

SCRA ANNUAL ACCOUNTS 2015/16

Ensuring positive futures for children & young people in Scotland



The Accountable Officer has authorised these financial statements for issue on 22 September 2016

PERFORMANCE REPORT

Overview

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)
- To facilitate the performance by the Principal Reporter/Chief Executive of Reporters' statutory functions (2011 Act, Section 20)
- To provide 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 Children and Families Directorate. 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 (GIA), 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.

Focused on children and young people most at risk, SCRA's role and purpose is to:

- Make effective decisions about a need to refer a child/young person to a Children's Hearing;
- Prepare for and participate in court proceedings where statement of grounds or Hearings findings are appealed, and ensure the wellbeing of children and young people – particularly vulnerable witnesses – are protected throughout the court process;
- Support Panel Members (though we are not involved in making Hearing decisions) and ensure fair process in Hearings;
- Enable children, young people and families to participate in Hearings;
- Disseminate information and data to influence and inform the wider Children's Services community;
- Provide premises for Hearings to take place;
- Work collaboratively with partners to support and facilitate the Getting It Right For Every Child (GIRFEC) agenda

SCRA also shares responsibility with other agencies for how the Hearings System performs, and actively works with these partners in support of better outcomes for children and young people.

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 2015-16 and are available online at 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 Executive Management Team.

All SCRA's activity works towards achieving SCRA's 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's 2014-17 Corporate Plan explains our vision and strategic direction over the three year period, 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

In working to deliver these five outcomes, SCRA set out three core strategies with twenty eight underpinning actions to be achieved in 2015-16. The core strategies are

- **Sustainability Quality and Performance**
This strategy focuses on how we make best use of our resources, particularly our skilled and committed staff group, and optimise our systems and processes to maintain service delivery in an environment of increasing resource constraints. Key elements of the strategy for delivery during 2016/17 include SMART working projects to enhance the efficiency of how we receive information from partner agencies, process this and communicate outwards, reviewing Reporter capacity to maximise time spent of core functions, and working to improve resilience in how we plan, manage and resource court work.
- **Customer Focus**
Focusing on the needs of service users allows us to identify current and future improvement opportunities and address these through service design and delivery. Our Customer Focus strategy aims to deliver a personalised experience for children and young people. They can come to expect a high standard of customer care when they come into contact with us. Key elements of the strategy for delivery during 2016/17 include improvements to how we support and orient children and young people through the Hearings System, extending our national customer services training programme to cover a wider range of staff roles, implementing systems to monitor satisfaction of service users and analysis of customer feedback to enable us to identify and act on improvement opportunities.
- **Engagement**
Our Engagement strategy is the mechanism we use to interact fully with our staff, service users and partners, all of whom have a part to play in making the Hearings System work for the benefit of children and young people passing through it. It allows us to identify the views, expectations, priorities and concerns of service users, staff and partners and use these to plan effectively. Key elements of the strategy for delivery during 2016/17 include improving the way that we gather the views of our stakeholders to fully inform our next corporate planning cycle, rollout of our Management Development Programme as part of our Organisational Development Strategy, implementation of our Communications Strategies and embedding the relevant provisions of the Children and Young People (Scotland) Act 2014 in our practice.

The key strategic risks tracked during 2015-16 included ability of CMS to support effective operations (closed during 2015-16), existing plans and service model are insufficient to provide a safe and effective service (closed during 2015-16), Spending Review 2015 does not deliver level of resources required for medium term financial sustainability, no reduction in numbers of information breaches and efficiency plans do not deliver additional capacity or reduce costs.

Performance Analysis

In the year ended 31 March 2016, SCRA reported an excess of expenditure over income of £4,493k (31 March 2015: £5,242k) net of revenue grant-in-aid of £20,987k (31 March 2015: £21,158k). The General Fund has a surplus of £2,627k as at 31 March 2016 (31 March 2015: £6,435k).

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 £26,696k on its pension reserve at 31 March 2016 (31 March 2015: £35,756k). Further details of pension liabilities are provided in the Remuneration Report and Note 12 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.

SCRA met five of its nine Key Performance Indicators in 2015-16. The detailed performance is shown in the table below:

Performance measures	Target	Outcome	
The percentage of decisions on referrals made within 50 working days of receipt	73%	76.2%	G
The percentage of Hearings scheduled to take place within 20 working days	74%	71.4%	A
The percentage of initial Hearings proceeding to disposal	75%	76.7%	G
The percentage of working days lost to absence	4%	5.3%	A
The percentage of SCRA core properties which comply with SCRA property standards	90%	87.2%	A
The variance in annual revenue spends as a percentage of the available revenue budget	1%	0.1%	G
The percentage of revenue savings achieved in the year	2.8%	2.7%	A
The variance in annual capital spends as a percentage of the available capital budget	5%	1.3%	G
The Scottish Government efficiency savings target will be met	3%	Achieved	
Key -	G	Target met or exceeded	A
		Target nearly met	R
		Target missed	

Performance on the key operational performance indicators has been good in the year. Decision making is meeting the target and up 9 percentage points (pp) from 2014/15. Initial Hearings proceeding to disposal is also meeting the target for the year while Hearings scheduled within 20 days is within 5pp of target and therefore rated as amber. Decreases in delay is also evident with 69 referrals awaiting a decision over 100 days, 220 referrals lower than the previous year-end.

In addition to Key Performance Indicators 31 Business Plan actions were tracked throughout the year. At the year end 20 actions are rated as green, 10 as amber and one as red. In general, actions rated as amber or red have been moved into the 2016/17 Business Plan or the Joint Hearings System Digital Strategy.

The revenue budget finished on target and within 0.1% of budget. Revenue savings achieved in the year amounted to 2.8% against a target of 2.9%. The capital budget was underspent against budget by £10k (or 1.3%).

A more substantial review of our progress against these priorities can be found in the published SCRA Annual Report 2015-16.

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 2015.

