

# ANNUAL ACCOUNTS 2018/19

SCOTTISH CHILDREN'S REPORTER ADMINISTRATION



ENSURING POSITIVE FUTURES FOR CHILDREN AND YOUNG PEOPLE



# PERFORMANCE REPORT

## Overview

### Statement from the Chief Executive

Performance on the key operational performance indicators in 2018/19 remained positive. Initial Hearings proceeding to disposal was 2.5 percentage points (pp) above the 77% target. Hearings scheduled within 20 working days was within 1.2pp of target and therefore rated as amber, decreasing by 0.9pp from 2017/18. Decision making on referrals increased by 1.4pp from 2017/18 but remained amber, 0.4pp below target. Delay remains low with 31 referrals awaiting a decision over 100 days at the year-end, which is significantly lower than the previous year-end (157).

Short term absence at 1.8% was just below the 2% target, and down 0.4pp from 2017/18, so was rated as green. Long term absence, at 3.0% against a 2% target, was rated as red despite a 0.7pp decrease from 2017/18.

The revenue spend finished within 1.8% of budget and was rated as red. Revenue savings achieved in the year amounted to 4.4% against a target of 2% and was rated as green. The capital budget, excluding digital projects, was underspent against budget by £79k (or 9.8%). The property compliance target was met.

SCRA's Executive Management Team and Board have taken steps to ensure SCRA has policies in place to guard against corruption and bribery, including SCRA's procurement policy, Financial Regulations and Fraud and Corruption Policy.

### Statement of the Purpose and Activities of SCRA

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 shared services income, ad hoc cost reimbursement from partner organisations where SCRA provides specialist staff, and rent and cost-recovery from third parties using SCRA-managed properties.

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)
- Respond to Corporate Parenting duties as laid out in The Children and Young People (Scotland) Act 2014

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 2018-19 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 Executive Management Team.

### **Key Issues and Risks that could affect SCRA in delivering its objectives**

The key strategic risks tracked throughout 2018/19 included:

- the current version of SCRA's Case Management System (CMS) becomes unsupported and SCRA cannot respond to an incident/fault resulting in loss of service;
- Facilities Management – failure to comply with a range of duties and provide a safe and suitable working/service delivery environment;
- unable to protect the personal data of children, young people and families, as well as staff members, resulting in a risk to their rights and freedoms through a breach of their personal data;
- failure to comply with new Data Protection legislation including the new General Data Protection Regulation (GDPR), resulting in a loss of public trust in the management of personal data, reputational damage, financial penalties and enforcement action by the supervisory authority;
- loss of management skills, knowledge and experience in key roles due to inadequate succession planning;

- IT Security measures are insufficient to prevent a successful cyber-attack on SCRA case information which results in loss of data which cannot be recovered;
- the employer costs of the Falkirk LGPS increase significantly making the scheme unaffordable within current resources;
- 2018/19 Pay Offer in line with SG pay guidance is not accepted by SCRA staff with resultant service disruption; and
- SR2018 does not deliver level of resources required for medium term financial sustainability.

### Explanation of the adoption of the going concern basis

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.

### Performance Summary

In the year ended 31 March 2019, SCRA reported an excess of expenditure over income of £3,742k (31 March 2018: £3,915k) net of revenue grant-in-aid of £23,208k (31 March 2018: £22,209k). The General Fund has a deficit of £3,903k as at 31 March 2019 (31 March 2018: £2,776k).

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 £35,216k on its pension reserve at 31 March 2019 (31 March 2018: £29,166k). Further details of pension liabilities are provided in the Remuneration Report and Note 11 to the Financial Statements.

SCRA met five of its ten Key Performance Indicators in 2018/19. The detailed performance is shown in the Performance Analysis section below.

### Performance Analysis

All SCRA's activity works towards achieving SCRA's vision which is "working collaboratively to ensure that vulnerable children and young people in Scotland are safe, protected and offered positive futures" – and the Scottish Government's overall purpose for government. SCRA's 2017-20 Corporate Plan explains our vision and strategic direction over the three year period, based on achieving three outcomes:

- A progressive, user focused service
- High quality decisions
- Effective collaboration

In working to deliver these three outcomes, SCRA set out three core strategies for addressing each of them, which would be implemented through annual business plans each containing a number of specific actions either directly targeting delivery or providing a supporting infrastructure. The core strategies are:



- **A progressive, user focused service**

This strategy focuses on anticipating the needs, expectations and priorities of all children, young people and their families that come into contact with us. Key elements of the strategy for implementation during 2017/18 include development of a revised Blueprint for the Children's Hearing System, enhancing through our Corporate Parenting Plan the ways in which we interact with children, young people and their families, enhancing the physical environment at our Hearings Centres to make hearing rooms and waiting rooms more family friendly, and developing a detailed understanding of how we will implement our plans for Better Hearings.

- **High quality decisions**

This strategy focuses on ensuring that we consistently achieve the stretching standards that we set for ourselves. Key elements of the strategy for implementation during 2018/19 include operating a programme of case sampling in key areas of operational practice to provide reassurance on practice quality, using lessons learned from case sampling, and reflective practice, to drive improvement in decision making, providing a range of learning and development opportunities to provide staff with the skills, knowledge, aptitudes and teamwork needed to operate successfully, and providing professional development opportunities and practice based learning to address identified staff development needs.

- **Effective collaboration**

This strategy focuses on enhancing alignment of our activity with that of other agencies with whom we work to jointly progress core areas of service delivery. Key elements of the strategy for implementation during 2017/18 include working with partners to align key Corporate Parenting Strategies to promote the best experience for children and families, and to deliver the Better Hearings standards, exploring ways to collaborate with partners on secure and appropriate sharing of information and data, sharing our research and data findings with partners to jointly learn and improve, and exploring opportunities for joint initiatives with partners that could lead to service improvements, better outcomes or gaining efficiencies.

## Performance measures

	Target	Outcome	
Percentage of decisions on referrals made within 50 working days of receipt	78%	77.6%	A
Percentage of Hearings scheduled to take place within 20 working days	76%	74.8%	A
Percentage of initial Hearings proceeding to disposal	77%	79.5%	G
Percentage of working days lost to absence (long term)	2%	3.0%	R
Percentage of working days lost to absence (short term)	2%	1.8%	G
Percentage of SCRA core properties which comply with SCRA property standards	90%	89.9%	G
Variance in annual revenue spends as a percentage of available revenue budget	Within 1%	1.8%	R
Percentage of revenue savings achieved in the year	2.0%	4.4%	G
Variance in annual capital spends as a percentage of the available capital budget	Within 5%	9.8%	R
Scottish Government efficiency savings target will be met	0.9%	Met target	
Key    G    Target met or exceeded    A    Target nearly met    R    Target missed			

In addition to Key Performance Indicators, 59 Business Plan actions were tracked throughout the year. At the year-end, 39 actions are rated as green, 17 as amber and three as red. In general, actions rated as amber or red have been moved into the 2019/20 Business Plan. Digital strategy work has been removed from the Business Plan information.

A more substantial review of our progress against these priorities can be found in the published SCRA Annual Report 2018-19.

### 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 and Inclusion

SCRA published a revised Equalities and Inclusion Strategy Report in May 2018, which sets out how we will meet our Public Sector Equality Duty and mainstream equality across all parts of our organisation and in the provision of our service to children, young people and their families. Our Equalities Mainstream Report was published in March 2019 demonstrating our continued commitment to developing and embedding equality, diversity and inclusion in our culture and behaviours and as an intrinsic part of our day to day business and decision making.

SCRA is fully committed to eliminating discrimination and providing an environment based on fairness, equality, cultural diversity, dignity and respect where everyone is supported to flourish and fulfil their potential, irrespective of their sex, gender identity, care experience, ethnicity, sexual orientation, disability, faith, age, or socio-economic background.

