

Independent Living Fund Scotland **Annual Report and Accounts** 2015 – 2016

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About us

The Independent Living Fund Scotland is an Other Significant National Body of the Scottish Government. Our role is to provide a high quality service to, currently, over 3,200 disabled people in Scotland and Northern Ireland, supporting them to achieve positive independent living outcomes, and to have greater choice and control over their lives.

ILF Scotland was established in July 2015. We work in partnership with 37 local authorities and health & social care trusts across Scotland and Northern Ireland by jointly funding individually tailored care and support packages.

Operating from our central office in Livingston we employ up to 22 dedicated people and also have engaged up to 8 self-employed social care professionals. These independent assessors visit our recipients in their own homes every two years to identify their needs often in conjunction with local authority social services departments.

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Supporting our users

A message from the Chair of the Board

I feel privileged and honoured to have become the first Chairperson of ILF Scotland. It is always exciting to be involved in any new organisation, but this is especially true of an organisation like ILF Scotland. As a disabled woman myself, with many years of campaigning for disability rights, I identify strongly with the ambitions of this organisation. Put simply, to support disabled people in Scotland to live independent lives.

I want to thank the Scottish Government for listening to the voices of disabled people. Following the closure of the UK ILF, there was no guarantee that the fund would be protected in Scotland or that a new Scottish organisation would be formed. The fact that ILF Scotland has been created is an indication that our Government is committed to supporting disabled people to live independently, and to protecting and promoting our human rights.

I also want to thank the Department of Health (Northern Ireland) as they also took the decision to go with ILF Scotland.

ILF Scotland began operations on 1st July 2015. In the period prior to this, disabled people who were in receipt of the fund had been through a period of uncertainty and anxiety, as they feared the consequences of life without ILF. This anxiety was heightened by austerity, welfare reform and Local Authority funding challenges.

The creation of ILF Scotland, and the smooth transition from UK ILF, alleviated some of this anxiety. I would like to thank those responsible for ensuring this was the case, as I do not underestimate the scale of the task. Thanks to the hard work of the ILF Scotland sponsor teams in the Scottish Government and Northern Ireland Governments, members of the Project Board established to oversee the development work, Self Directed Support Scotland and finally the closedown team from the Independent Living Fund Nottingham, who handed over with the utmost professionalism. By the end of the year over 33,000 payments had been made totaling £40.7 million, enabling disabled people in Scotland and Northern Ireland to continue to live the lives they choose. ILF Scotland has established itself as a robust, resilient, proactive and cost-effective public body, where for every pound distributed the organisation has spent 2.75 pence on administration in 2015/16, which compares favourably against ILF, who spent 3.53 pence for every pound distributed in 2014/15 (their last year of operational activity).

However, this is just the start for ILF Scotland. With the allocation of an additional £5 million per year, work has now started to re-open the fund to new applicants for the

first time since 2010. Again, we don't underestimate the challenge that this presents. However, with the support of a newly established working group, we are confident that we can also make this a success.

Providing support to enable disabled people to overcome the challenges our society presents them with will not only benefit those disabled people, it will benefit everyone in Scotland and Northern Ireland. I will end this statement as I began, I am very honoured to be part of ILF Scotland and of this next development in improving the citizenship opportunities for disabled people in Scotland and Northern Ireland.

Susan Douglas-Scott Chair of the Board

Introducing the people behind ILF Scotland

The ILF Scotland Directors

Susan Douglas-Scott, Chair of the Board and member of the Remuneration Committee

Susan Douglas-Scott is a disabled woman whose career has focused on disability issues. For the past five years Susan has followed a portfolio career as a freelance consultant in equalities, health, disability and social care. She is a non-executive director of NHS Education for Scotland, Vice Chair of the board of trustees of Leonard Cheshire Disability, a large UK disability NGO and a humanist celebrant. This follows on from an 18-year career in local authorities and non-Government Organisations in the field of disability and health.

Alan Dickson, Chair of the Audit Committee

Alan Dickson is a qualified accountant (Fellow Chartered and Certified Accountant) who has operated at a senior level within the public sector for most of his career. Alan was Head of Finance at the Student Loans Company for nine years and has worked in a variety of senior finance roles within local government. Alan is also the Chair of Good Morning Glasgow (a charity that delivers telephone befriending to older people) and was previously a Trustee of the Prince and Princess of Wales Hospice.

Fiona O'Donnell, Chair of the Remuneration Committee

As Director of Legal at the University of Dundee, Fiona O'Donnell has a stewardship role in the oversight and scrutiny of legal and compliance matters. She has responsibility to ensure probity and consistency of decision making in hearings and panels which can include complex disabilities issues. Fiona has been a registered mediator since 2004. She is currently working with the charity PAMIS to provide mediation and negotiation skills to carers of profoundly disabled children to assist their engagement with all professionals involved in the delivery of services for their sons or daughters.

Bridget Sly, member of the Audit Committee

Bridget Sly has over twenty years' experience of working in the higher education, public and voluntary sectors in New Zealand and the UK as a practitioner, researcher, and policy-maker. Bridget is currently employed as Volunteer and Citizenship Manager with Glasgow Life, where she leads the award-winning Host City Volunteers project as part of the Glasgow 2014 Commonwealth Games. She was previously a non-Executive Director of the Glasgow festival and was a lay advisor to the Metropolitan Police Service.

The Senior Management Team (SMT)

The SMT is responsible for the strategic management of ILF Scotland.

Peter Scott, Chief Executive

Peter has over 20 years' experience working in the voluntary and third sector, specifically in the area of disability. He began his career as a Support Worker in 1993 with a charity called Fair Deal. For the next 17 years, Peter undertook a number of managerial roles with various charities before becoming the Executive Director for Enable in 2008. In 2010, Peter then became Enable's 6th CEO before moving to ILF Scotland earlier this year.

Harvey Tilley, Chief Operating Officer

Although Harvey began his career in the British Army, he has spent the best part of the last 15 years working in the voluntary sector. Specifically, this has been in the areas of homelessness, disability, care, grant giving and employability. Prior to taking up post as ILF Scotland's Chief Operating Officer, the majority of roles he has held during this time have been leading large scale operations across the UK.

As Chief Operating Officer for ILF Scotland, Harvey not only deputises for the CEO, but is responsible for service delivery, IT, health and safety, information governance, facilities, human resources and organisational development.

Nadeem Hanif, Head of Finance

Nadeem has over 12 years' experience in the financial and accountancy sector. After graduating in 2003, he began his career with HMRC, spending the next 9 years working in various finance and tax directorates.

In 2012, he left HMRC to work for the Scottish Government as a Finance Manager before becoming ILF Scotland's Head of Finance.

As Head of Finance, Nadeem is responsible for all aspects of financial management, control and also risk within ILF Scotland, including close liaison with both internal and external audit.

