

Independent Living Fund Scotland **Annual Report and Accounts** Year ended 31 March 2017

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About us

The Independent Living Fund Scotland is a Public Body of the Scottish Government. Our role is to provide a high quality service to, currently, over 3,000 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 32 dedicated people and also have engaged up to 9 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 am delighted to be able to say that ILF Scotland has successfully completed its first full year of operations. Between 1st April 2016 and 31st March 2017, we have made over 41,000 individual payments to disabled people, totalling over £51m. We recognise the life-changing significance of this financial support to some of Scotland and Northern Ireland's most disabled citizens. Indeed, they tell us consistently about the positive impact of the fund on their ability to continue to lead active lives.

Much as ILF Scotland is pleased to continue to offer this financial support, we do not underestimate the significant challenges currently being faced by Scotland's disabled people, including recipients of our fund. Our four year strategic plan, launched earlier this year, sets out our key priorities for supporting ILF Scotland's recipients, other disabled people, and carers, to overcome these challenges. Broadly speaking, we will do this by: -

1. Maximising the value obtained from the existing ILF Scotland fund;
2. Introducing a new ILF Scotland scheme thorough a process of co-production; and
3. Sharing our knowledge and experience, gained from working with disabled people across all of Scotland's Local Authorities and Northern Ireland's Health and Social Care Trusts, to positively influence practice.

As we at ILF implement our strategic plan, we remain fully committed to ensuring disabled people are at the heart of our organisation. It is imperative that we fully understand the implications of any decisions we make, or actions we take, on our current fund recipients and potential recipients of the new scheme. I am particularly pleased, therefore, that four of our seven Board Directors are disabled people, including myself, and 15% of our staff also identify as disabled people. In addition, we have convened independently chaired stakeholder groups of disabled people in both Northern Ireland and Scotland. I would like to express my sincere thanks to these groups for their time, commitment and expertise. They have already had a significant impact on the work of ILF Scotland.

Supporting our users

A message from the Chair of the Board

Last year I expressed my gratitude to the Scottish and Northern Ireland Government Sponsor teams for their work in setting up our organisation, and to the members of the working group involved in getting us up and running. My gratitude to these people continues through our partnership work with the Scottish and Northern Irish Governments and our wider stakeholders.

This year, on behalf of the Board, I particularly want to recognise the hard work and achievements of the ILF Scotland staff team, evidenced by the many awards their hard work has led us to gain this year. To place this in context, let me remind you that ILF Scotland is a small and lean organisation. I love working with them and they continually achieve beyond my expectations.

The team is always focused on providing an exemplary service to existing recipients of the fund. At the same time, they are both working hard and are excited at the prospect of opening a new scheme to support others. I, and the Board of Directors, appreciate the team's hard work, and share this excitement and enthusiasm with them.

Finally, I would like to say thank you to my Board colleagues, in recognition of their contribution to our organisation and their support to me throughout the year.

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 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, Honorary Vice President 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 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 ten years and has worked in a variety of senior finance roles within local and central government. Alan was also previously the Chair of Good Morning Glasgow (a charity that delivers telephone befriending to older people) and was a Trustee of the Prince and Princess of Wales Hospice.

Fiona O'Donnell, Chair of the Remuneration Committee

Fiona O'Donnell is a qualified solicitor with a specialist accreditation in commercial mediation.

She has 35 years public sector experience with local government and the higher education sector in Aberdeen, Angus and Dundee and has worked part time for the Legal Defence Union for 10 years.

Formerly Director of Legal at the University of Dundee, she worked with employment, discrimination and disability issues for both staff and students.

She is now Honorary Fellow and Lead Mediator at the University and mediates regularly in the public, voluntary and business sectors as part of The Mediation Partnership.

She has been a Board Member of the Scottish Agricultural Wages Board for 8 years.

Elizabeth Humphreys, member of the Remuneration Committee

Elizabeth has 30 years' experience of working in the public and voluntary sectors. During her career in the public sector, Elizabeth championed the needs of disabled people and individuals with other protected characteristics through a wide variety of roles in central Government. She has been a Director and Trustee of the Edinburgh-based charity IntoWork, which supports disabled people in finding employment. She is also an active member of Changing the Chemistry, a Scottish charity with the aim of promoting diversity within organisations, particularly at Board level and has been an Independent Prison Monitor.