Equalities

SCRA is committed to the Scottish Government's aim of Building a Fairer and more Equal Scotland. We will continue to mainstream equalities into our work to meet both the General and Specific Duties for public authorities. In 2014/15 SCRA published Revised Equality Outcomes, a Mainstreaming and Progress on Equality Outcomes Report, Employee Statistics, an Equal Pay Audit Statement and Children and Young People Statistics. Our strategic plans are outlined in our Revised Equality Outcomes, Mainstreaming and Progress on Equality Outcomes Report and Equal Pay Audit Statement. All published equality documents can be found on our website:

<http://www.scra.gov.uk/about-scra/equality-and-diversity/>

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 has brought significant benefits to SCRA in how we listen to and work with our staff. Partnership continues to develop and embed within SCRA.

As part of the Partnership Agreement with UNISON, SCRA has an established Recognition and Procedure Agreement, 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.

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 2016 SCRA paid 66% (31 March 2015: 74%) of all invoices within the terms of its payment policy.

Neil Hunter
Accountable Officer

Date: 22 September 2016

ACCOUNTABILITY REPORT

Directors' Report

Board and Executive Management Team (EMT) members

Board members in 2015-16	Date of original appointment
Carole Wilkinson (Chair)	01 May 2010
Malcolm Dickson	22 July 2008
Andrew Miller	26 May 2008
Bernadette Docherty	13 September 2010
Andrew Menzies	11 March 2013
Douglas Yates	01 July 2013
Catherine Robertson	01 November 2013
Anela Anwar	01 December 2014

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 2015-16	Date of original appointment
Neil Hunter (Principal Reporter / Chief Executive)	04 April 2011
Margaret McManus (Director of Support Services)	10 March 2008 (resigned 7 April 2015)
Edward Morrison (Head of Finance and Resources)	01 December 2010
Malcolm Schaffer (Head of Practice and Policy)	05 October 2009
Thomas Philliben (Senior Operational Manager)	05 October 2009
Alistair Hogg (Senior Operational Manager)	05 November 2012
Elliot Jackson (Head of Planning and Strategy)	16 February 2009 (resigned 28 August 2015)
Susan Deery (Human Resources Manager)	01 October 2014
Lisa Bennett (Head of Strategy and Operational Development)	14 September 2015

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

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.

Register of interests

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

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 28 incidents in 2015-16 where Non-Disclosure Orders were breached. These 28 incidents involved 32 Non-Disclosure Orders. This is a decrease from 2014-15 where there were 44 incidents involving 55 Non-Disclosure Orders.

In 2015-16, the main sources of breaches were the SCRA with 19 breaches of Non-Disclosure Orders (in 2014-15 there were 28 SCRA breaches). The next most common sources were Social Work with five and Health with two breaches of Non-Disclosure Orders, Safeguarder one breach of Non-Disclosure and one joint SCRA/SW breach of Non-Disclosure. Four breaches of Non-Disclosure Orders were by unknown sources.

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. Each Locality has an Information Governance Lead and the Information Governance Leads Group meets regularly to monitor the Information Governance Action Plan and take forward its implementation.

SCRA and Children's Hearings Scotland established a Joint Information Governance Group in October 2014. Its aim is to improve information governance across both organisations, ensure best practice and effective information governance in the operation of Children's Hearings and identify opportunities for partnership working. An joint Information Governance Action Plan between SCRA and CHS was agreed in April 2016.

In response to the Scottish Historical Child Abuse Inquiry, SCRA has suspended its retention and destruction policy for case records when an individual reaches 18 years old. All records are now being held until notification from the Inquiry that records can be destroyed.

Remuneration and Staff Report

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)
Douglas Yates
Catherine Robertson

Policy on remuneration of senior managers

SCRA's overall remuneration policy aims to:

- Attract, retain and motivate competent and skilled staff at all levels of the organisation,
- 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 and 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.

Staff absence

In the year to 31 March 2016 average staff absence was 11.3 days (31 March 2015: 11.1 days). The target for both years was 8.8 days.

Audited remuneration report

Senior managers' service contracts

	Date of contract	Unexpired term	Notice period
Neil Hunter Principal Reporter/Chief Executive	04 April 2011	Open ended contract	3 months
Edward Morrison Head of Finance and Resources	01 December 2010	Open ended contract	3 months
Susan Deery Human Resources Manager	19 February 1996	Open ended contract	3 months
Malcolm Schaffer Head of Practice and Policy	05 October 2009	Open ended contract	3 months
Thomas Philliben Senior Operational Manager	05 October 2009	Open ended contract	3 months
Alistair Hogg Senior Operational Manager	05 November 2012	Open ended contract	3 months
Lisa Bennett Head of Strategy and Organisational Development	01 March 2004	Open ended contract	3 months
Margaret McManus Director of Support Services	10 March 2008	resigned 07 April 2015	n/a
Elliot Jackson Head of Planning and Strategy	16 February 2009	resigned 28 August 2015	n/a

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

Significant awards made to former senior managers

One senior manager received redundancy in accordance with SCRA's policy in 2015-16 (2014-15: none).

Senior managers' remuneration Non-Executive Board Members	Salary and allowances 2015-2016 £000	Salary and allowances 2014-2015 £000
Carole Wilkinson	20-25	20-25
Malcolm Dickson	5-10	5-10
Andrew Miller	0-5	0-5
Bernadette Docherty	0-5	0-5
Andrew Menzies	0-5	0-5
Douglas Yates	0-5	0-5
Catherine Robertson	0-5	0-5
Anela Anwar	0-5	0-5

	Salary and allowances 2015-2016 £000	Pension benefits 2015-2016 £000	Single total figure of remuneration 2015-2016 £000	Salary and allowances 2014-2015 £000	Pension benefits 2014-2015 £000	Single total figure of remuneration 2014-2015 £000
Executive Management Team Members						
Neil Hunter Principal Reporter/Chief Executive	105-110	31	135-140	105-110	21	125-130
Edward Morrison Head of Finance and Resources	70-75	14	85-90	70-75	1	75-80
Susan Deery Human Resources Manager	55-60	11	65-70	55-60	(5)	50-55
Malcolm Schaffer Head of Practice and Policy	70-75	11	85-90	70-75	(4)	70-75
Thomas Philliben Senior Operational Manager	75-80	13	85-90	75-80	(1)	70-75
Alistair Hogg Senior Operational Manager	65-70	29	95-100	65-70	20	85-90
Lisa Bennett Head of Strategy and Organisational Development	55-60	8	70-75	n/a	n/a	n/a
Margaret McManus* Director of Support Services	0-5	10	10-15	65-70	22	90-95
Elliot Jackson* Head of Planning and Strategy	30-35	21	50-55	65-70	22	90-95

Lisa Bennett joined the Executive Management Team on 14 September 2015.