SCRA is committed to promoting the practice of equality and diversity in all its services, operations and dealings with employees, children, young people and their families and all partner agencies. SCRA aims to ensure that it employs and deploys a workforce that is diverse and equipped with the right mix of skills and experience to deliver a quality service to children and young people.

SCRA's approach over 2018/19 has been to go beyond the compliance obligations and to develop an inclusive ethos within the organisation based on fairness, equality, cultural diversity, dignity and respect. In May 2018, SCRA publically supported the Who Cares? Scotland campaign to recognise equality for children, young people and adults who have experienced of the care system. SCRA recognises care experience as a "tenth protected characteristic" and we continue to review our practice, policies and processes to reflect this.

Our Equalities Strategy and Mainstream Report 2019 Builds provides an overview of key achievements and mainstreaming progress made within the SCRA in 2018/19:

- Six Equalities Network Sub Groups were established
- We have embedded Equalities Ambassadors across the organisation
- We promote requirements to mainstream equality within our Policies and Procedures
- We continue to embed equality, diversity and inclusion across through our role as Corporate Parents and publicly recognising Care Experience as a protected characteristic

- We launched an Equalities Monitoring Campaign
- We launched our equalities, diversity and inclusion training through our management structure as well as through our e-learning platform
- We have launched our Women into Leadership Network

All published equality documents can be found on our website:

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

## Consultation with employees

SCRA is committed to involving staff throughout the organisation in its decision-making process.

SCRA works in partnership with staff and has a partnership agreement with UNISON as the recognised Trade Union. Working in partnership mainstreams consultation and engagement with staff in all aspects of SCRA's working environment through employment issues to service delivery issues. There is an embedded structure of consultation and engagement through the National Partnership Forum which has a number of sub-groups like the HR Sub Group, Health/Wellbeing and Staff Survey Group, Equalities Network and more standalone networks such as the Joint Negotiating and Consultation Committee, Health and Safety Committee, Participation Group etc. Staff from across the organisation are represented on each of these groups to ensure that we engage fully. In addition, there are specific consultations and engagement activities that arise as part of programme and strategy work such as Organisational Readiness Engagement Sessions with all staff across the organisation as part of the Digital Strategy, survey consultation open to all staff on the role of the Assistant Reporter and consultation with staff on LGBT awareness. These are high level examples of the ongoing consultation and engagement approach with staff.

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 and is now embedded well within our business model.

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 2019 SCRA paid 67% (31 March 2018: 68%) of all invoices within the terms of its payment policy. SCRA will continue to reduce its volume of invoices and work to improve the processing time of invoices in order to improve performance in 2019/20.



## Environmental performance

SCRA is committed to meeting the Public Bodies duties set out in part 4 of the Climate Change (Scotland) Act 2009. As a "Major Player" with regard to climate change as defined by Scottish Government SCRA reports annually to Scottish Ministers on their compliance with the climate change duties. The first mandatory reports were submitted on 30 November 2016. Annual reporting supports compliance with the public bodies duties and consolidates climate change information from the public sector.

The Public Bodies Climate Change Duties report for 2018/19 is required to be submitted by the end of November 2019. It is then reviewed by the Scottish Sustainability Network and is expected to be published in the first quarter of 2020. Previous reports can be found at <https://sustainablesotlandnetwork.org/reports>.

SCRA holds some small areas of land within its estate, these are around our existing office and hearing centre buildings. We have considered our current landholdings and how these can be used to contribute towards the '2020 Challenge for Scotland's Biodiversity' set out by the Scottish Government. There are three main areas where SCRA can contribute towards biodiversity:

- Health & wellbeing
- Resource efficiency
- Wildlife & habitat

SCRA has established a Health & Wellbeing group within the organisation, part of the remit for this group is to encourage local engagement with the natural environment.

Resource efficiency issues are being progressed through various strands of work or projects. SCRA's Environment Group has a number of projects that fall into this category although they are not necessarily considered 'biodiversity' projects. For example, business travel, waste minimisation, utility metering and sustainable procurement.

Wildlife & habitat has also been considered in the context of SCRA's estate. There is potential for areas at a small number of our properties to be used to enhance wildlife. We previously consulted with our grounds maintenance contractor on potential projects and trialled "Bug Hotels" in a few locations. SCRA has reduced the amount of regular grounds maintenance activities across the estate and local initiatives for promoting biodiversity are encouraged.

**Neil Hunter**  
**Accountable Officer**  
**26 September 2019**



# ACCOUNTABILITY REPORT

## Directors' Report

<b>Board members in 2018/19</b>	<b>Date of original appointment</b>
Michelle Miller (Chair)	01 May 2018
Sam Anderson	01 June 2016
Anela Anwar	01 December 2014
Tam Baillie	01 September 2018
James Edgar	01 October 2017
Catherine Robertson	01 November 2013
Martin Toye	01 June 2016
Suzanne Vestri	01 October 2016
Carole Wilkinson (Chair)	01 May 2010 (concluded 30 April 2018)
Bernadette Docherty	01 September 2010 (concluded 31 August 2018)

All Board members have fixed term contracts and of the above seven are female and three are male.

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.

<b>Executive Management Team (EMT) members in 2018/19</b>	<b>Date of original appointment</b>
Neil Hunter (Principal Reporter/Chief Executive)	04 April 2011
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
Susan Deery (Head of Human Resources)	01 October 2014
Lisa Bennett (Head of Strategy and Organisational Development)	14 September 2015

All EMT members have permanent UK contracts and of the above two are female and five are male.

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 2016/17 to 2020/21 the Auditor General appointed Audit Scotland 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 Governance Officer at Ochil House, Springkerse Business Park, Stirling, FK7 7XE, or on SCRA's website, <https://www.scra.gov.uk/about-scra/our-board/> and <https://www.scra.gov.uk/about-scra/senior-management/>.

## Report of personal data incidents

SCRA reports all reportable breaches to the Information Commissioner's Office in compliance with legislation.

### 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 20 incidents in 2018-19 where Non-Disclosure Orders were breached. This is a decrease from 2016-17 where there were 35 incidents, and 2017/18 when there were 30 incidents.

In 2018-19, the main sources of breaches were the SCRA with 10 breaches of Non-Disclosure Orders (in 2016-17 there were 21 SCRA breaches: in 2017-18, 20). The next most common sources were Social Work with three breaches of Non-Disclosure Orders with a variety of agencies and family members each accounting for one of the remainder.

### 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 GDPR and by The Data Protection Act 2018.

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 activity including lessons learnt from breaches, updating policy and reviewing training plans. All staff have been trained on GDPR. The Audit and Risk committee of the Board receives a report every six months on Information Governance including an update on record of breaches and actions taken.

SCRA and Children's Hearings Scotland (CHS) 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. We are also working to update data sharing agreements with all relevant bodies that we exchange case information with.

In response to the Scottish Historical Child Abuse Inquiry, we reported last year that we had at their request suspended destruction of files for over 18s. After further dialogue that has now been lifted and lawful file destruction has recommenced.

## Statement of Accountable Officer's Responsibilities

Under Schedule 3 of the Children's Hearing Scotland Act (2011), the Scottish Parliament has directed the SCRA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SCRA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Scottish Parliament, 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 as set out in the Government Financial Reporting Manual (FRM) have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis

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. The Head of Finance and Resources is designated as Depute Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Administration's assets, are set out in *Managing Public Money* by the HM Treasury.