Elizabeth McAtear, member of the Audit Committee

Elizabeth became involved in community development and the voluntary sector in the early 1980's and was involved in the establishment of the Western Isles Citizens Advice Service, managing the local CAB for 25 years. She has also served as a local authority councillor and has served on the the Western Isles NHS Board.

She served on the Board of Management of Lewis Castle College for eight years, the final two years as its Chair, in which capacity she also represented the College on the Board of Governors of the University of the Highlands and Islands (UHI). She recently completed her second term on Bord na Gàidhlig where she served as Interim Chairman for a year in addition to chairing the Policy & Finance Committee.

Twimukye Macline Mushaka

Twimukye has been working with the Poverty Alliance in Glasgow as a Fieldwork Development Officer since 2008. Previously, she worked as Executive Director of the National Union of Disabled Persons of Uganda (NUDIPU) in the late 1990s and as an independent consultant on disability and development issues in Eastern and Southern African regions until 2000. She has extensive experience of involvement with a range of third sector organisations in Scotland including on the Board of the Scottish Refugee Council (2008-2014), Member of the Board of Directors of One Parent Families (2013-2017) and Bridging the Gap (2014-March 2017). She is currently on the Board of Karibu Scotland and Deaf Blind Scotland and has spoken on a range of poverty, disability and gender related issues both at national and international level and brings extensive knowledge of how disability impacts on independent living based on her own personal experience of living with multiple disabilities.

Bridget Sly, member of the Audit Committee

Bridget has over twenty-five 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. She has lived experience as a disabled person and carer, and a commitment to equality and inclusive practice has permeated both her personal and working lives. She currently holds the post of Volunteer and Citizenship Manager with Glasgow Life, and was previously a non-Executive Director of the Glasgow Gay festival and a lay advisor to the Metropolitan Police Service. She offers knowledge and experience of strategic planning, project management, research and evaluation, and collaborative working.

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.

Jim Maguire, Finance Director

Jim is a chartered accountant and has over 25 years' experience operating at senior finance level. After over 20 years in the dairy sector, Jim moved to the public sector and his previous roles include finance director at the Scottish Police Services Authority and The Student Loans Company.

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

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. Harvey also acts in the capacity of company SIRO (Senior Information Risk Owner).

The Senior Management Team (SMT)

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 effectively manages all day to day financial operations.

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.

PERFORMANCE REPORT

Strategic Report Incorporating Management commentary

Strategic Report

Notes to Strategic Report

- Principal risks and uncertainties are set out in the Governance Statement on pages 26 to 31.
- 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 2016-17 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 Public Body of the Scottish Government (SG) and receives funding in the form of Grant in Aid from SG for Scotland. There is also an agreement between the Scottish Government and the Department of Health (DOH), Northern Ireland for ILF Scotland to administer ILF payments to ILF recipients based in Northern Ireland.

External auditor

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Internal auditor

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Solicitor

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Strategic Report Incorporating Management commentary

Directors' appointments, training and remuneration

Following public advertisement and recruitment procedures in line with Scottish Government Public Appointments 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 incidental 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), Northern Ireland. There is an agreement between SG and DOH for ILF Scotland to administer ILF payments to ILF users based in Northern Ireland. ILF Scotland received Grant in Aid from SG of £55,795,209. SG makes payments to the company on a monthly basis. The Company's ultimate controlling party is the Scottish Ministers.

Operating and performance review

Overview - Over the past 12 months ILF Scotland has made significant progress in delivering the first year of the organisation's 2016-2020 strategy, which was finalised during this year. This progress has been externally recognised by the organisation becoming a multi-award winning public body, going from strength to strength. This success is against a backdrop of significant environmental change and challenge for ILF Scotland, the public sector more broadly, and indeed for disabled people in Scotland and Northern Ireland. Throughout this year, we have therefore been conscious of continuing to support the successful delivery of the public commitments made by the Scottish Government in relation to ILF 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 scheme will be opened.

Strategic Report Incorporating Management commentary

Current fund recipient numbers have reduced by around 5% compared to last year.

Even though overall numbers have fallen, the tempo of operational activity around visits, assessments and new awards has increased significantly in 2016-17 compared with 2015-16. Some of this increase is down to the implementation of the Scottish Government's commitment to pay the Scottish Living Wage (SLW) to social care staff. Whilst implementing the Scottish Living Wage in ILF Scotland, we have simultaneously attempted to catch up on the significant backlog of assessments inherited from ILF UK at the point of its closure. As a result of the hard work of our assessment and caseworker teams, we will have caught up on this backlog of inherited assessments in the first quarter 2017-18.