Margaret Wheatley, Head of Policy

Margaret worked in Social Work Services for over 25 years, mainly in the field of disability, although in later years she specialised in the area of learning disability. Margaret became the Head of Learning Disability in East Glasgow Community Health and Care Partnership (CHCP) before moving on to lead the initial development of Self Directed Support in Glasgow.

Prior to coming to ILF Scotland, Margaret worked for 3 years at Enable

Scotland, in both their Service Delivery team and their Campaign team.

As ILF Scotland's Head of Policy, Margaret is responsible for ensuring all policies and procedures deliver the organisation's aims and that an excellent service is provided to recipients at all times.

Robert White, Head of Social Work

Robert has over 25 years of experience working in central and local government and has a keen interest in the interaction between social welfare and social work.

Robert began his career in the Department for Work and Pensions (DWP), undertaking various roles, from Benefits Officer to Social Fund Officer, before becoming a Social Worker, Mental Health Officer and Chair of a Practitioner forum in Ayrshire. Prior to starting with ILF Scotland earlier this year, Robert managed a team of Social Workers in South Lanarkshire Council.

As Head of Social Work for ILF Scotland, Robert is responsible for managing and coordinating the organisation's 17 Assessors who work across Scotland and Northern Ireland.

Gender Analysis

The table below shows the gender analysis of ILFS employees at 31 March.

	2015 - 16	
	Male	Female
Directors	1	3
Senior Management	4	1
Staff	3	15
Total	8	19

Strategic Report Incorporating Management commentary

Strategic Report

Notes to Strategic Report

- Principal risks and uncertainties are set out in the Governance Statement on pages 22 to 26.
- The Directors have elected under the Companies Act to prepare the accounts in accordance with IFRSs as adopted by the EU and applicable law and to provide additional disclosures required by the Government Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

Principal activity and historical context

The Independent Living Fund Scotland was set up in 2015 and carries out the functions previously carried out by the Independent Living Fund (2006) within Scotland and Northern Ireland. Its aim is to deliver discretionary cash payments to disabled people, allowing them the choice and control to purchase personal support and live independent lives in their communities. The organisation is a Significant Other National Body of the Scottish Government (SG) and receives funding in the form of Grant in Aid from SG for Scotland and from the Department of Health (DoH) for Northern Ireland.

External auditor

Henderson Loggie
20 Greenmarket
Dundee
DD1 4QB

Internal auditor

TIAA Limited
Aerodrome Road
Gosport
PO13 0FQ

Solicitor

Central Legal Office
Breadalbane Street
Edinburgh
EH6 5JR

Banker

Royal Bank of Scotland
36 St. Andrew Square
Edinburgh
EH2 2AD

Directors' appointments, training and remuneration

Following public advertisement and recruitment procedures in line with Scottish Government guidance directors have been appointed for a period of two years. At such time as the current Chair's term of appointment ends or she resigns the Scottish Ministers under such guidance will also appoint the Chair. Directors' appointments can be extended at the discretion of Scottish Ministers.

The Directors receive remuneration under arrangements agreed with the Scottish Government and are reimbursed for their out-of-pocket expenses in line with the company travel and subsistence policy.

Relationships and related parties

Directors are appointed by the Scottish Ministers to administer ILF Scotland. Related parties are Directors, the Scottish Government (SG) and the Department of Health (DoH) in Northern Ireland which also provides funding. We received Grant in Aid from SG of £36,339,334 and DoH £5,811,000. SG makes a joint transfer on behalf of DoH to the company on a monthly basis. The Directors are the controlling party.

Operating and performance review

The first year of ILF Scotland operations has been an extremely successful, with steady progress since the launch of the organisation on the 1st July 2015. Indeed, all objectives set out in our interim 'bridging strategy' have been achieved, and in most cases well exceeded, supporting ILF Scotland in establishing itself as a robust, resilient, proactive and high performing public body.

Initially, the main effort from an operational perspective was to transition all recipients from DWP to ILF Scotland by ensuring all payments were made accurately and on time, and to set up new business systems, policies and processes. To date ILF Scotland has made over 33,000 payments totalling approximately £39m with only three individual errors in the first month due to flawed information received. Since then, the focus has been on: recruiting the full staff team; implementing and becoming more familiar with inherited business systems and policies; completing all urgent reassessments of ILF Scotland recipients; reducing overdue visits; and establishing relationships with key stakeholders.

What has been clear from our operational activity and continued feedback from all parties, is the significant upward cost pressures, centered around employment law related issues, being faced by recipients of our fund. These include increases in the statutory national minimum wage and living wage, statutory sick pay, pensions auto-enrolment, sleepovers and the cost of living, all against a backdrop of wider public sector austerity, changes in legislation and increased obligations especially around employment of staff. We have been working hard to support fund recipients to manage these pressures.

Coupled with this, as staff have worked through the full operational process, a clearer picture is emerging of the relationship between ILF Scotland and our statutory partners. It is encouraging that ILF Scotland Assessors are primarily

reporting good practice from partners, despite the challenges they face. However, we do have some concerns about the changing use and treatment of ILF, and we are working in collaboration with Scottish Government, COSLA, Social Work Scotland and key partners in Northern Ireland to consider how best to address these concerns.

Another theme that has emerged over the course of our first period of operation is the challenge presented by the inherited policies, processes and systems when they have been mapped across to ILF Scotland. As a result of this the staff team have spent considerable time making continuous improvements and have an ambitious plan of essential development work scheduled for the next year.

Through the reporting period we have received over 5,000 telephone enquiries and around 800 email enquiries. 85% of enquiries relate to Scotland and 15% to Northern Ireland, with the main themes being:

- Reassessment Visits
- Requests for information from Assessors
- Local Authority calls for information – payment schedule, threshold sums, etc.
- Completion of agreement forms
- Payments and payment increase requests
- General (this includes confirmation of information not covered above, new fund enquiries and general information about the organisation)

Other major areas of work have included establishing and bedding in corporate systems such as health and safety, HR and finance in tandem with running induction programmes for new staff and the Board of Directors.

Another major area of work, has been the strategic planning process and implementing a robust governance structure. Work is now well advanced relating to the future of ILF Scotland, with a draft co-produced strategic plan completed ready for further consultation prior to sign off. This is complimented by major progress around governance arrangements, including additional recruitment of two more Board members and further review to ensure ILF Scotland is future proofed.

In addition to the aforementioned work, considerable effort and progress has been made around our corporate communications. This has included:

- Significant stakeholder engagement
- Re-developing our website following feedback from recipients and award managers because in its current form, it is not as accessible as we would wish
- Updating our publications and forms to make them less complex and more accessible
- establishing a social media presence

Over the coming year we will be increasing our online presence including the views to our website from 22,613 in 15/16, Twitter followers from 359 and Facebook presence from 20 likes.