As Accountable Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which the auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.
- the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



## Statement of Governance

### Scope of responsibility

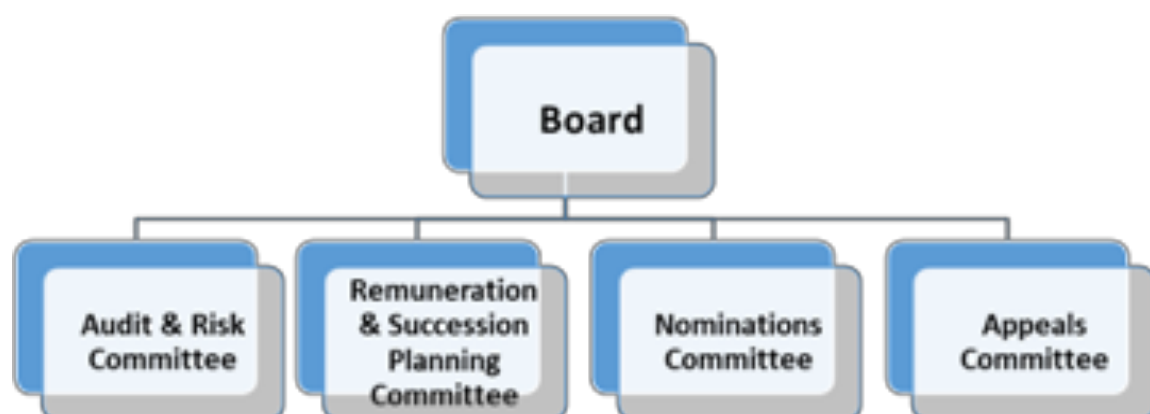
As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SCRA's policies, aims and objectives, as set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with 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 2019 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.



## Operation of the Board

SCRA's Board comprises the Chair, seven non-executive members and the Principal Reporter/Chief Executive. Members of the Board are appointed by Ministers and the normal term of office for a non-Executive member is four years. Board members may serve for a maximum of eight years. The Board has responsibility for ensuring that SCRA fulfils the aims and objectives set by Scottish Ministers.

The role of the Board is to:

- Establish the overall strategic direction within the policy and resources framework agreed with the Scottish Government.
- Ensure that the organisation meets its objectives.
- Demonstrate high standards of corporate governance at all times.
- Ensure that any statutory or administrative requirements for the use of public funds are complied with.

The Board met five times during 2018/19 (June 2018, September 2018, December 2018, January 2019 and March 2019) on regular business. Two Board Development days were held in April and November 2018. The Board regularly review the organisation's key policies which include the Fraud Policy and Fraud Response Plan and Whistleblowing Policy.

### Board Development Meetings

Business conducted at the two Board Development Days (April and November 2018) held in locality offices included:

- Planning for Board and Ministerial meeting
- Standards Officers Seminar Feedback
- Summary of feedback from Board member Appraisals (2017)
- Review of SCRA Business Plan 2019/20
- Board Member training including:
  - GDPR
  - Who Cares Scotland – Corporate Parenting
  - Corporate Parent – Implications for SCRA
- Meeting with Locality Staff

Board programme of business:

Standing Items	Specific Items for 2018/19
<ul style="list-style-type: none"> <li>• Committee Minutes</li> <li>• Chief Executive's Report</li> <li>• Budget Monitoring</li> <li>• Organisational Performance</li> <li>• New Risks</li> </ul>	<ul style="list-style-type: none"> <li>• Digital Strategy Update</li> <li>• Communications Strategy 2015-18 (Update)</li> <li>• Draft Influencing Strategy between SCRA and CHS</li> <li>• Financial Strategy <ul style="list-style-type: none"> <li>◦ Sustainability Report</li> </ul> </li> <li>• Procurement Policy Update</li> <li>• Corporate Parenting Update</li> <li>• Business Plan Update</li> <li>• Research <ul style="list-style-type: none"> <li>◦ SCRA Home Supervision Research</li> </ul> </li> <li>• Engagement and Participation <ul style="list-style-type: none"> <li>◦ Modern Apprenticeship Programme in SCRA – Update from MS's</li> </ul> </li> <li>• Finance and Resources <ul style="list-style-type: none"> <li>◦ Budget Planning 2019/20</li> <li>◦ VER Business Case</li> </ul> </li> <li>• Property Strategy</li> </ul>
<b>Annual</b>	
<ul style="list-style-type: none"> <li>• Budget</li> <li>• Draft Accounts</li> <li>• Annual Accounts and Management Representation Letter</li> <li>• Annual Report</li> <li>• Corporate and Business Plans</li> <li>• Complaints</li> <li>• Environmental Report</li> <li>• Committee Annual Reports</li> <li>• Health &amp; Safety</li> <li>• Workforce Report</li> <li>• Overview of Policies</li> <li>• Research Programme</li> <li>• Annual Efficiency Report</li> <li>• Equalities Network Annual Report</li> <li>• Locality Performance Review</li> </ul>	
<b>Bi-annual</b>	
<ul style="list-style-type: none"> <li>• Influencing Report</li> <li>• Strategic and Operational Risk Registers</li> </ul>	

## Remuneration and Succession Planning

The Remuneration & Succession Planning Committee comprises the Chair and two 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 2018/19 (meetings held June 2018, December 2018 and March 2019):

- Performance and Objective Setting for Principal Reporter/Chief Executive for period 2017/18 and 2018/19
- Pay Award Proposal – Principal Reporter/Chief Executive
- Pay Award Update 2018/19
- Succession Planning Update
  - Women Into Leadership
  - Senior Roles



## **Nominations Committee**

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

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

Business dealt with during 2018/19 (meeting held April 2018):

- Chairs Appointment
  - Update
  - Lessons Learned
- Planning for Board Member Vacancy
  - Review of Skills Matrix

## **Appeals Committee**

The Appeals Committee comprises a Chair and 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 was required to meet once in September 2018 in order to hear a staff appeal against dismissal.

## **Audit and 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.

Audit and Risk Committee Programme of Business (meetings held May 2018, August 2018, November 2018 and February 2019):

Standing Items	Other Business Items
<b>Information Governance</b> <ul style="list-style-type: none"> <li>Data Protection and Information Governance Quarterly Report</li> </ul> <b>Quality Assurance and Performance</b> <ul style="list-style-type: none"> <li>Case Sampling Reports</li> </ul> <b>External Audit</b> <ul style="list-style-type: none"> <li>Update on Topical/Regulatory Issues</li> </ul> <b>Internal Audit</b> <ul style="list-style-type: none"> <li>Reports on fieldwork</li> <li>Annual Plan Progress</li> </ul> <b>Digital Strategy</b> <ul style="list-style-type: none"> <li>Update from Oversight Committee</li> </ul> <b>Risk Management</b> <ul style="list-style-type: none"> <li>New Risks</li> </ul> <b>Topical/Regulatory/Governance Issues</b>	<b>Annually</b> <ul style="list-style-type: none"> <li>Report to the Board on the Audit and Risk Committee's business</li> <li>Meeting with Internal/External Auditors</li> <li>Fraud Report</li> <li>External Audit Report to those charged with Governance on the Audit Management Representation Letter</li> <li>Annual Accounts, Governance Statement, Accounting Policies</li> <li>Internal and External Audit Plans</li> <li>Quality Assurance Programme</li> <li>Joint Inspection of Children's Services – Overview</li> </ul> <b>Bi-annual</b> <ul style="list-style-type: none"> <li>Review of Strategic and Operational Risk Registers</li> <li>Internal Audit Recommendations Follow-up</li> <li>Pensions Update</li> </ul>
<b>Specific Items for 2018/19 (in addition to above)</b>	
Scottish Government Audit and Assurance Committee Handbook (November 2018)	

The Audit and Risk Committee carries out an annual self-assessment and reports annually on its activities to the Board. The Audit and Risk Committee receives regular updates from the Digital Strategy Oversight Committee which meets quarterly and comprises the Chairs of Audit of SCRA and CHS and an independent member.