* Left during 2015-16

	2015- 2016	2014- 2015
Mid-point of Highest Paid Executive Management Team		
Member's Total Remuneration*	£106,987	£106,133
Median Total Remuneration*	£32,401	£32,456
Ratio	3.3:1	3.3:1

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

No benefits in kind were received in 2015-16 (2014-15: £nil).

Senior managers' non-cash remuneration

Senior managers did not receive any non-cash remuneration in 2015-16 (2014-15: £nil).

Senior managers' pension entitlements

	Real increase in cash equivalent transfer value during year	Cash equivalent transfer value at 31 March 2016	Cash equivalent transfer value at 31 March 2015	Total accrued lump sum at 31 March 2016	Total accrued pension at 31 March 2016	Real increase in lump sum in year to 31 March 2016	Real increase in pension in year to 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Executive Management Team Members							
Neil Hunter Principal Reporter/Chief Executive	16	118	92	0	10-15	0	0-2.5
Edward Morrison Head of Finance and Resources	19	438	408	55-60	25-30	(2.5)-0	0-2.5
Susan Deery Human Resources Manager	13	318	298	40-45	20-25	(2.5)-0	0-2.5
Malcolm Schaffer Head of Practice and Policy	3	769	751	80-85	30-35	(2.5)-0	0-2.5
Thomas Philliben Senior Operational Manager	31	631	588	65-70	30-35	(2.5)-0	0-2.5
Alistair Hogg Senior Operational Manager	22	225	197*	20-25	10-15	0-2.5	0-2.5
Lisa Bennett Head of Strategy and Organisational Development	2	106	100	Oct-15	10-15	(2.5)-0	0-2.5
Margaret McManus Director of Support Services	16	351	331	45-50	20-25	0-2.5	0-2.5
Elliot Jackson Head of Planning and Strategy	25	383	351	50-55	20-25	0-2.5	0-2.5

* Following a change in GAD guidance, cash equivalent transfer values at 31 March 2015 have been rebased.

Prior year comparatives

	Real increase in cash equivalent transfer value during year	Cash equivalent transfer value at 31 March 2015	Cash equivalent transfer value at 31 March 2014	Total accrued lump sum at 31 March 2015	Total accrued pension at 31 March 2015	Real increase in lump sum in year to 31 March 2015	Real increase in pension in year to 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Executive Management Team Members							
Neil Hunter Principal Reporter/Chief Executive	10	92	72	0	5-10	0	0-2.5
Edward Morrison Head of Finance and Resources	7	408	385	55-60	20-25	(2.5)-0	0-2.5
Susan Deery Human Resources Manager	(1)	298	293	40-45	15-20	0-2.5	(2.5)-0
Malcolm Schaffer Head of Practice and Policy	(18)	751	744	80-85	30-35	(2.5)-0	0-2.5
Thomas Philliben Senior Operational Manager	14	588	553	65-70	25-30	(2.5)-0	0-2.5
Alistair Hogg Senior Operational Manager	14	172	149	20-25	10-15	0-2.5	0-2.5
Margaret McManus Director of Support Services	20	331	297	40-45	20-25	0-2.5	0-2.5
Elliot Jackson Head of Planning and Strategy	20	351	318	50-55	20-25	0-2.5	0-2.5

Prior year comparatives have not been provided for Lisa Bennett as she was not a member of Executive Management Team during the year.

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 2015-16 (2014-15: £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 2015-16 (2014-15: £nil).

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.

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.

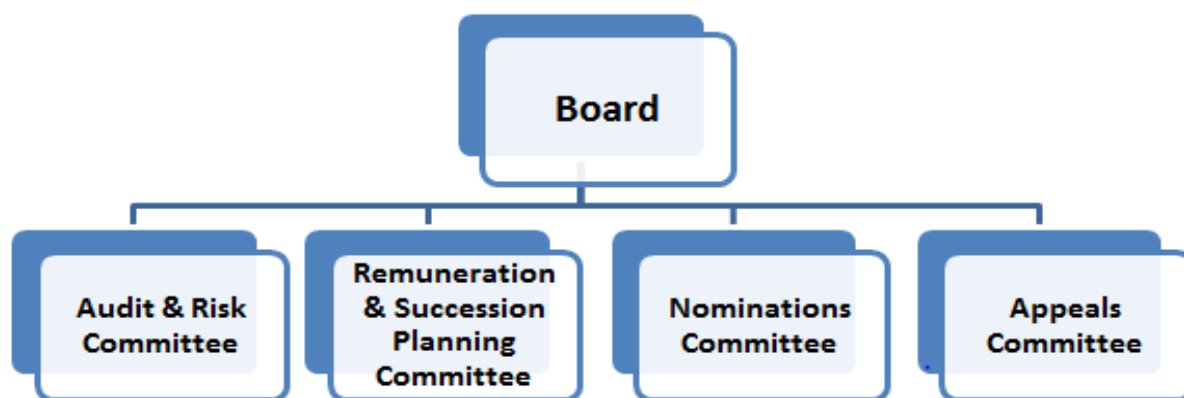
Governance framework

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 2016 and up to the date of the approval of the financial statements. The SPFM provides guidance to the Scottish Government, and other relevant bodies, on the proper handling of public funds. It is designed to ensure compliance with statutory and parliamentary requirements, promote value for money, high standards of propriety, effective accountability and robust systems of internal control.

Board and Committee Structure

The Board Committee structure encompasses an Audit and Risk Committee, a Remuneration & Succession Planning Committee, a Nominations Committee and an Appeals Committee. The Committees report into the Board, on a routine basis, on the business conducted at their meetings.

Board Structure



Audit & Risk Committee

The Audit and Risk Committee comprises the Chair of the Audit Committee and three non-executive members. It 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 Audit and Risk Committee carries out an annual self-assessment and reports annually on its activities to the Board.