Throughout the first nine months ILF Scotland has been very conscious of the public commitments made by the Scottish Government in relation to funding, namely that: -

- The fund will be protected for current recipients so long as they remain eligible;
- Disabled people will be at the heart of the decision making process in the new ILF Scotland, and;
- Through a process of co-production a new fund will be opened in the next financial year following the allocation of an additional £5 million by the Scottish Government.

We believe ILF Scotland is quickly gaining a reputation for professionalism and flexibility with our fund recipients and key partners. We have utilised the strong foundations laid by ILF prior to the 1st July 2015 to develop an organisation focused on delivering high quality outcomes to support the independent living needs of disabled people in Northern Ireland and Scotland. At the heart of this is our model of intervention i.e. person-centred professional recommendations with inclusion, trust and dignity as overarching values filtered through our specialised casework teams, meaning we can evidence that we are fairly, consistently and humanely applying complex rules and regulations.

In summary, ILF Scotland has achieved all objectives set out in the corporate plan for 2015/16. The key priorities over the coming months will be confirmed within the new organisational strategy but are expected to include: -

- Development of existing operational policies in relation to equality issues and economic pressures on current fund recipients;
- Strengthening our critical organisational foundations;
- Further bedding in key systems;
- Reviewing inherited processes and business systems with a view to improve these significantly;
- Increasing the operational tempo, especially around reassessment visits;
- Development of the new fund;

Governance and social responsibility

The company is committed to good employee relations and HR policies have been developed from best practice to ensure full compliance with employment and equalities legislation.

ILF Scotland seeks to actively manage sickness absences and has return to work meetings with staff to improve support on resumption of duties and discuss absence patterns and causes.

The company procurement policy ensures fair competition and value for money, with specific arrangements to encourage tenders from employers of disabled people in procurement exercises. ILF Scotland is committed to prompt payment of bills for goods and services received. Payments are normally made within the period specified in the contract. Where there is no contractual or other understanding, we endeavor to pay within 10 days of the receipt of the goods or services, or the presentation of a valid invoice or similar demand, whichever is later. In 2015-16 ILF Scotland paid 95% of invoices within 10 days of receipt. The number of creditor days outstanding at the end of 2015-16 was 8.2 days.

Financial review

ILF Scotland is financed out of Grant in Aid from SG and DoH for the purpose of making regular grants to individuals. Grant in Aid of £42.15 million was utilised to meet the needs of users and related administration costs.

Assets are held only for the purpose of managing the company.

The company requests and receives Grant in Aid on a monthly basis to meet its immediate cash needs. Procurement policies are designed to secure goods and services for immediate consumption during the year with best value for money at current cost, and without setting up complex financial instruments. Company exposure to financial instrument risk is therefore low compared with non-public sector organisations. The policies on financial instruments are provided in the Notes to the Accounts, and appropriate disclosures are included.

Company law requires the Directors to prepare accounts for each financial year. The Directors have elected under the Companies Act to prepare the accounts in accordance with IFRSs as adopted by the EU and applicable law and to provide additional disclosures required by the Government Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

All financial and other matters necessary for an effective external audit have been disclosed to the auditors. As far as the Directors are aware there is no relevant audit information of which the auditors are unaware; the Directors have taken all the steps necessary to make themselves aware of any relevant audit information and to ensure that the auditors are aware of that information.

The accounts are prepared on a 'going concern' basis. Grant in Aid is received on a cash basis to meet immediate need, and is accrued to match liabilities. Grants to individuals are paid in arrears and the Statement of Financial Position at 31 March 2016 shows a net surplus. SG has provided a letter of comfort to Directors to confirm

that Grant in Aid will be made available to cover the financial obligations of the company.

There were no events after the end of the financial year that have any material effect on these Reports and Accounts.

Future developments and organisational risks

The company provides estimates of expenditure to support the requests of Grant in Aid. Directors are required to take reasonable steps to ensure expenditure does not exceed available funding.

The company continues to develop a robust risk management programme, identifying major risks against business objectives and implementing appropriate risk management measures. The SMT reviews risks and reports to the Audit Committee and Board of Directors on a quarterly basis. Appropriate controls and action plans for risk management are put in place and these are reviewed at the risk management meetings. A separate Annual Governance Statement is provided in this document.

Signed by the Chair of the Board on behalf of the Directors on 27 June 2016.

Susan Douglas-Scott, Chair of the Board

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. The Directors have elected under the Companies Act to prepare the accounts in accordance with IFRSs as adopted by the EU and applicable law and to provide additional disclosures required by the Government Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

Under company law directors must not approve the accounts until they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and detect fraud and other irregularities.

The Directors have decided to prepare a Directors Remuneration Report in order to comply with the requirements of the Government Financial Reporting Manual 2015-16 in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, to the extent that they are relevant.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Signed by the Chair of the Board on behalf of the Directors on 27 June 2016.

Susan Douglas-Scott, Chair of the Board

Remuneration Report for the period ended 31 March 2016

Directors and Senior Management Team

Directors are appointed by Scottish Ministers for a period of two years which can be extended at the discretion of Scottish Ministers.

The Directors are appointed from a variety of backgrounds on the basis of relevant experience gained and relevant skills required.

The Chief Executive together with the Senior Management Team is responsible for day to day operations and activities.

Personal performance objectives for the Senior Management Team are currently being developed.

The Remuneration Policy

This report for the period ended 31 March 2016 deals with the remuneration of the Chief Executive, SMT and Directors of the Independent Living Fund Scotland.

ILF Scotland is managed by a Board of Directors appointed by The Scottish Ministers. The Directors receive remuneration as post-holders and are reimbursed for out-of-pocket expenses in line with the company travel and subsistence policy. They do not receive any other benefit. There are no unpaid persons or volunteers upon whose services the company is dependent.

The Remuneration Committee

The Remuneration Committee is appointed by the Board of Directors and is established to independently review the salary of the Chief Executive. The Chief Executive informs the Committee of any annual pay discussions to agree the salary levels for employees and SMT. The company complies with Scottish Government pay remit guidelines.

Members of the Committee for the period of this report were:

Fiona O'Donnell, Chair of the Remuneration Committee

Susan Douglas-Scott, Member of the Remuneration Committee

The terms of reference of the Remuneration Committee in relation to salary, rewards and conditions of service are:

- To ensure that the SMT and staff are fairly, but responsibly rewarded for their joint and individual contributions to ILF Scotland management and overall performance.
- To agree the Chief Executive's remuneration in discussion with The Scottish Ministers and ensure that it is managed under the terms and conditions agreed with the company.
- To review and where appropriate, approve the Chief Executive's proposals for the remuneration of the SMT.
- To review and where appropriate approve the SMT's remuneration proposals for all staff below SMT level. This will include approval of the annual pay remit and setting pay bands and bonuses where appropriate.

Remuneration (including salary) and pensions entitlements

The following sections provide details of the remuneration and pension interests of the Directors and the most senior company management.

