69,073</b>	<b>94,966</b>	<b>(25,893)</b>
<b>Remeasurements</b>			
- Change in demographic assumptions		0	0
- Change in financial assumptions		4,149	(4,149)
- Other experience		(4)	4
- Return on assets excluding amounts included in net interest	1,539		1,539
- Changes in asset ceiling			0
<b>Total remeasurements recognised in Statement of Taxpayers' Deficit</b>	<b>1,539</b>	<b>4,145</b>	<b>(2,606)</b>
Exchange differences	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Fair value of employer assets</b>	<b>70,612</b>		<b>70,612</b>
<b>Present value of funded liabilities</b>		<b>95,636</b>	<b>(95,636)</b>
<b>Present value of unfunded liabilities</b>		<b>3,475</b>	<b>(3,475)</b>
<b>Closing position as at 31 March 2014</b>	<b>70,612</b>	<b>99,111</b>	<b>(28,499)</b>

**Change in the fair value of plan assets, defined benefit obligation and net liability for the year end 31 March 2013**

	Assets	Obligations	Net (liability) / asset
	£000	£000	£000
Fair value of employer assets	54,567		54,567
Present value of funded liabilities		73,861	(73,861)
<b>Opening position as at 31 March 2013</b>	<b>54,567</b>	<b>73,861</b>	<b>(19,294)</b>
<b>Service cost</b>			
- Current service cost		2,232	(2,232)
- Past service cost (including curtailments)		145	(145)
- Effect of settlements	0	0	0
<b>Total service cost</b>		<b>2,377</b>	<b>(2,377)</b>
<b>Net interest</b>			
- Net income on plan assets	2,653		2,653
- Net cost on defined benefit obligation		3,573	(3,573)
- Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>2,653</b>	<b>3,573</b>	<b>(920)</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>2,653</b>	<b>5,950</b>	<b>(3,297)</b>
<b>Cash flows</b>			
- Plan participants 'contributions	767	767	0
- Employer contributions	2,493		2,493
- Contributions in respect of unfunded pensions	145		145
- Benefits paid	(1,840)	(1,840)	0
- Unfunded benefits paid	(145)	(145)	0
<b>Expected closing position</b>	<b>58,640</b>	<b>78,593</b>	<b>19,053</b>
<b>Remeasurements</b>			
- Change in demographic assumptions		0	0
- Change in financial assumptions		10,612	(10,612)
- Other experience		(72)	72
- Return on assets excluding amounts included in net interest	6,347		6,347
- Changes in asset ceiling			0
<b>Total remeasurements recognised in Statement of Taxpayers' Deficit</b>	<b>6,347</b>	<b>10,540</b>	<b>(4,193)</b>
Exchange differences	0	0	0
Effect of business combinations and disposals	0	0	0
<b>Fair value of employer assets</b>	<b>64,987</b>		<b>64,987</b>
<b>Present value of funded liabilities</b>		<b>85,772</b>	<b>(85,772)</b>
<b>Present value of unfunded liabilities</b>		<b>3,361</b>	<b>(3,361)</b>
<b>Closing position as at 31 March 2014</b>	<b>64,987</b>	<b>89,133</b>	<b>(24,146)</b>

Note: The 2013 comparative has been restated in accordance with IAS 19 (revised) "Employee Benefits".

## Fair value of employer assets at 31 March 2014

Asset Category	Quoted prices in active markets	Priced not quoted in active markets	Total	%
	£000	£000	£000	
<b>Equity securities:</b>				
Consumer	7,089	0	7,089	10%
Manufacturing	4,178	0	4,178	6%
Energy and utilities	3,665	0	3,665	5%
Financial institutions	5,896	0	5,896	8%
Health and care	4,619	0	4,619	7%
Information technology	2,123	0	2,123	3%
Other	1,810	0	1,810	3%
<b>Debt securities:</b>				
Corporate bonds (investment grade)	0	0	0	0%
Corporate bonds (non-investment grade)	0	0	0	0%
UK Government	0	0	0	0%
Other	0	0	0	0%
<b>Private equity:</b>				
All	0	3,754	3,754	5%
<b>Real estate:</b>				
UK property	0	4,688	4,688	7%
Overseas property	0	365	365	1%
<b>Investment funds and unit trusts:</b>				
Equities	15,667	0	15,667	22%
Bonds	5,994	0	5,994	8%
Hedge funds	0	0	0	0%
Commodities	0	0	0	0%
Infrastructure	0	1,432	1,432	2%
Other	7,229	0	7,229	10%
<b>Derivatives:</b>				
Inflation	0	0	0	0%
Interest rate	0	0	0	0%
Foreign exchange	0	0	0	0%
Other	0	0	0	0%
<b>Cash and cash equivalents:</b>				
All	2,103	0	2,103	3%
<b>Totals</b>	<b>60,373</b>	<b>10,239</b>	<b>70,612</b>	<b>100%</b>