Finance – ILF Scotland has disbursed over £51 million of award funding this year, making over 41,000 payments on time with no errors, and 97% of invoices have been paid within 10 days. The key focus for finance has been building on the work carried out in 2015-16 and further enhancing our controls around fraud prevention from both an internal and external perspective, including setting up a formal partnership with NHS Counter Fraud Services. Alongside this we have improved our risk management and delivered a comprehensive internal audit plan covering four internal business streams in conjunction with our internal auditors. Internal audit focused on:- age-related policies; budgetary control; award payments; and strategic control. Through robust assessment and controls we have identified six cases of potential misuse of funds, suspected fraud and provider overcharging of recipients. This represents a potential fraud risk of 0.14% of funding disbursed against all cases reviewed this year.

Scottish Living Wage Implementation - In September, Ministers approved proposals to extend the commitment to enable the Scottish Living Wage, for adult social care workers, to those employed to provide care as a result of ILF payments of support to disabled people to £8.25 per hour from 1 October 2016. The delivery is well underway. This task presented ILF Scotland with significant technical, legal and process complexities during implementation, which necessitated significant engagement with stakeholders and systems development work. We expect this project to be fully complete by the end of July 2017. Despite the challenges, this has been a worthwhile exercise, not just because of the benefits to social care staff, and in turn to ILF recipients, but also to us as an organisation as it afforded us the opportunity to learn, grow and develop.

Strategic Report Incorporating Management commentary

New ILF Scotland Scheme - the Scottish Government has made a commitment to open a £5 million per year new scheme to support disabled people. In order to co-produce this new scheme, a working group of relevant stakeholders was created. This group met between April and November 2016 the Scottish Government have made a commitment to open a £5 million per year new scheme to support disabled people when it submitted its recommendations to Ministers. Since then, much of the ground work for initiating the new scheme has been prepared, thorough the creation of a project board and implementation teams. There are six interlinked work-streams, each with a key lead, and embracing co-production where possible to add value. The critical work-stream is developing the new eligibility criteria for the first phase of the new scheme and once these are known, greater progress can be made on partnership development, communication and information, and the technical and staffing configurations. We anticipate the new scheme being open before the end of 2017.

Social Work - This has been an extremely busy year for the social work team in two key areas of activity; review visits and relationship building. Of particular note has been the co-production of new policy and practice guidance with 37 local authority or health and social care partnerships. This is now seeing a fairer and more consistent application of the suite of ILF Scotland policies on a national level across both Scotland and Northern Ireland.

Our engagement with ILF Scotland recipients across all 37 of Scotland's Local Authority areas and Northern Ireland's Health and Social Care Trusts provides us with a unique overview of, and insight to, the lives of disabled people. It is apparent from this direct engagement that ILF Scotland recipients face real challenges to maintaining genuine choice and control over their lives. This is mainly due to the upward cost pressures on their care and support, from a range of sources including: national minimum wage and Scottish Living Wage pressures; statutory sick pay; pension auto-enrolment; sleepover cost pressures; general cost of living increases; all against a backdrop of wider public sector austerity. These pressures can have the effect of eroding the value of the fund in terms of the numbers of hours of independent living support available to our recipients. Therefore, we have invested considerable organisational resource into developing even closer relationships with our statutory partners, whilst protecting and enhancing the additionality ILF Scotland support can offer recipients.

Strategic Report Incorporating Management commentary

Policy - The work of the policy team alongside the social work team this year has seen much greater consistency and harmonisation across the whole suite of policies, culminating in the issue of the new Policy and Practice Circular in January 2017. In addition to this we have improved the process and system for handling discretionary decision making, decision reviews and complaints to promote consistent practice across decision makers contributing to effective value. This has resulted in 100% compliance with response time standards for discretionary decision making, decision reviews, complaints and identified key policy areas for review. These key areas are the Available Income and Employment Support policies.

Corporate Communications - Significant progress has been made in the area of corporate communications over this reporting period with an increase on a like for like basis of 13% covering all online activity from the previous year. In tandem with this we undertook a huge programme of external engagement and co-production relating to the new scheme, published our four year strategy and improved various pieces of organisational literature to make them more accessible.