Audit & Risk Committee Programme of Business:

Meetings held May, August, November 2015 and February 2016	
Standing Items	Other Business Items
Information Governance <ul style="list-style-type: none">• Case Information & Non-Disclosure Breaches	Annually <ul style="list-style-type: none">• Report to the Board on the Audit & Risk Committee's business• Self-Assessment Exercise• Meeting with Internal/External Auditors• Fraud Report• External Audit Report to those charge with Governance on the Audit Management Representation Letter• Annual Accounts, Governance Statement, Accounting Policies• Internal & External Audit Plans• Quality Assurance Programme• Joint Inspection of Children's Services – Overview Bi-annual <ul style="list-style-type: none">• Review of Strategic & Operational Risk Registers (bi- annually)• Internal Audit Recommendations Follow-up• Review of External Governance Failures• Pensions Update
Quality Assurance and Performance <ul style="list-style-type: none">• Case Sampling Reports	
External Audit <ul style="list-style-type: none">• Update on Topical/Regulatory Issues	
Internal Audit <ul style="list-style-type: none">• Reports on fieldwork• Annual Plan Progress	
Risk Management <ul style="list-style-type: none">• New Risks	
Specific Items for 2015/16 (in addition to above)	
<ul style="list-style-type: none">• Case Management System – User Inter-face Programme Update• Consultation on Revised Code of Audit Practice• Research Report: Non-Disclosure Conditions in the Children's Hearings System	

Remuneration and Succession Planning

The Remuneration & Succession Planning Committee comprises the Chair and three non-executive members and meets at least twice per year. It is responsible for governance of the pay and remuneration policy for the organisation and the approval of Principal Reporter/Chief Executive appraisal and pay. It also monitors progress on the organisation's succession planning arrangements.

Business Dealt with during 2015/16 (Meetings held June 2015 and December 2015)

- Internal Audit Report on Workforce Planning
- Reward & Recognition Scheme
- Pensions – Discretions Policy & Increase in National Insurance Contributions
- Principal Reporter Performance & Objective Setting
- Pay Award Proposals
- Succession Planning

Nominations Committee

The Nominations Committee comprises the Chair and three non-executive members and one Sponsor Team official and meets at least annually. The role of the Committee is to:

- (i) Lead the process for Board appointments and make recommendations to the Board;
- (ii) Offer advice to the Board on future Board appointments.
- (iii) Review and evaluate skills, knowledge, expertise of current Board Members on an annual basis

Business Dealt with during 2015/16 (Meetings held May, August 2015 and February 2016)

- Recruitment Process for two new Board Members including review of skills matrix, applicant information pack and advertising strategy/communications plan
- Review of lessons learned from the recruitment process

Appeals Committee

The Appeals Committee comprises three non-executive members and meets as required. Its remit is to:

- hear appeals from SCRA staff in respect of any of the matters set out in SCRA's Manual of Personnel Policies & Procedures and in accordance with the arrangements set out therein;
- come to a substantive decision on any appeal; and
- report the outcome to the Board at its next meeting following any appeal

The Committee did not require to meet in 2015/16.

Operation of the Board

The Board met five times during 2015-16 (June 2015, September 2015, December 2015, January 2016, March 2016) 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 October 2015. The Board regularly review the organisation's key policies which include the Fraud Policy and Fraud Response Plan and Whistleblowing Policy.

Board programme of business:

Standing Items	Specific Items for 2015/16
<ul style="list-style-type: none">· Committee Minutes· Chief Executive's Report· Budget Monitoring· Organisational Performance· New Risks	<ul style="list-style-type: none">· Shared Services· CHS/SCRA Joint Work Programme· Digital Strategy
Annual <ul style="list-style-type: none">· Budget· Annual Accounts & Management Representation Letter· Annual Report· Corporate & Business Plans· Complaints· Environmental Report· Committee Annual Reports· Health & Safety· Workforce Report· Overview of Policies· Research Programme	<ul style="list-style-type: none">· Performance Management Framework· Spending Review 2015· Communications Strategy 2015-18· Organisational Development Strategy· Procurement Strategy 2015-18· Procurement Update· Board Committee Membership
Bi-annual <ul style="list-style-type: none">· Influencing Report· Strategic & Operational Risk Registers· Locality Performance Review	<ul style="list-style-type: none">· Getting It Right For Every Child (GIRFEC)· Equalities – report from Equalities Network chaired by SCRA Chair (via routine Chief Executive's Report)

Board Development Meetings - business conducted at the two Board Development Days (April and November 15) held in locality offices included:

- Board Self Assessment including Board Appraisal Feedback & Training Plan
- Risk Appetite Review
- Horizon Scanning Session
- Operational – analysis of data to identify trends/issues; business planning, spending review and local performance review feedback
- Meeting with Locality Staff

Executive Management

The Executive Management Team (EMT) comprises the senior managers in the organisation who are responsible for establishing and maintaining a sound internal control system. The EMT meets monthly and is supported by an Operational Group, a Change Board, Health and Safety Committee, Equalities Group and Information Governance Group. The EMT receive regular reports on budget management, organisational performance and changes in strategic/operational risks.

Internal Controls

The internal control framework comprises a network of systems designed to provide assurance that organisational objectives will be achieved, with particular reference to:

- risk management
- the effectiveness of operations
- the economical and efficient use of resources
- compliance with applicable policies, procedures, laws and regulations
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

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. It is based on an ongoing process designed to identify and prioritise the risks, evaluate the likelihood of those risks being realised and the impact should they be realised. The system of internal control has been in place in SCRA for the year to 31 March 2016, and up to the date of approval of the annual report and accounts.

The following internal control systems are assessed annually as part of the Scottish Government Certificates of Assurance process which must be completed by the Chief Executive:

- Risk Management
- Business Planning
- Major Investment
- Project Management
- Financial Management
- Fraud
- Procurement
- Human Resources
- Equality
- Information
- Health & Safety
- Compliance

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 and Risk 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, Localities maintain their own Risk Registers and the Change Programme Board monitors all significant programme and project risks.