Directors

For the period ended 31 March 2016 the total remuneration paid to Directors were:

	2015 - 16
Name	£
Susan Douglas-Scott (Chair)	1,493
Alan Dickson	1,586
Fiona O'Donnell	1,169
Bridget Sly	1,420
Dr Maureen Bruce (to 31 October 2015)	Nil

In line with the company travel and subsistence policy a Director may also be reimbursed all reasonable and proper expenses incurred in carrying out their duties as a Director.

The Chief Executive and Senior Management Team

The Chief Executive and the SMT are employed on ILF Scotland terms and conditions.

The Directors have a policy regarding the senior management remuneration as follows:

- To create a fair and transparent pay structure offering salaries in line with the roles and demands on the personnel in those posts.
- To offer competitive salaries to enable the company to attract personnel of the required calibre to fill its senior management posts.
- To align decisions in accordance with the key features and parameters of the Scottish Government's pay policy so as to:
 - align reward with the business objectives to encourage high performance and improve the focus on the delivery of service;
 - ensure reward arrangements are affordable; and
 - create a level of salary progression which is subject to performance expectations (performance below the expectation would mean no progression and management action would be necessary for less than adequate performance).

The company is developing plans to have in place for the Chief Executive and the Senior Management Team, agreed objectives which are set by the Chairman of the Board of Directors and the Chief Executive respectively.

The Chief Executive's and SMT performance will be reviewed annually with the overall assessment informed by quarterly one-to-one meetings.

In the event of early severance, compensation would be payable in accordance with company terms and conditions.

Remuneration of Chief Executive and SMT

This table represents the part of the Remuneration Report to be audited as referred to in the Audit Certificate.

	Salary	Bonus payments	Benefits in kind	Other pension benefits	Total
	2015 - 2016	2015 - 2016	2015 - 2016	2015 - 2016	2015 - 2016
	£'000	£'000	£'000	£'000	£'000
Peter Scott Chief Executive	40 - 45	Nil	0-5	5-10	50-55
Harvey Tilley Chief Operating Officer	35-40	Nil	0-5	5-10	45-50
Nadeem Hanif Head of Finance	25-30	Nil	0-5	0-5	30-35
Margaret Wheatley Head of Policy	15-20	Nil	0-5	0-5	20-25
Robert White Head of Social Work	20-25	Nil	0-5	0-5	25-30

Bonus Payments

There were no bonus payments arising during the period.

Benefits in kind

The benefits in kind are in relation to pension contributions.

Other Pension Benefits

Both the company and employees contribute to a defined contribution stakeholder pension arrangement.

Pay multiples

	2015 - 16 Salary £000
Band of highest paid employee's total remuneration	45-50
Median total remuneration	£24,204
Ratio	1.96

The banded remuneration of the highest paid employee in the company in the financial period 2015- 16 was £45-50k. This was 1.96 times the median remuneration of the workforce, which was £24,204.

Total remuneration includes salary and benefits only. It does not include employer pension contributions.

Pension Contributions

Pension benefits are provided through a defined contribution stakeholder scheme.

The employer makes a basic contribution of between 6% and 12% depending on the employee contribution. Employee contributions are salary-related and range between 2% and 5% of pensionable earnings.

Fiona O'Donnell, Remuneration Committee Chair

Signed by the above on 27 June 2016

Annual Governance Statement for the period ended 31 March 2016

Scope of responsibility

The Board of Directors have responsibility for maintaining sound corporate governance systems that support the achievement of our policies, aims and objectives and safeguard the public funds and assets for which we are personally responsible.

Our responsibilities for managing public money and the duties assigned to us have been exercised with due diligence and the appropriate professional care.

The role of ILF Scotland is to deliver discretionary cash payments directly to disabled people, allowing them the choice and control to purchase personal support and live independent lives in their communities.

Sound Corporate Governance

As a new company, our corporate governance systems are being drawn up from best practice recommendations and will be strengthened through internal scrutiny, legislative and process compliance and through collaborative working with both internal and external auditors.

These systems address individual and corporate accountabilities, the roles and effectiveness of our boards and our capacity to identify and effectively manage and report risk.

The company strategic aims and objectives are being developed by the Directors along with our sponsor department at the Scottish Government (SG). Our Chief Executive attends quarterly meetings chaired by SG officials. These meetings discuss significant business and programme risks and review ongoing progress against plan.

The programme meetings chaired by SG officials are supported by regular operational Keep in Touch meetings with our sponsor team, members of specialist teams and other SG colleagues to ensure clarity of purpose, sound communication and effective reporting.

With Directors only being appointed towards the end of 2015, the Board only met once in formal session this period. There were however various board development days and committee meetings. All meetings have a pre-agreed agenda, are minuted and produced clear actions and matters arising. Meetings are attended by Directors and appropriate members of the SMT.

The Directors have a responsibility for maintaining sound systems of control to address key financial and other risks, ensuring that the requirements of the ILF Scotland founding documents are met, that high standards of corporate governance are demonstrated, and for reviewing the effectiveness of the systems of internal control.

Capacity to handle risk

The Chief Executive acts as the Risk Champion for the company, whilst lead responsibility for ensuring that appropriate mechanisms are in place for identifying, monitoring and controlling risk, and advising SMT on the actions needed in order to comply with our corporate governance requirements rests with the Chief Operating Officer, who also acts in the capacity of the ILF Scotland Senior Information Risk Owner (SIRO).

Our systems and processes are designed to manage risk to a reasonable and appropriate level rather than to eliminate all risk; therefore it can only provide reasonable and not absolute assurance of effectiveness.

Our Directors meet quarterly to address our strategic business priorities and the strategic risks associated whilst the SMT meets weekly.

Reviewing our strategic risks is a standing item at Board meetings, the SMT and the Audit Committee.

The Audit Committee provides a high-level resource that tests the adequacy of assurance on our risk management framework and internal control environment. Going forward, the Audit Committee will be attended by representatives of both internal audit and external audit.

Whilst every member of staff has a responsibility to ensure that exposure to risk is minimised, overall leadership of the risk management processes rests with members of the SMT.

Managing risks

The Risk Management Framework (RMF) sets out the organisation's attitude to risk and provides a consistent basis to capture, monitor and report risks and to progress strategies to mitigate these. In assigning lead risk owners at SMT level and in the management control processes, we identify clear lines of responsibility throughout the organisation.

Our overall risk appetite is risk averse. This does not mean that we avoid opportunities to improve. However, it does mean that we are rightly cautious when challenges may hinder or put at risk our core business and service provision to our users.

Our risk management processes enable us to identify operational, business and financial risks, customer focus and delivery risks as well as identifying and assessing potential reputational risks and other contingent issues.

This year our emerging risks were mainly in connection with the setting up of a new organisation, the management of resources, the deployment of independent contractors and managing the movement of personal and sensitive information.

Our risks have been discussed within the organisation and where necessary we have defined new roles and responsibilities, we have introduced new measures, with

improved management information and where appropriate we have attached a specific manager.