People - In the past year we have continued to strengthen our approach and systems relating to HR and organisational development, to ensure our employee proposition is inclusive, people friendly and market leading. Although we constantly strive to improve, it has been gratifying that our efforts have been recognised through external awards and our own staff survey. In late 2016, 90% of staff participated in an employee survey. This survey showed that there was a strong sense of a positive workplace culture, with staff reporting that they feel valued, and with a 95+% satisfaction rate around family and life-friendly practices.

Digital Transformation and Continuous Improvement - The final quarter of this year has seen a change in approach to our digital transformation work, with the focus now on the development our core CMS (Casework Management System) to accept and process applications for the new scheme. The bulk of the work has been completed for the longer term digital transformation, including the comprehensive business requirements documentation prepared with our Scottish Government colleagues at the Digital Transformation Service (DTS) during the second part of 2016. Depending on the success of making our CMS web-ready and delivering various other enhancements for the new scheme , there is the opportunity to adopt many of the transformational business requirements into our current CMS, once the new scheme has been operationalised. This will help ILF Scotland in its longer term

technical development towards SG2020.

Strategic Report Incorporating Management commentary

Awards and Accreditation - The work carried out by the ILF Scotland Team has been recognised with various prestigious awards and accreditation, a summary is as follows:

- Winner in the 'Community Engagement Award' category at the 2016 Scottish Public Sector Awards;
- Winner in the 'Finance Team of the Year' category at the 2017 UK Government's Finance and Internal Audit Awards;
- Winner in the 'David Drysdale Memorial Award' category at the 2017 Family Friendly Working Scotland Awards;
- Finalist in the 'Best Public Sector Organisation' category at the 2017 Family Friendly Working Scotland Awards;
- Finalist in the 'Policy Development Award' category at the 2016 Scottish Public Sector Awards;
- Finalist in the 'Campbell Christie Public Service Reform Award' category at the 2016 Scottish Public Sector Awards;
- Gained Disability Confident Accreditation;
- Gained Living Wage Accreditation.

Next Steps - Although we achieved a huge amount over the year, the main priorities and focus on next year will be as follows:-

- Carrying on our four year strategic plan and delivering our annual business plan;
- Completing a broad test of our current business continuity arrangements;
- Fully implementing the plan to fulfil the Scottish Government's commitment to the Living Wage;
- Refining the programme of recipient assessments to be more balanced over the next two year cycle;
- Introducing the new recipient impact and feedback reporting;
- Launching the new scheme;
- Capturing, developing and sharing best practice in partnership with colleagues.

Strategic Report Incorporating Management commentary

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 endeavour 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 2016-17 ILF Scotland paid 95% of invoices within 10 days (2015-16 95%) of receipt. The number of creditor days outstanding at the end of 2016-17 was 7.5 days (2015-16 8.2 days).

Financial review

We report an increase in taxpayers' equity for the year amounting to £1,591,884 which has been transferred to general reserve as set out on page 42.

ILF Scotland is financed out of Grant in Aid from SG for the purpose of making regular grants to individuals. Grant in Aid of £55.8 million (2015-16 £42.2 million) was utilised in Scotland and Northern Ireland 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.

Strategic Report Incorporating Management commentary

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 2016-17 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. Grants to individuals are paid in arrears and the Statement of Financial Position at 31 March 2017 shows a surplus net assets position of £1,879,564 as set out on page 40.

SG has provided a letter to the Chief Executive 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 26 June 2017.

Susan Douglas-Scott, Chair of the Board

ACCOUNTABILITY REPORT

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 2016-17 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 judgements 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 2016-17 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.

Signed by the Chair of the Board on behalf of the Directors on 26 June 2017.

Susan Douglas-Scott, Chair of the Board

Remuneration and Staff Report for the year ended 31 March 2017

Remuneration Report

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 are 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 2017 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 Scottish Ministers. The Directors receive remuneration as post-holders and are reimbursed for incidental expenses in line with the company travel and subsistence policy. 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

Elizabeth Humphreys, Member of the Remuneration Committee since 10 October 2016

Remuneration and Staff Report for the year ended 31 March 2017

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 line with Public Sector Pay Policy, 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 pension entitlements

The following sections provide details of the remuneration and pension interests of the Directors and the most senior company management. The figures below form part of the Remuneration Report to be audited as referred to in the Audit Certificate.