The Internal Auditor reviewed risk management arrangements in 2014-15 and improvements to current arrangements have been implemented including:

- revisions to Risk Management Policy which included a review of risk appetite; and
- establishment of a Risk Reference Group to oversee development of Locality risk management

Information Governance

All Information Governance duties are carried out by Information Governance (IG) Leads who meet frequently as a Group with the SCRA Senior Information Risk Officer (SIRO) as Chair. A Board Member has been nominated to link with the IG Leads Group.

Data security

A number of data breaches, including breaches of non-disclosure orders, have been reported to me by SCRA's SIRO 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.

Quality and Performance

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 and Risk 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. The Practice and Quality network meets throughout the year with a purpose to share best practice and to help improve the quality of the service provided to children and young people.

Internal Audit

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 and Risk Committee which include an independent opinion on the adequacy and effectiveness of SCRA's system of internal control together with recommendations for improvement. Three high risk recommendations relating to the Case Management System were identified by the auditors in 2015/16 and management actions have been agreed to mitigate the control risks. In the auditors opinion, SCRA has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money and deliver best value.

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 2015-16 Internal Control Checklist which was submitted to the Sponsor Division as part of the Scottish Government's Certificates of Assurance process.
- a range of other accountability mechanisms including quarterly organisational performance reviews, end to end process reviews, regular assessment of management of key risks, regular review of organisational policies and potentially, information from whistleblowers in line with the Whistleblowing Policy.

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

Neil Hunter
Accountable Officer

Date: 22 September 2016

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 Scottish Children's Reporter Administration for the year ended 31 March 2016 under the Children's Hearings (Scotland) Act 2011. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Taxpayers' 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 2015/16 Government Financial Reporting Manual (the 2015/16 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 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 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 the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2016 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 2015/16 FReM; and
- have been prepared in accordance with the requirements of the Children's Hearings (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 and Staff Report to be audited has been properly prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report and Accountability 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 and Staff 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.

Lindsey Paterson (for and on behalf of PricewaterhouseCoopers)

141 Bothwell Street

Glasgow

22 September 2016

**Statement of Comprehensive Net Expenditure
For the year ended 31 March 2016**

	Note	2015- 2016	2014- 2015
		£000	£000
Expenditure			
Staff costs	3	16,902	17,418
Other expenditure	4	5,899	5,588
Depreciation and amortisation	5,8	<u>2,098</u>	<u>2,529</u>
		24,899	25,535
Income	2	<u>593</u>	<u>425</u>
Net expenditure		24,306	25,110
Interest payable		3	4
Interest receivable		(4)	(5)
Pension scheme finance cost	12	<u>1,175</u>	<u>1,291</u>
Net expenditure before Scottish Government funding		<u>25,480</u>	<u>26,400</u>

Statement of Financial Position
As at 31 March 2016

	Note	31 March 2016	31 March 2015
		£000	£000
Non-current assets			
Property, plant and equipment	5	7,795	7,626
Investment properties	7	0	35
Intangible assets	8	1,177	2,229
<i>Total non-current assets</i>		<u>8,972</u>	<u>9,890</u>
Current assets			
Trade and other receivables	9	555	524
Cash and cash equivalents	10	44	77
Assets held for sale	6	115	480
<i>Total current assets</i>		<u>714</u>	<u>1,081</u>
Total assets		9,686	10,971
Current liabilities			
Trade and other payables	11(i)	2,228	2,234
Finance lease	14(ii)	38	37
<i>Total current liabilities</i>		<u>2,266</u>	<u>2,271</u>
Non-current assets less net current liabilities		7,420	8,700
Non-current liabilities			
Payables	11(ii)	306	328
Pension liability	12	28,089	34,739
Provision for unfunded pensions	13	495	511
Finance lease	14	1,365	1,403
<i>Total non-current liabilities</i>		<u>30,255</u>	<u>36,981</u>
Assets less liabilities		<u>(22,835)</u>	<u>(28,281)</u>
Taxpayers' deficit			
General fund		2,627	6,435
Pension reserve		(26,696)	(35,756)
Revaluation reserve		1,234	1,040
Total taxpayers' deficit		<u>(22,835)</u>	<u>(28,281)</u>

The financial statements set out on pages 21 to 41 were approved by the Board on 22 September 2016 and signed on its behalf by

Neil Hunter
Accountable Officer

Statement of Cash Flows for the year ended 31 March 2016

	2015-2016	2014-2015
	£000	£000
Cash flows from operating activity		
Net expenditure	(24,306)	(25,110)
Adjustments for non-cash items		
(Decrease)/Increase in pension fund liability	(6,650)	6,240
Increase/(Decrease) in pension reserve	9,060	(3,928)
Depreciation and amortisation charges	5,8 2,098	2,529
Permanent diminution	4 72	0
Loss on disposal of tangible non-current assets	4 20	2
Decrease in revaluation reserve	(40)	
<i>Movements in working capital</i>		
Increase in trade and other receivables	9(i) (31)	(86)
(Decrease)/Increase in trade and other payables	11, 14(ii) (65)	490
<i>Movements in provisions</i>		
Provision for unfunded pension contribution	13 (16)	(26)
Net cash outflow from operating activities	(19,858)	(19,889)
Cash flow from investing activities		
Purchase of property, plant and equipment	5 (279)	(348)
Purchase of intangible assets	8 (121)	(210)
Increase in assets under construction	5 (753)	(177)
Proceeds of disposals of property, plant and equipment	480	0
Interest received	4	5
Cash flow from financing activities		
Scottish Government funding for year	21,672	21,658
Interest paid	(3)	(4)
Net interest expense on pension asset	12 (1,175)	(1,291)
Net (decrease)/increase in cash and cash equivalents	(33)	(256)
Opening Cash Balance	77	333
Closing Cash Balance	44	77

Statement of Changes in Taxpayers' Deficit for the year ended 31 March 2016

	General Fund £000	Pension Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2014	11,177	(31,828)	731	(19,920)
Changes in taxpayers' deficit for 2014-15				
Net gain on revaluation of property	0	0	309	309
Actuarial loss on pension reserve	0	(3,929)	0	(3,929)
Actuarial gain on group assurance	0	1	0	1
Net expenditure for the year	(26,400)	0	0	(26,400)
Total recognised income and expense for 2014-15	(26,400)	(3,928)	309	(30,019)
Funding from Scottish Government	21,658	0	0	21,658
Balance at 31 March 2015	6,435	(35,756)	1,040	(28,281)
Changes in taxpayers' deficit for 2015-16				
Net gain on revaluation of property			194	194
Actuarial gain on pension reserve		9,060		9,060
Actuarial gain on group assurance		0		0
Net expenditure for the year	(25,480)			(25,480)
Total recognised income and expense for 2015-16	(25,480)	9,060	194	(16,226)
Funding from Scottish Government	21,672			21,672
Balance at 31 March 2016	2,627	(26,696)	1,234	(22,835)

Notes to the financial statements

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2015-16 *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 2014. Details of this valuation are included in a report published by Falkirk Council.