## Fair value of employer assets at 31 March 2013

Asset Category	Quoted prices in active markets	Priced not quoted in active markets	Total	%
	£000	£000	£000	
<b>Equity securities:</b>				
Consumer	6,726	0	6,726	10%
Manufacturing	3,759	0	3,759	6%
Energy and utilities	3,357	0	3,357	5%
Financial institutions	5,352	0	5,352	8%
Health and care	4,270	0	4,270	7%
Information technology	2,041	0	2,041	3%
Other	1,430	0	1,430	2%
<b>Debt securities:</b>				
Corporate bonds (investment grade)	0	0	0	0%
Corporate bonds (non- investment grade)	0	0	0	0%
UK Government	0	0	0	0%
Other	0	0	0	0%
<b>Private equity:</b>				
All	0	3,835	3,835	6%
<b>Real estate:</b>				
UK property	0	3,931	3,931	6%
Overseas property	0	400	400	1%
<b>Investment funds and unit trusts:</b>				
Equities	14,169	0	14,169	22%
Bonds	6,110	0	6,110	9%
Hedge funds	0	0	0	0%
Commodities	0	0	0	0%
Infrastructure	0	1,273	1,273	2%
Other	5,725	0	5,725	9%
<b>Derivatives:</b>				
Inflation	0	0	0	0%
Interest rate	0	0	0	0%
Foreign exchange	0	0	0	0%
Other	0	0	0	0%
<b>Cash and cash equivalents:</b>				
All	2,609	0	2,609	4%
<b>Totals</b>	<b>55,548</b>	<b>9,439</b>	<b>64,987</b>	<b>100%</b>

## 12. Provision for unfunded pensions

	2013-14 £000
Balance at 1 April (restated)	621
Actuarial valuation adjustment	(45)
Provisions utilised during the year	(39)
Balance at 31 March	<b>537</b>

Note: The balance at 1 April 2013 has been restated to adjust for an overstatement in the unfunded pension liability.

## 13. Commitments under leases

### (i) Operating leases

Total commitments under non-cancellable operating leases are as follows:

	2013-14 £000	2012-13 £000
<b>Buildings</b>		
Not later than one year	814	1,166
Later than one year and not later than five years	3,370	4,007
Later than five years	1,188	3,390
	<b>5,372</b>	<b>8,563</b>

### (ii) Finance Leases

	2013-14 £000	2012-13 £000
<b>Gross lease liabilities</b>		
Within one year	92	92
Between 2 and 5 years	366	366
After 5 years	1,871	1,962
	<b>2,329</b>	<b>2,420</b>
Future interest	(853)	(910)
<b>Net lease liabilities</b>	<b>1,476</b>	<b>1,510</b>
Net lease liabilities are repayable as follows:		
<b>Within one year</b>	<b>36</b>	<b>34</b>
Between 2 and 5 years	156	151
After 5 years	1,284	1,325
<b>Total over one year</b>	<b>1,440</b>	<b>1,476</b>

There is no provision within the lease for early termination. In the event of this finance lease being terminated prior to its expiry, the outstanding gross lease liability would be payable in full. The present value of minimum lease payments amounts to £1,504k (31 March 2013: £1,540k).

#### **14. Events after the reporting date**

No events occurred between the reporting date and the authorisation date that materially affect any of the information contained in these financial statements.

#### **15. Financial instruments**

As the cash requirements of SCRA are met through grant-in-aid, financial instruments play a more limited role in creating and managing risk than would apply in a non public sector body of a similar size.

The majority of financial instruments relate to cash or cash equivalents and to contracts for non financial items in line with SCRA's expected purchase and usage requirements. SCRA is therefore exposed to little credit, liquidity or market risk.

#### **16. Related party transactions**

SCRA is a Non-Departmental Public Body sponsored by Scottish Government Education Department. SCRA receives funding from SGED which is regarded as a related party. During the year SCRA had a number of transactions with other government departments and agencies. No Board Member, key manager or other related party has undertaken any material transactions with SCRA during the year (2012-13: £nil).

#### **17. Capital commitments**

SCRA has no capital commitments as at 31 March 2014 (31 March 2013: £nil).

#### **18. Special payments**

Under the Scottish Public Finance Manual guidelines there are no losses or special payments requiring disclosure (2012-13: £nil).

#### **19. Contingent liabilities**

SCRA has no contingent liabilities as at 31 March 2014 (31 March 2013: £nil).



## SCOTTISH CHILDREN'S REPORTER ADMINISTRATION

### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Schedule 3 of the Children's Hearing Scotland Act (2011), hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2014, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 10 January 2006 is hereby revoked.



ROBERT MARSHALL

A member of the staff of the Scottish Ministers

Dated 4 March 2014



**SCRA**  
**ANNUAL ACCOUNTS**