The managers' role is to monitor, report on and manage these issues and risks. Although many of our risks hold a high inherent value at the outset, after controls and measures have been taken, they all hold a medium or low residual value.

Information Assurance

Within our programme we have a significant challenge and risk involved in transferring sensitive user and confidential corporate data to our partners and client departments. This has required close liaison with relevant partners to ensure that we meet our legal responsibilities under the data Protection Act. Data and information security has been managed as a high priority item.

In terms of data and information security breaches there have been none.

Review of effectiveness

As Directors, we have responsibility for reviewing the effectiveness of the system of corporate governance, including systems of internal control. Our review is informed by the work of the SMT who has responsibility for development and maintenance of the internal control framework, and guided by advice from internal and external auditors.

We have been advised on the implications of my review of the effectiveness of the system of internal control by the SMT and the Audit Committee. As Chair of the Board I am confident that the Board of Directors and Audit Committee can draw significant assurance from the activity and reporting from SMT.

We have also recently appointed independent internal auditors to examine our governance, risk management and control processes albeit their first report will not be available until the 2016/17 financial year.

The internal control systems SMT have put in place include:

- A comprehensive suite of control checks, which have been refined and adapted to meet our requirements in managing the programme (as reported to the Audit Committee);
- Regular reports to SMT, Directors and SG on progress against the company targets and business aims and objectives;
- An appropriate delegated budget management framework;
- A risk management strategy and risk management framework which comply with best practice;
- The organisation's Strategic Risk Register which is reviewed by Directors at least quarterly, a standing item with Audit Committee and reviewed monthly by SMT both quarterly at the risk and controls board and monthly at SMT meetings;

- A project governance framework that seeks to manage the responsibilities, resources, reporting and programme milestones in order to deliver the planned outcomes on-time and to pre-agreed quality;
- The adoption of formal project management arrangements based on PRINCE 2 principles for all key programme and projects, includes the development and maintenance of programme and project risk registers, detailed objectives for each work stream, timeline milestone reports and clear reporting mechanisms;

Board effectiveness and structures that support decisions

As a new organisation the Board has been setting up its governance arrangements to ensure compliance with best practice and relevant legislation.

The Board has been developing terms of reference for all boards and committees, including their purpose, membership, and the election of the lead Director as well as defining the management and reporting requirements for each internal function.

Our governance processes and mechanisms to manage our boards are consistently applied to capture discussions, actions, risks and progress. These provide a basis for consistent reporting and ease of read-across to inform recommendations, actions and outcomes, our boards include the SMT, the Audit Committee and the Remuneration Committee.

The SMT meets regularly and is responsible for ensuring that corporate risks are identified as early as possible, are properly managed, that cross-functional issues are considered, and that risk management receives a high profile in planning and delivery of our plans. The SMT along with some of our senior managers meets weekly to ensure that all attendees understand both the priorities of the week and any emerging issues.

Senior Committees

The Audit Committee met three times during the period and is responsible for ensuring, as far as possible, that appropriate systems are in place within the company for the assessment and management of risk and advising the Board on the effectiveness of the systems of governance and control, leading to signing off the Annual Governance Statement.

The Audit Committee reviews Strategic Risks as a standing item, it routinely considers the effectiveness of payment security, fraud management and recovered and unspent monies, it reviews the internal audit plans to ensure sufficient rigor and detail and undertakes to provide a questioning and challenging role to obtain assurance.

The Remuneration Committee oversees and reports to the Directors on the salaries, rewards and conditions of service in place at the company. It also makes sure that ILF Scotland conducts its employee relations fairly, efficiently and effectively.

Director Attendance 2015-16

Name	Board Meetings	Training Days	Audit Committee	Remuneration Committee
Susan Douglas-Scott	1/1	2/2	N/A	1/1
Alan Dickson	1/1	3/3*	3/3	N/A
Fiona O'Donnell	1/1	2/2	2/3**	1/1
Bridget Sly	1/1	3/3*	1/3	N/A

* The additional training day was for Audit Committee members only.

** Fiona O'Donnell was standing in for Bridget Sly to ensure that the Committee quorum was met on two occasions.

Significant internal control issues

As a new organisation the challenge has been to set appropriate internal controls. The internal controls and procedures established will be modified and improved as appropriate as the organisation develops.

During the period our control visits to grant recipients picked up an instance of suspected fraud that had been going on for a number of years with our predecessor body the Independent Living Fund (2006). The financial loss to ILF Scotland is estimated to be around £3,000. This matter has now been passed to the NHS Counter Fraud Services team.

Over the course of the period there has been no significant control weaknesses reported, nor has any report been made externally, independently nor via the company Whistle-blower policy.

Our audit and internal management reporting remains vigilant to ensure early identification of issues within normal day-to-day business and no significant issues have emerged.

We have managed our risks and highlighted issues with foresight and taken decisions as required; we have forecast and reported our financial position in a timely accurate manner and maintained our budget within expected parameters.

Whilst as a new organisation we continue to develop and improve our internal control and governance systems, in conclusion we believe that they were fit for purpose during the reporting period.

Susan Douglas-Scott
Chair of the Board
27 June 2016

Directors' Report

The directors submit their annual report including for the period ended 31 March 2016.

The Directors have elected under the Companies Act to prepare the accounts in accordance with IFRSs as adopted by the EU and applicable law and to provide additional disclosures required by the Government Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

Date of Incorporation

The company was incorporated on 10 March 2015 as a private company limited by guarantee. It commenced operations on 1 July 2015.

Principal activities

The principal activities are described on page 10.

Directors

Susan Douglas-Scott (Appointed 1 November 2015)
Chair of the board

Alan Dickson (Appointed 1 November 2015)
Non-executive director

Fiona O'Donnell (Appointed 1 November 2015)
Non-executive director

Bridget Sly (Appointed 1 November 2015)
Non-executive director

Dr Maureen Bruce (Appointed 10 March 2015, resigned 1 November 2015)
Non-executive director

For further information, please see governance statement on pages 22 to 26.

All non-executive directors are considered to be independent.

None of the directors had any beneficial interest in the ownership of the company throughout the period. The company is guaranteed by The Scottish Ministers.

Non-current assets

Full details of the movement in non-current assets are given in Note 6 to the Accounts.

Employees

It is ILF Scotland's aim to keep employees informed about its affairs and in particular those matters that affect them directly. The company regularly issues all-staff emails and is in the process of developing a staff Intranet site.

ILF Scotland is an Equal Opportunities Employer and actively encourages applications from disabled people.

Pension Scheme

The company contributes to a defined contribution stakeholder pension scheme to satisfy its obligations to staff.

Information losses

There were no reportable Information losses in the period.

Corporate governance

The Board is charged with maintaining a sound system of internal control that supports the achievement of the ILF Scotland policies, aims and objectives and regularly reviewing the effectiveness of that system. The Board is also responsible for the Governance Statement.

The Board's Governance Statement is provided on pages 22 to 26.