## 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, an Information Governance Leads Group, a Risk Reference Group and a Digital Delivery Board. The EMT receive regular reports on budget management, organisational performance and changes in strategic/operational risks. Whereas the Board focuses on strategy, performance and behaviour the Principal Reporter advises the Board on all matters and is solely responsible for operational issues. Board members have no authority to instruct the Principal Reporter/Chief Executive or any member of staff on operational matters.

## 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 2019, 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 and Diversity
- 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. The Change Programme Board monitors all significant programme and project risks other than the Digital Strategy risks which are monitored by the Digital Delivery Board. EMT is supported in discharging its risk management responsibilities by the Risk Reference Group.

The key strategic risks tracked throughout 2018/19 included:

- the current version of CMS becomes unsupported and SCRA cannot respond to an incident/fault resulting in loss of service;



- Facilities Management – failure to comply with a range of duties and provide a safe and suitable working/service delivery environment;
- unable to protect the personal data of children, young people and families, as well as staff members, resulting in a risk to their rights and freedoms through a breach of their personal data;
- failure to comply with new Data Protection legislation including the GDPR, resulting in a loss of public trust in the management of personal data, reputational damage, financial penalties and enforcement action by the supervisory authority;
- loss of management skills, knowledge and experience in key roles due to inadequate succession planning;
- IT Security measures are insufficient to prevent a successful cyber-attack on SCRA case information which results in loss of data which cannot be recovered;
- the employer costs of the Falkirk LGPS increase significantly making the scheme unaffordable within current resources;
- 2018/19 Pay Offer in line with SG pay guidance is not accepted by SCRA staff with resultant service disruption; and
- SR2018 does not deliver level of resources required for medium term financial sustainability.

SCRA's internal auditors are BDO, appointed for the period 1 July 2017 to 30 June 2020. The Internal Auditor reviewed risk management arrangements in 2017/18 and identified a number of areas of good practice and some improvements which were implemented during 2018/19 including:

- completion of all Locality Risk Registers;
- review Risk Identification processes;
- developing a detailed risk scoring system which includes consideration of both financial and operational factors to facilitate greater consistency;
- developing a risk management training plan/programme and include risk management training within the induction of staff with Risk Management responsibilities;
- regularly review the Risk Management Policy; and
- developing a Risk Assurance map which was presented to the Audit and Risk Committee in February 2019.

## Digital Programme

In November 2017 a joint meeting of Children's Hearings Scotland (CHS) and SCRA Boards approved a joint digital delivery plan and the award of contract to an identified supplier, following a competitive tender exercise. The main focus of activity throughout 2018/19 has been on the Alpha phase of delivery of the services that comprise the new Core Systems and Applications and engaging in the Digital Strategy Health Check and Digital First Service Standards assessment/.

## 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.

Following significant preparations in 2017/18 for the implementation of the provisions of the General Data Protection Regulation (GDPR) from 25 May 2018 ongoing compliance is now part of the day to day work of the IG Team.

### **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 and Risk Committee which monitors the actions taken by managers in response to recommendations made. The Practice and Quality networks meet 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 the Public Sector Internal Audit Standards. 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.

No high risk recommendations were identified by the auditors in 2018-19. In the auditors opinion, the risk management activities and controls in the areas which they examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on their testing these arrangements were operating with sufficient effectiveness to provide reasonable assurance but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

### **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 Officer;
- the work of the internal auditors and the Quality Assurance and Performance Team who submit to the Audit and Risk 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 2018-19 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 financial year 2018/19, 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.



## 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:

- Catherine Robertson (chair)
- Sam Anderson
- Suzanne Vestri

#### 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 satisfactory performance determined under SCRA's 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 2019 average staff absence was 10.7 days (31 March 2018: 15.3 days). The target for the year to 31 March 2019 was 8.9 days (31 March 2018: 8.8 days).

## Audited remuneration report

### Senior managers' service contracts

	Date of contract	Unexpired term	Notice period
Neil Hunter	04 April 2011	Open-ended contract	3 months
<b>Principal Reporter/Chief Executive</b>			
Edward Morrison	01 December 2010	Open-ended contract	3 months
<b>Head of Finance and Resources</b>			
Susan Deery	01 May 2016	Open-ended contract	3 months
<b>Head of Human Resources</b>			
Malcolm Schaffer	05 October 2009	31 May 2019	3 months
<b>Head of Practice and Policy</b>			
Thomas Philliben	01 May 2011	28 February 2020	3 months
<b>Senior Operational Manager</b>			
Alistair Hogg	05 November 2012	Open-ended contract	3 months
<b>Senior Operational Manager</b>			
Lisa Bennett	14 September 2015	Open-ended contract	3 months
<b>Head of Strategy and Organisational Development</b>			

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

No senior managers received redundancy in accordance with SCRA's policy in 2018/19 (2017/18: none).

### Senior Managers' remuneration

	Salary and allowances 2018-19 £000	Salary and allowances 2017-18 £000
<b>Non-Executive Board Members</b>		
Michelle Miller	15-20	-
Carole Wilkinson	0-5	20-25
Sam Anderson	0-5	0-5
Anela Anwar	0-5	0-5
Tam Baillie	0-5	-
Bernadette Docherty	0-5	0-5
James Edgar	0-5	0
Catherine Robertson	0-5	0-5
Martin Toye	0-5	0-5
Suzanne Vestri	0-5	0-5

	Salary and allowances 2018-19 £000	Pension benefits 2018-19 £000	Single total figure of remuneration 2018-19 £000	Salary and allowances 2017-18 £000	Pension benefits 2017-18 £000	Single total figure of remuneration 2017-18 £000
<b>Executive Management Team Members</b>						
Neil Hunter	115-120	26	140-145	110-115	33	140-145
Principal Reporter/Chief Executive						
Edward Morrison	75-80	19	95-100	75-80	23	95-100
Head of Finance and Resources						
Susan Deery	75-80	24	100-105	70-75	38	105-110
Head of Human Resources						
Malcolm Schaffer	75-80	19	95-100	75-80	23	95-100
Head of Practice and Policy						
Thomas Philliben	80-85	19	100-105	75-80	23	100-105
Senior Operational Manager						
Alistair Hogg	75-80	28	105-110	70-75	32	105-110
Senior Operational Manager						
Lisa Bennett	75-80	25	100-105	70-75	29	100-105
Head of Strategy and Organisational Development						

	2018-19	2017-18
Mid-point of highest paid Executive Management		
Team member's total remuneration*	£94,563	£92,962
Median total remuneration*	£29,368	£28,375
Ratio	3.2 : 1	3.3 : 1

\* Remuneration figures exclude cash equivalent transfer values, and figures in respect of 2017-18 have been restated to exclude employer pension contributions.

The full-time equivalent remuneration paid to SCRA staff ranged from £15,986 to £66,604 (2017-18: £15,072 to £64,664).

No benefits in kind were received in 2018-19 (2017-18: £nil).

### Senior managers' non-cash remuneration

Senior managers did not receive any non-cash remuneration in 2018-19 (2017-18: £nil).