The contribution rates for 2015-16 were an average of 6.11% by employee and 16.41% 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 2015 and have been indexed to 31 March 2016 using an appropriate index.

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 2016 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. 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.

n. Pensions

The accounts 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 accounts. 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 2014. In preparing the projected pension expense for the year to 31 March 2016, 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 12.

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 1.3% 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.

o. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

p. Value Added Tax

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

q. 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 2016	Approximate % increase to SCRA	Approximate monetary amount £000
0.5% decrease in Real discount Rate	12%	13,003
1 year increase in life member expectancy	3%	3,346
0.5% increase in the Salary Increase Rate	4%	5,007
0.5% increase in the Pension Increase Rate	7%	7,770

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 2016 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 £593k (2014-15: £425k) is comprised mainly of shared services income (including rents) and funding from local authorities for youth justice posts.

3 Staff numbers and related costs

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

	2015-16 £000	2014-15 £000
Salaries and wages	12,292	12,634
Social security costs	909	939
Contributions to pension scheme	2,038	2,180
Cost of early retirement	21	123
IAS 19 adjustment to pension scheme contributions	1,383	1,166
Provision for unfunded pension liability	0	15
	16,643	17,057

(ii) Staff costs – other staff

	2015-16	2014-15
	£000	£000
Salaries and wages	230	296
Social security costs	8	20
Contributions to pension scheme	21	45
	259	361

(iii) Staff costs – all staff

	2015-16	2014-15
	£000	£000
Salaries and wages	12,522	12,930
Social security costs	917	959
Contributions to pension scheme	2,059	2,225
Cost of early retirement	21	123
IAS 19 adjustment to pension scheme contributions	1,383	1,166
Provision for unfunded pension liability	0	15
	16,902	17,418

(iv) Average number of employees

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

Category of staff	2015-16	2014-15
Staff with permanent contract	391	399
Staff with short-term contract	9	17
Total	400	416

Average numbers are calculated using actual whole-time person equivalents at 1 April 2015, 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016.

(v) Exit Packages

A summary of exit packages agreed during 2015-16 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))
<£20,001	0	4	4	0
£20,001 - £40,000	0	4	4	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	1	1	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 - £200,000	0	0	0	0
Total number of exit packages by type (total cost)	0	9(£217k)	9(£217k)	0

A summary of exit packages agreed during 2014/15 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))
<£20,001	0	0	0	0
£20,001 - £40,000	0	1	1	0
£40,001 - £60,000	0	1	1	0
£60,001 - £80,000	0	1	1	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	1	1	0
£150,001 - £200,000	0	0	0	0
Total number of exit packages by type (total cost)	0	4 (£247k)	4 (£247k)	0

4 Other expenditure

	2015-16 £000	2014-15 £000
Other property costs	1,733	1,669
Running costs	1,876	1,996
Rentals under operating leases	1,129	1,070
Hearing and legal costs	610	584
Training, recruitment and other staff costs	351	151
Board Fees and Expenses	52	47
Auditor remuneration	28	30
Internal auditors' remuneration	28	39
Non-cash items		
Permanent diminution	72	0
Loss on disposal of non-current assets	20	2
	5,899	5,588

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
Cost/Valuation									
At 1 April 2015	1,072	5,082	334	3,634	1,147	357	3,621	62	15,309
Additions	0	44	845	91	11	40	30	0	1,061
Transfers	0	62	(63)	1	0	0	0	0	0
Disposals	(120)	(360)	0	0	(17)	(35)	(358)	(16)	(906)
Transferred from asset group classified as Held for Sale	85	280	0	0	0	0	0	0	365
Transferred from asset group classified as Investment Assets	5	30	0	0	0	0	0	0	35
Impairment	0	(72)	0	0	0	0	0	0	(72)
Indexation / Revaluation	0	(40)	0	0	0	0	0	0	(40)
At 31 March 2016	1,042	5,026	1,116	3,726	1,141	362	3,293	46	15,752
Accumulated depreciation									
At 1 April 2015	0	368	0	2,392	1,109	228	3,524	62	7,683
Provided in year	0	305	0	471	25	75	60	0	936
Withdrawn on disposal	0	0	0	0	(17)	(35)	(358)	(16)	(426)
Withdrawn on revaluation	0	(236)	0	0	0	0	0	0	(236)
At 31 March 2016	0	437	0	2,863	1,117	268	3,226	46	7,957
Net Book Value									
At 31 March 2016	1,042	4,589	1,116	863	24	94	67	0	7,795
At 31 March 2015	1,072	4,714	334	1,242	38	129	97	0	7,626

	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
Cost/Valuation									
At 1 April 2014	1,176	5,567	157	5,481	1,302	984	3,874	137	18,678
Additions	0	103	177	152	17	2	74	0	525
Disposals	0	0	0	(1,999)	(172)	(629)	(327)	(75)	(3,202)
Transferred to asset group classified as Held for Sale	(125)	(375)	0	0	0	0	0	0	(500)
Transferred to asset group classified as Investment Assets	(5)	(5)	0	0	0	0	0	0	(10)
Indexation / Revaluation	26	(208)	0	0	0	0	0	0	(182)
At 31 March 2015	1,072	5,082	334	3,634	1,147	357	3,621	62	15,309
Accumulated depreciation									
At 1 April 2014	0	299	0	3,837	1,231	778	3,715	137	9,997
Provided in year	0	378	0	554	50	79	136	0	1,197
Withdrawn on disposal	0	0	0	(1,999)	(172)	(629)	(327)	(75)	(3,202)
Withdrawn on revaluation	0	(309)	0	0	0	0	0	0	(309)
At 31 March 2015	0	368	0	2,392	1,109	228	3,524	62	7,683
Net Book Value									
At 31 March 2015	1,072	4,714	334	1,242	38	129	97	0	7,626
At 31 March 2014	1,176	5,268	157	1,644	71	206	159	0	8,681

The net book amount of property, plant and equipment at 31 March 2016 includes £1,331k (2015: £1,400k) in respect of a building held under a finance lease.