The Board

The Board is responsible for ensuring that effective corporate governance arrangements are in place that set out how ILF Scotland is directed and controlled and how the assurance on risk management and internal control is provided.

The Board is required to demonstrate high standards of corporate governance at all times and to ensure that best practice is followed consistent with the Combined Code on Corporate Governance and appropriate adaptations of Corporate Governance in the Central Government Departments Code of Good Practice. The responsibilities of the Board are set out in the Governance Statement.

Remuneration

The remuneration for the Chair and Non-Executive Directors is determined by The Scottish Ministers. The remuneration of the Chief Executive is determined by the Board, subject to approval by The Scottish Ministers.

The Non-Executive Directors are appointed by The Scottish Ministers for a fixed term appointment of two years which can be extended at the discretion of The Scottish Ministers.

Remuneration Committee

Members of the Committee are appointed by the Board. The Board determines the membership and terms of reference. The Chair of the Committee will report back to the Board after each meeting as required and the minutes of Committee meetings will be provided to Directors for information. Remuneration Committee meetings will normally be attended by the Chief Executive and the Chief Operating Officer.

For further information, please see the Remuneration Report on page 17 and the Governance Statement on pages 22 to 26.

Audit committee

Members of the Committee are appointed by the Board. The Board determines the membership and terms of reference. The Chair of the Committee will report back to the Board after each meeting as required and the minutes of Committee meetings will be provided to Directors for information. Audit Committee meetings will normally be attended by the Chief Executive and the Chief Operating Officer.

The Audit Committee is responsible for:

- The strategic processes for risk, control and governance including the supporting assurance framework;
- The accounting policies, the accounts and the annual report including the process for review of the accounts prior to submission to the Board for approval, levels of error identified and reviewing the Board's letter of representation to the External Auditor;
- The planned activity and results of both internal and external audit;
- The adequacy of management responses to issues identified by audit activity, including external audit's management letter;
- Assurances relating to corporate governance requirements;
- Proposals for procuring external audit services or for the purchase of non-audit services from firms who provide audit services;
- The External Auditor's remuneration in conjunction with the Head of Finance;
- Fraud management policies and practices and whistle-blowing processes;
- Fraud monitoring and investigation activities;
- Assurances relating to risk management arrangements;
- Input to the Remuneration Committee to assist its deliberations on senior staff performance as it relates to effective internal control, governance and assurance.

Both external and internal audit have the right to independent access to the Chairman and members of the Committee.

Further details regarding the Audit Committee can be found in the Governance statement on pages 22 to 26.

Statement of disclosure of information to external auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the External Auditor is unaware; and each Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the External Auditor is aware of that information.

External Auditor

Details of all fees earned by the External Auditor are provided in note 5 of the annual accounts.

A resolution regarding the reappointment of Auditor to the Company was approved at the June 2016 Board meeting.

By order of the Board

Peter Scott
Company Secretary
27 June 2016

Independent Auditor's Report to the members of ILF Scotland

We have audited the accounts of ILF Scotland for the period ended 31 March 2016 which 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual ('the 2015/16 FReM').

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement (set out on page 16), the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are responsible for giving an opinion on the regularity of expenditure and income in accordance with the 2015/16 FReM.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in

the course of performing the audit. Should we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the company's affairs as at 31 March 2016 and of the net expenditure for the period then ended;
- the accounts have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and as interpreted and adapted by the 2015/16 FReM; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the accounts are prepared is consistent with the accounts.

Opinion on other matters prescribed by the 2015/16 FReM

In our opinion:

- in all material respects the expenditure and income in the accounts has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company accounts are not in agreement with the accounting records and returns;

or

- certain disclosures of directors' remuneration specified by law are not made;

or

- we have not received all the information and explanations we require for our audit.

Catherine Wyllie (Senior Statutory Auditor)
For and on behalf of
Henderson Loggie, Statutory Auditor
Dundee

27 June 2016

Statement of Comprehensive Net Expenditure for the period ended 31 March 2016

	Notes	2015-16
Expenditure		£
Grants to individuals	3	40,737,517
Staff costs	4	620,825
Depreciation and amortisation	5	9,825
Other expenditure	5	526,985
Total comprehensive net expenditure for the period		<u>41,895,152</u>

The notes on pages 39 to 51 form part of these accounts.

All expenditure relates to continuing operations.

Statement of Financial Position as at 31 March 2016

	Notes	31 March 2016
Non-current assets		£
Property, plant and equipment	6	24,373
Intangible asset	7	23,107
Total non-current assets		47,480
Current assets		
Trade and other receivables	9	82,281
Cash and cash equivalents	10	7,761,787
Total current assets		7,844,068
Total assets		7,891,548
Current liabilities		
Trade and other payables	11	(424,769)
Other liabilities – grant liabilities	11	(2,215,955)
Other liabilities – deferred income	11	(4,960,077)
Total current liabilities		(7,600,801)
Total assets less current liabilities		290,747
Non-current liabilities		
Deferred income – capital grants	12	3,067
Net assets		287,680
Taxpayers' equity		
General reserve		287,680
Total taxpayers' equity		287,680

Statement of Financial Position as at 31 March 2016

The notes on pages 39 to 51 form part of these accounts.

These accounts were approved and authorised for issue by the Directors on 27 June 2016.

Susan Douglas-Scott, Chair of the Board

Statement of Cash Flows for the period ended 31 March 2016

	Notes	2015-16
Cash flows from operating activities		£
Net expenditure		(41,895,152)
Depreciation and amortisation	5	11,358
Amortisation of capital grant	12	(1,533)
Increase in trade and other receivables	9	(82,281)
Increase in trade and other payables, grant liabilities and provisions	11/12	<u>7,598,501</u>
Net cash outflow from operating activities		<u>(34,369,107)</u>
Purchase of intangible assets	7	<u>26,340</u>
Net cash outflow from investing activities		<u>(26,340)</u>
Cash outflows from financing activities		
Grant in aid		42,150,334
Capital grant	12	<u>6,900</u>
Net cash flows from financing activities		<u>42,157,234</u>
Net increase in cash and cash equivalents in the period		7,761,787
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	10	<u>7,761,787</u>

The notes on pages 39 to 51 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2016

	General Reserve
	£
Balance at 10 March 2015*	-
Changes in Taxpayers' equity 2015-2016	
Grant in aid from departments	42,150,334
Net expenditure	(41,895,152)
	255,182
Add: Assets transferred from Scottish Government	32,498
Balance at 31 March 2016	287,680

* Denotes date of company incorporation.

General reserve – relates to the ongoing operation of regular payments to individuals and the associated administration costs, financed by Grant in Aid.

Grant in Aid is not drawn in full in advance but requested each calendar month to meet estimated cash payments during the year. The company does not hold strategic reserves as it is dependent on public funding. The net deficit will be met by Grant in Aid for the following year. A letter of comfort is provided by Scottish Government to confirm that future funding will be sufficient to meet liabilities at the end of the financial year plus the forecast net expenditure for the following year.