## Senior managers' pension entitlements

	Real increase in pension in year to 31 March 2019 £000	Real increase in lump sum in year to 31 March 2019 £000	Total accrued pension at 31 March 2019 £000	Total accrued lump sum at 31 March 2019 £000	CETV* at 31 March 2018 £000	CETV* at 31 March 2019 £000	Real increase in CETV* during year £000
<b>Executive Management Team Members</b>							
Neil Hunter	0-2.5	0	15-20	0	177	206	14
Principal Reporter/Chief Executive							
Edward Morrison	0-2.5	0	30-35	55-60	517	562	23
Head of Finance and Resources							
Susan Deery	0-2.5	0-2.5	25-30	55-60	457	501	25
Head of Human Resources							
Malcolm Schaffer	0-2.5	0	40-45	85-90	800	828	(2)
Head of Practice and Policy							
Thomas Philliben	0-2.5	0	35-40	70-75	756	781	(4)
Senior Operational Manager							
Alistair Hogg	0-2.5	0-2.5	20-25	25-30	281	332	37
Senior Operational Manager							
Lisa Bennett	0-2.5	0-2.5	15-20	10-15	142	163	11
Head of Strategy and Organisational Development							

\* Cash Equivalent Transfer Value

## Senior managers' pension entitlements: prior year comparatives

	Real increase in pension in year to March 2018 £000	Real increase in lump sum in year to 31 March 2018 £000	Total accrued pension at 31 March 2018 £000	Total accrued lump sum at 31 March 2018 £000	CETV* at 31 March 2017 £000	CETV* at 31 March 2018 £000	Real increase in CETV* during year £000
<b>Executive Management Team Members</b>							
Neil Hunter	0-2.5	0	10-15	0	148	177	18
Principal Reporter/Chief Executive							
Edward Morrison	0-2.5	0	25-30	55-60	483	517	24
Head of Finance and Resources							
Susan Deery	0-2.5	0-2.5	25-30	50-55	414	457	34
Head of Human Resources							
Malcolm Schaffer	0-2.5	0	35-40	80-85	782	800	4
Head of Practice and Policy							
Thomas Philliben	0-2.5	0	30-35	65-70	701	756	42
Senior Operational Manager							
Alistair Hogg	0-2.5	0-2.5	15-20	25-30	254	281	19
Senior Operational Manager							
Lisa Bennett	0-2.5	0-2.5	10-15	10-15	123	142	12
Head of Strategy and Organisational Development							

\* Cash Equivalent Transfer Value

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 2018-19 (2017-18: £nil).

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

SCRA paid Children's Hearings Scotland (CHS) £nil in 2018/19 in respect of senior management services from Lawrie McDonald, Head of IT (2017/18: £nil). Lawrie McDonald joined SCRA's Executive Management Team on 14 September 2015.

CHS paid SCRA £18,357 and £4,640 in 2018/19 in respect of senior management services from Edward Morrison and Susan Deery respectively (2017/18: £16,922 and £6,726 respectively).



## Staff numbers and related costs

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

	2018-19	2017-18
	£000	£000
Salaries and wages	12,465	12,363
Social security costs	1,197	1,209
Contributions to pension scheme	2,308	2,343
Cost of early retirement	172	11
IAS 19 adjustment to pension scheme contributions	2,381	2,150
Provision for unfunded pension liability	0	0
	<b>18,523</b>	<b>18,076</b>

### (ii) Staff costs – other staff

	2018-19	2017-18
	£000	£000
Salaries and wages	1,017	701
Social security costs	97	62
Contributions to pension scheme	173	98
	<b>1,287</b>	<b>861</b>

### (iii) Staff costs – all staff

	2018-19	2017-18
	£000	£000
Salaries and wages	13,482	13,064
Social security costs	1,294	1,271
Contributions to pension scheme	2,481	2,441
Cost of early retirement	172	11
IAS 19 adjustment to pension scheme contributions	2,381	2,150
Provision for unfunded pension liability	0	0
	<b>19,810</b>	<b>18,937</b>

### (iv) Average number of employees

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

Category of staff	2018-19	2017-18
Staff with permanent contract – Male	54	55
Staff with permanent contract – Female	308	320
Staff with short-term contract – Male	4	3
Staff with short-term contract – Female	29	23
<b>Total</b>	<b>395</b>	<b>401</b>

Average numbers are calculated using actual whole-time person equivalents at 1 April 2018, 30 June 2018, 30 September 2018, 31 December 2018 and 31 March 2019.

(v) Exit packages

A summary of exit packages agreed during 2018/19 is as follows:

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed (total cost)	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	2 (£36k)	2 (£36k)	0
£20,001 - £40,000	0	2 (£63k)	2 (£63k)	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	1 (£67k)	1 (£67k)	0
£80,001 - £100,000	0	1 (£94k)	1 (£94k)	0
> £100,001	0	0	0	0
<b>Total number of exit packages by type</b>	<b>0</b>	<b>6 (£259k)</b>	<b>6 (£259k)</b>	<b>0</b>

No exit packages were agreed during 2017/18.

(vi) Consultancy

In 2018/19, SCRA spent £10,617 on consultancy (2017/18: £21,249).

### Disability

SCRA are a Disability Confident Employer and in our aim to become a Disability Confident Leader we recently attended a workshop to support aspiring Disability Confident Employers to progress their journey. Being a disability confident employer means we are committed to and can demonstrate the following:

- We provide a fully inclusive and accessible recruitment process
- We offer an interview to disabled people who meet the minimum criteria for the role
- We are flexible when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job
- We plan for, and make reasonable adjustments to, the assessment and interview process
- We make sure people involved in the interviewing process understand the Disability Confident commitment and know how to offer and make reasonable adjustments
- During employment, we proactively offer and make reasonable adjustments as required
- We have appointed Disability Equality Ambassadors and have provided them with the appropriate awareness raising/training
- We provide paid employment both on a permanent and fixed term basis, including Modern Apprenticeships, to employees with a wide range of disabilities

- We engage with Jobcentre Plus, Work and Health Programme providers to provide training and/or access support as required
- We provide an environment that is inclusive and accessible for staff and children, young people and their families
- We support employees to manage their disabilities or health concerns
- We ensure there are no barriers to the development and progression of disabled staff
- We ensure managers are aware of how they can support staff who are sick or absent from work
- We promote information and advice on mental health conditions
- We provide occupational health services and an employee assistance programme
- We have a Disability Leave Policy which supports staff with a disability in managing their time off related to their disability

## Facility time

Under the Trade Union (Facility Time Publication Requirements) Regulations SCRA is required to publish the following information.

### *Relevant union officials*

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
11	9.7

### *Percentage of time spent on facility time*

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	2
1%-50%	8
51%-99%	1
100%	0

### *Percentage of paybill spent on facility time*

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£44,572
Provide the total paybill	£17,023,382
Provide the percentage of the total paybill spent on facility time, calculated as: (total cost of facility time ÷ total paybill x 100)	0.26%

### *Paid trade union activities*

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
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## Parliamentary Accountability Report

SCRA is required to report on any high-value losses and special payments incurred in the financial year, any fees and charges receivable in the financial year and any remote contingent liabilities as at the date the accounts were signed by the Accountable Officer.

- No reportable losses were incurred in the financial year to 31 March 2019.
- No reportable special payments were made in the financial year to 31 March 2019.
- No reportable fees or charges were received in the financial year to 31 March 2019.
- There are no remote contingent liabilities at the date the accounts were signed.

**Neil Hunter**  
**Accountable Officer**  
**26 September 2019**

# **INDEPENDENT AUDITOR'S REPORT** **to the members of Scottish Children's Reporter** **Administration, the Auditor General for Scotland and** **the Scottish Parliament**

## **Report on the audit of the financial statements**

### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of the Scottish Children's Reporter Administration for the year ended 31 March 2019 under the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance. 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 Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying 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 2019 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 2018/19 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.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 2 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



## Conclusions relating to going concern basis of accounting

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

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

## Risks of material misstatement

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

## Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

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

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on regularity of expenditure and income**

### **Opinion on regularity**

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

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Report on other requirements**

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

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the

Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

### **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Alasdair Craik  
Senior Audit Manager  
Audit Scotland  
4th floor  
102 West Port  
Edinburgh  
EH3 9DN

27 September 2019

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
<b>Expenditure</b>			
Staff costs	3	19,810	18,937
Other expenditure	4	5,566	5,558
Depreciation and amortisation		979	868
		<u>26,355</u>	<u>25,363</u>
<b>Income</b>	2	<u>(391)</u>	<u>(442)</u>
<b>Net expenditure</b>		<b>25,964</b>	<b>24,921</b>
<b>Other comprehensive net expenditure</b>			
Interest payable		2	3
Interest receivable		-	-
Pension scheme finance cost	11	<u>984</u>	<u>1,200</u>
<b>Net expenditure before Scottish Government funding</b>		<b><u>26,950</u></b>	<b><u>26,124</u></b>

## Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £000	31 March 2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	5	6,789	7,054
Intangible assets	7	2,765	666
<i>Total non-current assets</i>		<u>9,554</u>	<u>7,720</u>
<b>Current assets</b>			
Trade and other receivables	8(i)	523	982
Cash and cash equivalents	9	942	688
Assets held for sale	6	0	0
<i>Total current assets</i>		<u>1,465</u>	<u>1,670</u>
<b>Total assets</b>		<b>11,019</b>	<b>9,390</b>
<b>Current liabilities</b>			
Trade and other payables	10(i)	2,697	3,077
Finance lease	13(ii)	43	41
<i>Total current liabilities</i>		<u>2,740</u>	<u>3,118</u>
<b>Non-current assets less net current liabilities</b>		<b>8,279</b>	<b>6,272</b>
<b>Non-current liabilities</b>			
Payables	10(ii)	82	152
Pension liability	11	44,657	35,393
Provision for unfunded pensions	12	489	487
Finance lease	13(ii)	1,241	1,284
<i>Total non-current liabilities</i>		<u>46,469</u>	<u>37,316</u>
<b>Assets less liabilities</b>		<b>(38,190)</b>	<b>(31,044)</b>
<b>Taxpayers' equity</b>			
General fund		(3,903)	(2,776)
Pension reserve		(35,216)	(29,166)
Revaluation reserve		929	898
<b>Total taxpayers' deficit</b>		<b>(38,190)</b>	<b>(31,044)</b>

The Accountable Officer authorised these financial statements for issue on 26 September 2019.

**Neil Hunter**  
Accountable Officer



## Statement of cash flows for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
<b>Cash flows from operating activity</b>			
Net expenditure		(25,964)	(24,920)
<i>Adjustments for non-cash items</i>			
Increase/(Decrease) in pension fund liability		9,264	(9,804)
(Decrease)/Increase in pension fund reserve		(6,051)	13,008
Depreciation and amortisation charges		979	868
Permanent diminution	4	0	0
Loss on disposal of tangible non-current assets	4	0	0
Decrease in revaluation reserve		0	0
<i>Movements in working capital</i>			
Decrease/(Increase) in trade and other receivables	8(i)	458	(467)
(Decrease)/Increase in trade and other payables	10, 13(ii)	(491)	913
<i>Movements in provisions</i>			
Provision for unfunded pension contribution	12	2	(28)
Net cash outflow from operating activities		(21,803)	(20,430)
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	5	(576)	(745)
Purchase of intangible assets	7	(1)	(8)
(Increase)/Decrease in assets under construction	5, 7	(2,203)	(679)
Proceeds of disposals of property, plant and equipment		0	0
Interest received		0	0
<b>Cash flow from financing activities</b>			
Scottish Government funding for year		25,823	23,782
Interest paid		(2)	(3)
Net interest expense on pension asset	11	(984)	(1,200)
<b>Net increase in cash and cash equivalents</b>		<b>254</b>	<b>717</b>
Opening cash balance		688	(29)
<b>Closing cash balance</b>		<b>942</b>	<b>688</b>

## Statement of changes in Taxpayers' Equity for the year ended 31 March 2019

	General Fund £000	Pension Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2017	(434)	(42,174)	894	(41,714)
<i>Changes in taxpayers' deficit for 2017-18</i>				
Net gain/(loss) on revaluation of property			4	4
Actuarial loss on pension reserve		13,007		13,007
Actuarial gain on group assurance		1		1
Net expenditure for the year	(26,124)			(26,124)
<b>Total recognised income and expense for 2017-18</b>	<b>(26,124)</b>	<b>13,008</b>	<b>4</b>	<b>(13,112)</b>
Funding from Scottish Government	23,782			23,782
<b>Balance at 31 March 2018</b>	<b>(2,776)</b>	<b>(29,166)</b>	<b>898</b>	<b>(31,044)</b>
<i>Changes in taxpayers' deficit for 2018-19</i>				
Net gain/(loss) on revaluation of property			31	31
Actuarial loss on pension reserve		(6,052)		(6,052)
Actuarial gain on group assurance		2		2
Net expenditure for the year	(26,950)			(26,950)
<b>Total recognised income and expense for 2018-19</b>	<b>(26,950)</b>	<b>(6,050)</b>	<b>31</b>	<b>(32,969)</b>
Funding from Scottish Government	25,823			25,823
<b>Balance at 31 March 2019</b>	<b>(3,903)</b>	<b>(35,216)</b>	<b>929</b>	<b>(38,190)</b>

# Notes to the financial statements

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2018-19 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 accounts.

### a Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, investment properties, plant and equipment and intangible assets 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 2017. Details of this valuation are included in a report published by Falkirk Council.

The contribution rates for 2018-19 were an average of 6.13% by employee and 18.71% 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 2019.

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	2 – 4 years;
• Software (including Developed Software)	2 – 10 years;
• Other Equipment	4 years;
• Leasehold Improvements	over the 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 2019 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 the asset's useful life.

## **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 2017. In preparing the



projected pension expense for the year to 31 March 2019, 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.

#### **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. 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.

#### **p Value Added Tax**

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

Changes in assumptions at 31 March 2019	Approximate % increase to SCRA	Approximate monetary amount £000
0.5% decrease in Real discount Rate	11%	17,087
0.5% increase in the Salary Increase Rate	2%	3,523
0.5% increase in the Pension Increase Rate	8%	13,195

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 2019 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

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. 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 predominantly 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 £391k (2017-18: £442k) is comprised mainly of shared services income, including rents.

## 3 Staff Costs

	2018-19	2017-18
	£000	£000
Salaries and wages	13,482	13,064
Social security costs	1,294	1,271
Contributions to pension scheme	2,481	2,441
Cost of early retirement	172	11
IAS 19 adjustment to pension scheme contributions	2,381	2,150
Provision for unfunded pension liability	0	0
	<b>19,810</b>	<b>18,937</b>

A detailed breakdown of Staff Costs and Numbers is contained within the Remuneration and Staff Report section of the Accountability Report.

## 4 Other expenditure

	2018-19	2017-18
	£000	£000
Other property costs	1,664	1,729
Running costs	1,945	1,963
Rentals under operating leases	1,076	1,090
Hearing and legal costs	395	359
Training, recruitment and other staff costs	381	315
Board Fees and Expenses	47	45
Auditor remuneration	32	32
Internal auditors' remuneration	26	25
<i>Non-cash items</i>		
Permanent diminution	0	0
Loss on disposal of non-current assets	0	0
	<b>5,566</b>	<b>5,558</b>

## 5 Property, plant and equipment

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.