6 Assets held for sale

	£000
Assets at market value as determined by the valuers	
As at 1 April 2015	480
Transfers to Property, Plant & Equipment	(365)
Revaluation	0
As at 31 March 2016	115

7 Investment properties

	£000
Investment property at market value as determined by the valuers	
As at 1 April 2015	35
Transfers	(35)
As at 31 March 2016	0

8 Intangible assets

	Intangible assets under construction	Software licences	Information Technology	Total
	£000	£000	£000	£000
Cost at 31 March 2015	9	241	4,173	4,423
Additions	0	15	97	112
Disposals	(9)	2	7	0
At 31 March 2016	0	258	4,277	4,535

Accumulated amortisation

At 31 March 2015	0	164	2,030	2,194
Provided in year	0	43	1,120	1,163
At 31 March 2016	0	207	3,150	3,357

Net book value

31 March 2016	0	51	1,127	1,178
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Net book value

31 March 2015	9	77	2,143	2,229
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	Intangible assets under construction	Software licences	Information Technology	Total
	£000	£000	£000	£000
Cost at 1 April 2014	9	287	3,985	4,281
Additions	0	22	188	210
Disposals	0	(68)	0	(68)
At 31 March 2015	9	241	4,173	4,423

Accumulated amortisation

At 1 April 2014	0	172	958	1,130
Provided in year	0	60	1,072	1,132
Withdrawn on disposal	0	(68)	0	(68)
At 31 March 2015	0	164	2,030	2,194

Net book value

31 March 2015	9	77	2,143	2,229
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Net book value

31 March 2014	9	115	3,027	3,151
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9 Trade and other receivables

(i) Current assets:

	2015-16 £000	2014-15 £000
Other receivables	259	85
Prepayments	296	439
	555	524

(ii) Intra governmental balances

	2015-16 £000	2014-15 £000
Balances with other central government bodies	188	0
Balances with local authorities	51	93
Balances with bodies external to government	316	431
At 31 March	555	524

10 Cash and cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	77	333
Net change in cash and cash equivalents	(33)	(256)
Balance at 31 March	44	77
Bank accounts	37	74
Petty cash balance	7	3
	44	77

All bank balances at 31 March 2016 are held in commercial banks.

11 Trade and other payables

(i) Current liabilities

	2015-16 £000	2014-15 £000
Trade payables	311	330
Tax and social security	249	276
Other payables	364	249
Accruals	1,304	1,379
	2,228	2,234

(ii) Non-current liabilities

	2015-16 £000	2014-15 £000
PWLB loans	37	37
Other payables, accruals and deferred income	269	291
	306	328

(iii) Intra governmental balances

	Payables: current 2015-16 £000	Payables: non-current 2015-16 £000	Payables: current 2014-15 £000	Payables: non-current 2014-15 £000
Balances with other central government bodies	296	37	276	37
Balances with local authorities	278	0	6	0
Balances with bodies external to government	1,654	269	1,952	291
At 31 March	<u>2,228</u>	<u>306</u>	<u>2,234</u>	<u>328</u>

12 Pensions

Information about the assumptions underlying the figures in this note are as follows.

Financial assumptions

The assumptions the actuary has been instructed to use by SCRA are summarised below:

Period Ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Pension Increase Rate	2.2%	2.3%
Salary Increase Rate	3.0%	3.0%
Discount Rate	3.5%	3.2%

Mortality

Life expectancy is based on the Fund's VitaCurves assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.8 years
Future Pensioners*	24.3 years	26.3 years

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below.

Period Ended	Prospective Pensioners	Pensioners
31 March 2015	Vita base curves with improvements in line with CMI 2012 assuming current rate of improvements have peaked with minimum underpin of 1.25% p.a.	Vita base curves with improvements in line with CMI 2012 assuming current rate of improvements have peaked with minimum underpin of 1.25% p.a.

Please note that the mortality assumptions are identical to those used in the previous accounting period.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Retirement benefits

Change in the fair value of plan assets, defined benefit obligation and net liability for the year end 31 March 2016

	Assets £000	Obligations £000	Net (liability) / asset £000
Fair value of employer assets	81,877	0	81,877
Present value of funded liabilities	0	113,110	(113,110)
Present value of unfunded liabilities	0	3,506	(3,506)
Opening position as at 31 March 2015	81,877	116,616	(34,739)
Service cost			
- Current service cost	0	3,507	(3,507)
- Past service cost (including curtailments)	0	43	(43)
- Effect of settlements	0	0	0
Total service cost	0	3,550	(3,550)
Net interest			
- Net income on plan assets	2,626	0	2,626
- Net cost on defined benefit obligation	0	3,758	(3,758)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	2,626	3,758	(1,132)
Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure	2,626	7,308	(4,682)
Cash flows			
- Plan participants' contributions	797	797	0
- Employer contributions	2,124	0	2,124
- Contributions in respect of unfunded pensions	148	0	148
- Benefits paid	(2,544)	(2,544)	0
- Unfunded benefits paid	(148)	(148)	0
Expected closing position	84,880	122,029	(37,149)
Remeasurements			
- Change in demographic assumptions	0	0	0
- Change in financial assumptions	0	(9,262)	9,262
- Other experience	0	(1,242)	1,242
- Return on assets excluding amounts included in net interest	(1,444)	0	(1,444)
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Statement of Taxpayers' Deficit	(1,444)	(10,504)	9,060
Fair value of employer assets	83,436	0	83,436
Present value of funded liabilities	0	108,343	(108,343)
Present value of unfunded liabilities	0	3,182	(3,182)
Closing position as at 31 March 2016	83,436	111,525	(28,089)