The notes on pages 39 to 51 form part of these accounts.

Notes to the Accounts for the period ended 31 March 2016

1 Nature and purpose of the Independent Living Fund Scotland

The Independent Living Fund Scotland commenced operations in July 2015. The company is limited by guarantee. The guarantor is The Scottish Ministers.

ILF Scotland carries out the functions previously carried out by the Independent Living Fund (2006) within Scotland and Northern Ireland.

It is financed by Grant in Aid from both the Scottish Government and the Department of Health (Northern Ireland) in order to provide assistance with the cost of qualifying support and services to disabled applicants and to meet the operating costs of the company. The Grant in Aid amount is approved annually and confirmed in a letter of delegation.

2 Statement of Accounting Policies

The Directors have elected under the Companies Act to prepare the accounts in accordance with IFRSs as adopted by the EU and applicable law and to provide additional disclosures required by the Government Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

The Accounts are prepared on a 'going concern' basis. Grant in Aid is received on a cash basis to meet immediate need, and is accrued to match liabilities. Grants to individuals are paid in arrears and the Statement of Financial Position at 31 March 2016 shows a net surplus. Scottish Government has provided a letter of comfort to Directors to confirm that Grant in Aid will be made available to cover the financial obligations of the company.

International Financial Reporting Standards Amendments and Interpretations effective in 2016-17

No amendment or interpretations have been issued but are not yet effective, and that are available for early adoption, have been applied by the company in these financial statements. There are no amendments or interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

a) Accounting convention

These accounts have been prepared under the historical cost convention modified for the revaluation of non-current assets.

b) Property, plant and equipment

Property, plant and equipment consists of IT hardware and equipment held only for the purpose of managing the company. ILF Scotland believes that the useful economic life is a realistic reflection of the life of its plant and equipment, and the

depreciated historical cost method provides a realistic reflection of the consumption

of those assets. The company therefore carries plant and equipment at cost less accumulated depreciation and any recognised impairment in value.

c) Depreciation

Depreciation on property, plant and equipment is charged on a straight-line basis to write off the cost less residual values over the useful life of the asset: incepting at the purchase date, or when the asset is available for use, whichever is the later. IT hardware and equipment is depreciated over a three-year life span.

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

d) Intangible assets

Intangible assets consist of bespoke software developed for the company and software licences held only for the purpose of managing the company. All intangible assets are carried at fair value.

Bespoke software assets are capitalised in these accounts in the year of implementation. Amortisation is on a straight line basis over the estimated useful life of three years.

Software licences are capitalised in these accounts in the year of acquisition. Amortisation is on a straight line basis over the estimated useful life.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

e) Financial instruments

The company procurement policy is to enter into contracts and framework agreements for services and supplies at current agreed costs with annual price reviews, rather than create complex financial instruments.

Financial assets and financial liabilities are recognised in the Statement of Financial Position when ILF Scotland becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs, assessed for recoverability where relevant). Subsequent measurement is at amortised cost, although no adjustment for the time value of money is made where the settlement period is short so there would be no significant effect.

Financial assets comprise loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash at bank, accrued bank interest and other receivables. Financial liabilities comprise grant liabilities, trade payables and accruals.

f) Reserves policy

Grant in Aid is not drawn in full in advance but requested each calendar month to meet estimated cash outflow. The company does not hold strategic reserves as it is dependent on public funding.

g) Grant in Aid

Funding to cover grants to individuals and administrative expenditure is provided through Grant in Aid from the Scottish Government and the Department of Health (for Northern Ireland). Grant in Aid is received on the basis of the ILF Scotland estimated cash payments during the financial year. Grant in Aid received forms part of the Departmental Expenditure Limits for the respective Departments. Grant in Aid is treated as financing rather than income and is directly credited to reserves.

h) Grants to individuals

Grants to individuals are discretionary grants made within Scottish Government rules and regulations. Grants are paid four weekly in arrears on the basis of authorised awards. Amounts due but unpaid at the end of the financial year are accrued in these accounts. The accrual is calculated from the awards made by the end of the financial year but not fully paid up to the end of the financial year.

Unused grants returned by individuals in the normal course of business are recognised on receipt and there is no accrual for potential future returns of unspent grants.

i) Formal recovery of grants to individuals

Although grants to individuals are discretionary payments, formal recovery will be sought where the provision of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose. The company will seek to recover all amounts where it is cost-effective to do so unless it will cause hardship to the individual. Recovery procedures appropriate to the value and circumstances of the case will be used, in accordance with the ILFS guidelines and procedures.

In accounting for recoveries we have adhered to the Conceptual Framework for Financial Reporting which gives guidance that an asset should not be recognised in the statement of financial position when the expenditure has been incurred for which it is considered improbable that economic benefits will flow. Therefore, a receivable is only recognised in the accounts when it has been agreed with the individual and there is considered to be a reasonable prospect of recovery.

Any receivable recognised will be disclosed as a reduction to expenditure in the year in which it is recognised. Receivables will be assessed at the end of each accounting period and reduced to the estimated recoverable amount where there are circumstances that indicate full recovery is uncertain.

Operating leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease. The main lease is for accommodation and managed facilities under a sub-lease with the Scottish Government. Charges are set in accordance with a head lease between the Department and the service provider.

The company has no direct control of these charges.

j) Pension costs

Both the company and staff contribute to a defined contribution pension scheme.

k) Significant estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions in certain circumstances that affect reported amounts, and for this organisation such estimates are principally in assessing the recoverability of grants to individuals.

Where the estimated period of recovery of a grant is under 10 years, it is assumed that the full amount will be recovered. Where the period is over 10 years only the amount likely to be recovered within 10 years is included.

l) Reporting segments

IFRS 8 requires entities to provide information relating to the components of the entity that management uses to make decisions about operating matters. A segmental financial analysis is not considered necessary for the company, as no separate components are used for operating decisions made by the Senior Management Team.

m) Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of an event that occurred in the past and the settlement of that obligation will result in an outflow of resources, but the timing or amount of the settlement is uncertain. The amount recognised as a provision is the best estimate of the consideration which will be required to settle the obligation.

3 Grants to individuals

	2015-16 £
Payments made in period	38,588,129
Grant liabilities at start of period	-
Grant liabilities at end of period	2,204,381
Grant returns received in period	(54,993)
Grants payable for period	40,737,517
Number of individuals in receipt of payment at 31 March	3,277

Grants to individuals are paid four-weekly in arrears. Grant liabilities consist of the accrued amounts from awards made by the end of the financial year but not fully paid up to the end of the financial year.

Returns received comprised £54,993 in respect of unused funds returned by

individuals.