	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 2018	1,075	5,377	130	4,397	1,157	924	2,579	145	15,784
Additions	0	238	227	124	22	27	36	0	674
Transfers	0	129	(129)	0	0	0	0	0	0
Disposals	0	0	0	0	(9)	(129)	(367)	0	(505)
Transferred from asset group classified as Held for Sale	0	0	0	0	0	0	0	0	0
Transferred from asset group classified as Investment Assets	0	0	0	0	0	0	0	0	0
Impairment	0	(21)	0	0	0	0	0	0	(21)
Indexation/Revaluation	31	(18)	0	0	0	0	0	0	13
<b>At 31 March 2019</b>	<b>1,106</b>	<b>5,705</b>	<b>228</b>	<b>4,521</b>	<b>1,170</b>	<b>822</b>	<b>2,248</b>	<b>145</b>	<b>15,945</b>
<b>Accumulated depreciation</b>									
At 1 April 2018	0	1,349	0	3,344	1,090	346	2,522	79	8,730
Provided in year	0	372	0	317	27	179	33	21	949
Withdrawn on disposal	0	0	0	0	(9)	(129)	(367)	0	(505)
Withdrawn on revaluation	0	(18)	0	0	0	0	0	0	(18)
<b>At 31 March 2019</b>	<b>0</b>	<b>1,703</b>	<b>0</b>	<b>3,661</b>	<b>1,108</b>	<b>396</b>	<b>2,188</b>	<b>100</b>	<b>9,156</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>1,106</b>	<b>4,002</b>	<b>228</b>	<b>860</b>	<b>62</b>	<b>426</b>	<b>60</b>	<b>45</b>	<b>6,789</b>
At 31 March 2018	1,075	4,028	130	1,053	67	578	57	66	7,054

The net book amount of property, plant and equipment at 31 March 2019 includes £1,139k (2018: £1,208k) in respect of a building held under a finance lease.

	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 2017	1,075	5,276	53	4,268	1,165	600	3,197	145	15,779
Additions	0	101	130	129	42	388	32	0	822
Transfers	0	0	(53)	0	0	53	0	0	0
Disposals	0	0	0	0	(50)	(117)	(650)	0	(817)
Transferred from asset group classified as Held for Sale	0	0	0	0	0	0	0	0	0
Transferred from asset group classified as Investment Assets	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Indexation/Revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>1,075</b>	<b>5,377</b>	<b>130</b>	<b>4,397</b>	<b>1,157</b>	<b>924</b>	<b>2,579</b>	<b>145</b>	<b>15,784</b>
<b>Accumulated depreciation</b>									
At 1 April 2017	0	1,013	0	3,030	1,122	336	3,136	58	8,695
Provided in year	0	336	0	314	18	127	36	21	852
Withdrawn on disposal	0	0	0	0	(50)	(117)	(650)	0	(817)
Withdrawn on revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>0</b>	<b>1,349</b>	<b>0</b>	<b>3,344</b>	<b>1,090</b>	<b>346</b>	<b>2,522</b>	<b>79</b>	<b>8,730</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>1,075</b>	<b>4,028</b>	<b>130</b>	<b>1,053</b>	<b>67</b>	<b>578</b>	<b>57</b>	<b>66</b>	<b>7,054</b>
At 31 March 2017	1,075	4,263	53	1,238	43	264	61	87	7,084

The opening balances of Cost and Accumulated Depreciation for Buildings were restated as the result of a change in the application of the indexation policy. The change resulted in increases in the Cost and Accumulated Depreciation at 1 April 2017 of £481k and £507k respectively.

## 6 Assets held for sale

SCRA has no assets held for sale as at 31 March 2019 (31 March 2018: £nil).

## 7 Intangible assets

	Intangible assets under construction £000	Software licences £000	Information Technology £000	Total £000
<b>Cost/Valuation</b>				
At 1 April 2018	646	282	4,532	<b>5,460</b>
Additions	2,105	1	0	<b>2,106</b>
Transfers	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>2,751</b>	<b>283</b>	<b>4,532</b>	<b>7,566</b>
<b>Accumulated depreciation</b>				
At 1 April 2018	0	262	4,532	<b>4,794</b>
Provided in year	0	7	0	<b>7</b>
Withdrawn on disposal	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>0</b>	<b>269</b>	<b>4,532</b>	<b>4,801</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>2,751</b>	<b>14</b>	<b>0</b>	<b>2,765</b>
At 31 March 2018	646	20	0	<b>666</b>
<b>Cost/Valuation</b>				
At 1 April 2017	44	274	4,532	<b>4,850</b>
Additions	602	8	0	<b>610</b>
Disposals	0	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>646</b>	<b>282</b>	<b>4,532</b>	<b>5,460</b>
<b>Accumulated depreciation</b>				
At 1 April 2017	0	238	4,530	<b>4,768</b>
Provided in year	0	24	2	<b>26</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>262</b>	<b>4,532</b>	<b>4,794</b>
<b>Net Book Value</b>				
<b>At 31 March 2018</b>	<b>646</b>	<b>20</b>	<b>0</b>	<b>666</b>
At 31 March 2017	44	36	2	<b>82</b>

## 8 Trade and other receivables

### (i) Current assets

	2018-19	2017-18
	£000	£000
Other receivables	70	116
Prepayments	453	866
<b>At 31 March</b>	<b>523</b>	<b>982</b>

### (ii) Intra governmental balances

	2018-19	2017-18
	£000	£000
Balances with other central government bodies	81	108
Balances with local authorities	22	493
	<b>103</b>	<b>601</b>
Balances with bodies external to government	420	381
<b>At 31 March</b>	<b>523</b>	<b>982</b>

## 9 Cash and cash equivalents

	2018-19	2017-18
	£000	£000
Balance at 1 April	688	(29)
Net change in cash and cash equivalents	254	717
	<b>942</b>	<b>688</b>
Bank accounts	939	685
Petty cash balance	3	3
<b>At 31 March</b>	<b>942</b>	<b>688</b>

All bank balances at 31 March 2019 are held in commercial banks.

## 10 Trade and other payables

### (i) Current liabilities

	2018-19	2017-18
	£000	£000
Trade payables	1,000	1,250
Tax and social security	326	310
Other payables	417	434
Accruals	954	1,083
	<b>2,697</b>	<b>3,077</b>

### (ii) Non-current liabilities

	2018-19	2017-18
	£000	£000
Public Works Load Board loans	37	37
Other payables, accruals and deferred income	45	115
	<b>82</b>	<b>152</b>



### (iii) Intra government balances

	Payables: current 2018-19 £000	Payables: non-current 2018-19 £000	Payables: current 2017-18 £000	Payables: non-current 2017-18 £000
Balances with other central government bodies	359	0	448	0
Balances with local authorities	421	37	857	37
	<b>780</b>	<b>37</b>	<b>1,305</b>	<b>37</b>
Balances with bodies external to government	1,917	45	1,772	115
<b>At 31 March</b>	<b>2,697</b>	<b>82</b>	<b>3,077</b>	<b>152</b>

## 11 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 2019 % p.a.	31 March 2018 % p.a.
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	3.0%	2.9%
Discount Rate	2.4%	2.7%

### Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2016 model with allowance for smoothing of recent mortality experience and long term rate of 1.25%. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	23.7 years
Future Pensioners*	22.7 years	25.5 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 2018	CMI 2016 model with allowance for smoothing of recent mortality experience and long term rate of 1.25%	CMI 2016 model with allowance for smoothing of recent mortality experience and long term rate of 1.25%

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 to 31 March 2019

	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	102,052	0	102,052
Present value of funded liabilities	0	133,938	(133,938)
Present value of unfunded liabilities	0	3,507	(3,507)
<b>Opening position as at 31 March 2018</b>	<b>102,052</b>	<b>137,445</b>	<b>(35,393)</b>
<b>Service cost</b>			
Current service cost	0	4,876	(4,876)
Past service cost (including curtailments)	0	0	0
Effects of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>4,876</b>	<b>(4,876)</b>
<b>Net interest</b>			
Net income on plan assets	2,763	0	2,763
Net cost on defined benefit obligation	0	3,747	(3,747)
Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>2,763</b>	<b>3,747</b>	<b>(984)</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>2,763</b>	<b>8,623</b>	<b>(5,860)</b>
<b>Cash flows</b>			
Plan participants' contributions	823	823	0
Employer contributions	2,495	0	2,495
Contributions in respect of unfunded pensions	153	0	153
Benefits paid	(2,632)	(2,632)	0
Unfunded benefits paid	(153)	(153)	0
<b>Expected closing position</b>	<b>105,501</b>	<b>144,106</b>	<b>(38,605)</b>
<b>Remeasurements</b>			
Changes in demographic assumptions	0	0	0
Changes in financial assumptions	0	12,348	(12,348)
Other experience	0	300	(300)
Return on assets excluding amounts included in net interest	6,596	0	6,596
Changes in asset ceiling	0	0	0
<b>Total remeasurements recognised in the Statement of Taxpayers' Equity</b>	<b>6,596</b>	<b>12,648</b>	<b>(6,052)</b>
Fair value of employer assets	112,097	0	112,097
Present value of funded liabilities	0	153,161	(153,161)
Present value of unfunded liabilities	0	3,593	(3,593)
<b>Closing position as at 31 March 2019</b>	<b>112,097</b>	<b>156,754</b>	<b>(44,657)</b>