Change in the fair value of plan assets, defined benefit obligation and net liability for the year end 31 March 2015

	Assets	Obligations	Net (liability) / asset
	£000	£000	£000
Fair value of employer assets	70,612	0	70,612
Present value of funded liabilities	0	95,636	(95,636)
Present value of unfunded liabilities	0	3,475	(3,475)
Opening position as at 31 March 2014	70,612	99,111	(28,499)
Service cost			
- Current service cost	0	3,421	(3,421)
- Past service cost (including curtailments)	0	44	(44)
- Effect of settlements	0	0	0
Total service cost	0	3,465	(3,465)
Net interest			
- Net income on plan assets	3,056	0	3,056
- Net cost on defined benefit obligation	0	4,303	(4,303)
- Impact of asset ceiling on net interest	0	0	0
Total net interest	3,056	4,303	(1,247)
Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure	3,056	7,768	(4,712)
Cash flows			
- Plan participants' contributions	847	847	0
- Employer contributions	2,255	0	2,255
- Contributions in respect of unfunded pensions	146	0	146
- Benefits paid	(2,094)	(2,094)	0
- Unfunded benefits paid	(146)	(146)	0
Expected closing position	74,676	105,486	(30,810)
Remeasurements			
- Change in demographic assumptions	0	(958)	958
- Change in financial assumptions	0	(1,951)	1,951
- Other experience	0	14,039	(14,039)
- Return on assets excluding amounts included in net interest	7,201	0	7,201
- Changes in asset ceiling	0	0	0
Total remeasurements recognised in Statement of Taxpayers' Deficit	7,201	11,130	(3,929)
Fair value of employer assets	81,877	0	81,877
Present value of funded liabilities	0	113,110	(113,110)
Present value of unfunded liabilities	0	3,506	(3,506)
Closing position as at 31 March 2015	81,877	116,616	(34,739)

Fair value of employer assets at 31 March 2016

Asset Category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	%
Equity securities:				
Consumer	8,764.1	0.0	8,764.1	10%
Manufacturing	4,715.2	0.0	4,715.2	6%
Energy and utilities	2,976.2	0.0	2,976.2	4%
Financial institutions	5,392.6	0.0	5,392.6	6%
Health and care	4,268.2	0.0	4,268.2	5%
Information technology	5,052.9	0.0	5,052.9	6%
Other	1.9	0.0	1.9	0%
Debt securities:				
Corporate bonds (investment grade)	0.0	1,348.4	1,348.4	2%
Corporate bonds (non-investment grade)	0.0	0.0	0.0	0%
UK Government	0.0	0.0	0.0	0%
Other	0.0	0.0	0.0	0%
Private equity:				
All	0.0	6,069.7	6,069.7	7%
Real estate:				
UK property	0.0	6,487.2	6,487.2	8%
Overseas property	0.0	197.4	197.4	0%
Investment funds and unit trusts:				
Equities	17,748.4	0.0	17,748.4	21%
Bonds	0.0	5,750.5	5,750.5	7%
Hedge funds	0.0	0.0	0.0	0%
Commodities	0.0	0.0	0.0	0%
Infrastructure	0.0	1,091.1	1,091.1	1%
Other	9,630.0	0.0	9,630.0	12%
Derivatives:				
Inflation	0.0	0.0	0.0	0%
Interest rate	0.0	0.0	0.0	0%
Foreign exchange	0.0	0.0	0.0	0%
Other	0.0	0.0	0.0	0%
Cash and cash equivalents:				
All	3,942.2	0.0	3,942.2	5%
Totals	62,492	20,944	83,436	100%

Fair value of employer assets at 31 March 2015

Asset Category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	%
Equity securities:				
Consumer	7,924	0	7,924	10%
Manufacturing	4,880	0	4,880	6%
Energy and utilities	3,227	0	3,227	4%
Financial institutions	5,982	0	5,982	7%
Health and care	4,249	0	4,249	5%
Information technology	3,304	0	3,304	4%
Other	1,411	0	1,411	2%
Debt securities:				
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%
Private equity:				
All	0	4,742	4,742	6%
Real estate:				
UK property	0	5,886	5,886	7%
Overseas property	0	288	288	0%
Investment funds and unit trusts:				
Equities	17,605	0	17,605	21%
Bonds	7,270	0	7,270	9%
Hedge funds	0	0	0	0%
Commodities	0	0	0	0%
Infrastructure	0	2,060	2,060	3%
Other	9,573	0	9,573	12%
Derivatives:				
Inflation	0	0	0	0%
Interest rate	0	0	0	0%
Foreign exchange	0	0	0	0%
Other	3	0	3	0%
Cash and cash equivalents:				
All	3,474	0	3,474	4%
Totals	68,902	12,975	81,877	100%

13 Provision for unfunded pensions

	2015-16 £000
Balance at 1 April	511
Provisions utilised during the year	(38)
Actuarial valuation adjustment	22
Balance at 31 March	<u>495</u>

14 Commitments under leases

(i) Operating leases

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

	2015-16 £000	2014-15 £000
Buildings		
Not later than one year	1,013	956
Later than one year and not later than five years	3,423	2,857
Later than five years	490	497
	<u>4,926</u>	<u>4,310</u>

(ii) Finance Leases

	2015-16 £000	2014-15 £000
Gross lease liabilities		
Within one year	92	92
Between 2 and 5 years	366	366
After 5 years	1,688	1,779
	<u>2,146</u>	<u>2,237</u>
Future interest	<u>(742)</u>	<u>(797)</u>
Net lease liabilities	<u>1,404</u>	<u>1,440</u>

Net lease liabilities are repayable as follows:

Within one year	39	37
Between 2 and 5 years	169	162
After 5 years	1,196	1,241
Total over one year	1,365	1,403

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 £1,429k (31 March 2015: £1,467k).

15 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.

16 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.

17 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 (2014-15: £nil).

18 Capital commitments

SCRA has no capital commitments as at 31 March 2016 (31 March 2015: £nil).

19 Special payments

Under the Scottish Public Finance Manual guidelines there are no losses or special payments requiring disclosure (2014-15: £nil).

20 Contingent liabilities

SCRA has no contingent liabilities as at 31 March 2016 (31 March 2015: £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