4a Staff numbers and related costs

	2015-16
	£
Wages and salaries	513,962
Social security costs	50,858
Other pension costs (see below)	56,005
Total staff costs	620,825

	2015-16
	Number
Average number of persons directly employed:	
Directors (part-time non-executives)	4
Full time equivalent employees	21
	25

4b Other pension costs

Employees can opt to contribute to a defined contribution pension account, a stakeholder pension with an employer contribution. Employer contributions range from 6% to 12% of pensionable pay. Employers match employee contributions up to 5% of pensionable pay.

Contributions due to the pension providers were nil at 31 March 2016. Contributions prepaid were nil at 31 March 2016.

5 Other expenditure and non-cash items

	2015-16
	£
Running costs:	
Independent assessor fees and expenses	110,651
IT and information security costs	108,751
Rates, utilities and other estate costs	99,315
Legal and professional costs	27,680
Services, training, recruitment, travel and subsistence	108,225
Auditors remuneration*	14,730
Communication and engagement	17,587
Postage costs	7,721
Printing and stationary costs	14,393
Research costs	17,932
Total other expenditure	526,985
Non-cash items	
Depreciation net of grant release	6,592
Amortisation	3,233
Total non-cash items	9,825

*There are no non-audit fees included within the auditor's remuneration

6 Property, plant and equipment

	Information Technology	Total
Cost	£	£
Transfers from Scottish Government	32,498	32,498
Additions in year	-	-
Balance at 31 March 2016	32,498	32,498
Depreciation		
Charge for the period and balance at 31 March 2016	8,125	8,125
Net Book Value		
At 31 March 2016	24,373	24,373
At 10 March 2015*	-	-

7 Intangible assets

	Information Technology	Total
Cost or valuation		
Additions in period	26,340	26,340
Balance at 31 March 2016	26,340	26,340
Amortisation		
Charge for the period and balance at 31 March 2016	3,233	3,233
Net Book Value		
At 31 March 2016	23,107	23,107
At 10 March 2015*	-	-

*Denotes date of company incorporation.

Intangible assets mainly comprise bespoke software and software licences. There is no significant difference between historic cost and fair value.

8 Financial instruments and associated risks

As all of the majority of the company's cash requirements are met through Grant in Aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to purchase non-financial items in line with the company's expected usage requirements, so the company is exposed to little credit, liquidity or market risk. The value of financial instruments are considered to be a proxy of their fair value.

Financial Assets

31 March 2016

£

Cash and cash equivalents

7,761,787

Cash and cash equivalents: represents money with The Royal Bank of Scotland held in current accounts to minimise the risk.

Financial liabilities

31 March 2016

£

Grant liabilities

2,215,955

Trade payables and accruals

424,769

Deferred income

4,957,777

Capital grant liabilities

5,367

7,603,868

Grant liabilities: Represents awards authorised but unpaid at the year end, which are due to be paid within four weeks out of the cash Grant in Aid provision in the following year; a letter of comfort is provided by Scottish Government to confirm that funding is available to meet payments due.

Trade payables and accruals: Represents amounts payable in the short term, to be met out of cash held at the year-end.

Deferred income: Represents amounts received from Scottish Government to meet grant payments and administration costs due in the next financial year.

Capital grant liabilities: represents grant monies received in respect of intangible fixed assets.

9 Trade and other receivables

31 March 2016

£

Due within one year

Prepayments

75,949

Other receivables

6,332

82,281

All receivables relate to bodies external to Scottish Government.

10 Cash and cash equivalents

2015-16

£

Balance at 10 March 2015*

-

Net cash inflow

7,761,787

Balance at 31 March 2016

7,761,787

* Denotes date of company incorporation

The following balances were held:

31 March 2016

£

Benefit accounts

7,317,688

Administration account

444,099

7,761,787

Cash and equivalents comprise bank balances which are held in current accounts in a UK commercial bank.

11 Current liabilities

Amounts falling due for payment within one year

31 March 2016

£

Grant liabilities

2,215,955

Trade payables

10,373

Accruals

172,629

Deferred income – Scottish Government

4,957,777

Deferred income – Capital Grants

2,300

Other payables

241,767

7,600,801

The deferred income (Scottish Government) relates to monies received from Scottish Government to cover grant liabilities and administration costs due in the next

financial year.

12 Non-current Liabilities

	31 March 2016
	£
Capital grant received	6,900
Less amortised in period	1,533
Total balance at 31 March 2016	<hr/> 5,367
Less due within one year	2,300
Due after more than one year	<hr/> 3,067 <hr/>

13 Losses and special payments

Although grants to individuals are discretionary payments, formal recovery is sought where the provision of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose.

Where recovery is deemed to be unachievable, a loss is recorded and one potential loss with an approximate value of £3,000 was recorded in the period.

Losses are recorded when it becomes evident that there are no practical avenues remaining by which to pursue recovery, and therefore no further action is taken by the specialist team. As these payments were recorded as costs when originally advanced they do not represent a further cost once deemed irrecoverable.

No other losses have been incurred by the company that require reporting in this note.

No special payments, which fall under the disclosure requirements of the FReM, were made during the period.

14 Operating leases

There is a sub-lease for accommodation and facilities with the Scottish Government that expires on 30 June 2018.

The charges to the company are set in the head lease between the Scottish Government and its accommodation supplier.

Total future minimum lease payments under operating leases for each of the following periods were:

31 March 2016

£

Land and buildings (Denholm House)

Within one year

120,000

Within two to five years

150,000

15 Directors' remuneration, interests and indemnities

The Directors receive remuneration from the company. The total remuneration paid to the Directors was £5,668 for the period and further information is provided in the Remuneration Report. Directors received reimbursement for travel and subsistence expenses amounting to £746 for the period. No Directors were a beneficiary of the company and received payments in accordance with the objects of ILF Scotland; a procedure is in place to manage actual or perceived conflicts of interest.

No other transactions were undertaken in which any Director or person connected with any Director had a material interest.

There are policies of insurance in place covering professional indemnity for Directors.

The Scottish Government provides that Directors are not personally liable for any loss to ILF Scotland other than that arising from willful and individual fraud, wrongdoing or omission on the part of a Director who is found to be liable.

16 Related party transactions

Related parties are the Directors, all parts of the Scottish Government (SG) including its agencies, and the Department of Health in Northern Ireland (DoH). ILF Scotland received Grant in Aid from SG of £36,339,334 and DoH £5,811,000. SG makes a joint transfer on behalf of DoH to ILF Scotland on a monthly basis. The Directors are the controlling party under direction from Scottish Ministers.

For the period no Directors were a beneficiary of ILF Scotland and received discretionary grants in accordance with the objects of the company.

No other related parties, including the Directors and key management staff, have undertaken any transactions with the company during the period.

17 Capital commitments and contingent liabilities

There were no capital commitments at 31 March 2016.

18 Events after the reporting period

There have been no events which affect these accounts since the reporting date. IAS 10 requires the company to disclose the date on which the accounts are authorised for issue.

The authorised date for issue is 27 June 2016.