**Change in the fair value of plan assets, defined benefit obligation and net liability for the year to 31 March 2018**

	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	101,895	0	101,895
Present value of funded liabilities	0	143,499	(143,499)
Present value of unfunded liabilities	0	3,593	(3,593)
<b>Opening position as at 31 March 2017</b>	<b>101,895</b>	<b>147,092</b>	<b>(45,197)</b>
<b>Service cost</b>			
Current service cost	0	4,486	(4,486)
Past service cost (including curtailments)	0	0	0
Effects of settlements	0	0	0
<b>Total service cost</b>	<b>0</b>	<b>4,486</b>	<b>(4,486)</b>
<b>Net interest</b>			
Net income on plan assets	2,657	0	2,657
Net cost on defined benefit obligation	0	3,857	(3,857)
Impact of asset ceiling on net interest	0	0	0
<b>Total net interest</b>	<b>2,657</b>	<b>3,857</b>	<b>(1,200)</b>
<b>Total defined benefit cost recognised in the Statement of Comprehensive Net Expenditure</b>	<b>2,657</b>	<b>8,343</b>	<b>(5,686)</b>
<b>Cash flows</b>			
Plan participants' contributions	810	810	0
Employer contributions	2,336	0	2,336
Contributions in respect of unfunded pensions	147	0	147
Benefits paid	(2,393)	(2,393)	0
Unfunded benefits paid	(147)	(147)	0
<b>Expected closing position</b>	<b>105,305</b>	<b>153,705</b>	<b>(48,400)</b>
<b>Remeasurements</b>			
Changes in demographic assumptions	0	394	(394)
Changes in financial assumptions	0	(3,428)	3,428
Other experience	0	(13,226)	13,226
Return on assets excluding amounts included in net interest	(3,253)	0	(3,253)
Changes in asset ceiling	0	0	0
<b>Total remeasurements recognised in the Statement of Taxpayers' Equity</b>	<b>(3,253)</b>	<b>(16,260)</b>	<b>13,007</b>
Fair value of employer assets	102,052	0	102,052
Present value of funded liabilities	0	133,938	(133,938)
Present value of unfunded liabilities	0	3,507	(3,507)
<b>Closing position as at 31 March 2018</b>	<b>102,052</b>	<b>137,445</b>	<b>(35,393)</b>

## Fair value of employer assets at 31 March 2019

Asset category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	%
<b>Equity securities:</b>				
Consumer	8,945	0	8,945	8%
Manufacturing	6,785	0	6,785	6%
Energy and utilities	4,227	0	4,227	4%
Financial institutions	8,357	0	8,357	7%
Health and care	3,711	0	3,711	3%
Information technology	9,926	0	9,926	9%
Other	40	0	40	0%
<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	2,915	2,915	3%
<b>Real estate:</b>				
UK property	0	6,597	6,597	6%
Overseas property	0	979	979	1%
<b>Investment funds and unit trusts:</b>				
Equities	23,486	0	23,486	21%
Bonds	8,364	0	8,364	8%
Hedge funds	0	0	0	0%
Commodities	0	0	0	0%
Infrastructure	0	9,352	9,352	8%
Other	10,875	641	11,516	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	6,897	0	6,897	6%
<b>Totals</b>	<b>91,613</b>	<b>20,484</b>	<b>112,097</b>	<b>100%</b>

## Fair value of employer assets at 31 March 2018

Asset category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	%
<b>Equity securities:</b>				
Consumer	9,592	0	9,592	9%
Manufacturing	5,129	0	5,129	5%
Energy and utilities	3,511	0	3,511	3%
Financial institutions	7,874	0	7,874	8%
Health and care	3,701	0	3,701	4%
Information technology	6,813	0	6,813	7%
Other	1,529	0	1,529	1%
<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	986	986	1%
<b>Private equity:</b>				
All	0	2,837	2,837	3%
<b>Real estate:</b>				
UK property	0	6,187	6,187	6%
Overseas property	0	58	58	0%
<b>Investment funds and unit trusts:</b>				
Equities	21,952	0	21,952	22%
Bonds	0	7,775	7,775	8%
Hedge funds	0	0	0	0%
Commodities	0	0	0	0%
Infrastructure	0	7,594	7,594	7%
Other	10,664	0	10,664	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	5,850	0	5,850	6%
<b>Totals</b>	<b>76,615</b>	<b>25,437</b>	<b>102,052</b>	<b>100%</b>

## **McCloud Judgement**

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court however this has been refused.

The Employment Tribunal will now decide how the Government should compensate members affected by discrimination. The clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Falkirk Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Scottish Children's Reporter Administration is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £0.6m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place however there will be unavoidable upward pressure on contributions in future years.

## **Guaranteed Minimum Pension (GMP) equalisation and the LGPS**

A High Court judge has ruled that UK defined benefit schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The ruling affects a specific group of male and female workers who were "contracted out" of part of the state pension between 1990 and 1997. The ruling only applies to

contracted out workers who were saving into a defined benefit scheme between May 1990 and April 1997, when GMP accrual was abolished. The GMP was designed to provide a pension at least as good as the worker could have accumulated had they not been contracted out of the state scheme, known as the State Earnings Related Pension Scheme (Serps).

The impact on liability values will depend on how many members reaching State Pension Age (SPA) after 2016 have GMP benefits. The actuary has estimated that the impact for a typical LGPS fund may be no more than a 0.5% increase in liabilities, although the figures could be greater for mature employers where a large proportion of members are approaching SPA, with some having significant levels of GMP.

## 12 Provision for unfunded pensions

	2018-19 £000	2017-18 £000
Balance at 1 April	487	515
Provisions utilised during the year	(38)	(37)
Actuarial valuation adjustment	40	9
	<b>489</b>	<b>487</b>

## 13 Commitments under leases

### (i) Operating leases

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

	2018-19 £000	2017-18* £000
<b>Buildings</b>		
Not later than one year	1,024	1,086
Later than one year and not later than five years	1,075	1,844
Later than five years	119	193
	<b>2,218</b>	<b>3,123</b>

\* The 2017-18 figures above have been restated.

### (ii) Finance leases

	2018-19 £000	2017-18 £000
<b>Gross lease liabilities</b>		
Within one year	92	92
Between one and five years	366	366
After five years	1,413	1,505
	<b>1,871</b>	<b>1,963</b>
Future interest	(587)	(637)
<b>Net lease liabilities</b>	<b>1,284</b>	<b>1,326</b>

Net lease liabilities are repayable as follows:

	43	41
<b>Within one year</b>		
Between one and five years	188	181
After five years	1,053	1,103
<b>Total over one year (non-current liability)</b>	<b>1,241</b>	<b>1,284</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 £1,305k (31 March 2018: £1,348k).

#### **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 (SGED). 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 (2017/18: £nil).

#### **17 Capital commitments**

SCRA has no capital commitments as at 31 March 2019 (31 March 2018: £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 2019, 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 8 February 2018 is hereby revoked.



LESLEY SHEPPARD

A member of the staff of the Scottish Ministers

Dated: 15<sup>th</sup> May 2019



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