Directors

For the year ended 31 March 2017 the total remuneration paid to Directors were:

Name	2016-17 (12 months)	2015-16 (9 months)
	£	£
Susan Douglas-Scott (Chair)	6,866*	1,493
Alan Dickson	1,513	1,586
Fiona O'Donnell	1,169	1,169
Bridget Sly	1,229	1,420
Dr Maureen Bruce (to 31 October 2015)	N/A	Nil
Elizabeth Humphreys	1,706	N/A
Elizabeth McAtear	1,013	N/A
Twimukye Macline Mushaka	507	N/A

* Includes £1,492 re 2015-16

Remuneration and Staff Report for the year ended 31 March 2017

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 and Staff Report for the year ended 31 March 2017

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. Note that 2015-16 was a nine month period.

	Salary		Benefits in kind		Other pension benefits		Total	Total
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Peter Scott Chief Executive	55-60	40-45	Nil	0-5	5-10	5-10	60-65	50-55
Harvey Tilley Chief Operating Officer	45-50	35-40	Nil	0-5	5-10	5-10	50-55	45-50
James Maguire* Finance	0-5	Nil	Nil	Nil	0-5	Nil	5-10	Nil
Nadeem Hanif Head of Finance	40-45	25-30	Nil	0-5	0-5	0-5	40-45	30-35
Margaret Wheatley Head of Policy	25-30	15-20	Nil	0-5	0-5	0-5	25-30	20-25
Robert White Head of Social Work	40-45	20-25	Nil	0-5	5-10	0-5	45-50	25-30

* James Maguire commenced employment in January 2017.

Bonus Payments

There were no bonus payments arising during the period.

Benefits in kind

The benefits in kind are in relation to pension contributions.

Remuneration and Staff Report for the year ended 31 March 2017

Other Pension Benefits

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

Pay multiples

	2016 - 17 Salary £0	2015 - 16 Salary £0
Band of highest paid employee's total remuneration	55-60	45-50
Median total remuneration	£31,254	£24,204
Ratio	1.82	1.96

The banded remuneration of the highest paid employee in the company in the financial period 2016-17 was £55-60k (2015-16 £45-50k for 9 month period). This was 1.82 times (2015-16 1.96 times) the median remuneration of the workforce, which was £31,254 (2015-16 £24,204 for 9 month period).

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

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

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.

Remuneration and Staff Report for the year ended 31 March 2017

Staff Report

Gender Analysis

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

	2016 - 17		2015 - 16	
	Male	Female	Male	Female
Directors	1	6	1	3
Senior Management	5	1	4	1
Staff	7	18	3	15
Total	13	25	8	19

Absence Analysis

The table below shows the staff absence analysis of ILFS employees for the year. Our absence rate falls within acceptable relevant comparable parameters.

	2016 - 17	2015 - 16
12 month rolling absence rate	1.15%	1.34%

Staff Policies

Our staffing framework, not only enables the delivery of our strategy, but also supports the wishes, needs and aspirations of a modern workforce which is underpinned by a strong culture of trust, dignity and respect. This has not only helped ILF Scotland to be a beacon of independent living and innovative thinking for disabled people, but also an award-winning employer of choice. For us there is no such thing as a normal employee and the framework had to take into account values, equality, diversity, young and more mature employees, families, caring responsibilities and make-up of modern society . By doing this, we know we attract and retain the best team possible to achieve our inclusive organisational aspirations.

Remuneration and Staff Report for the year ended 31 March 2017

To support the way we aspire to work, we have co-produced with colleagues a comprehensive approach that supports our collective health and wellbeing. This methodology is solidly based on an Organisational Development strategy, tailored to support the culture of inclusiveness, diversity, outcomes focus, trust, coaching and continuous improvement. We have put in place a suite of life-friendly policies, procedures, rewards and systems that can be tailored to meet individual circumstances. This includes working flexibly, compressed hours, being sympathetic to individual/family emergencies or remote working and providing the right technology to do the job. We trust our staff to complete the work when they can around their agreed working hours and there is no expectation of taking work home or outside of hours working – unless it meets their needs.

Fiona O'Donnell, Remuneration Committee Chair

Signed by the above on 26 June 2017

Annual Governance Statement for the year ended 31 March 2017

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.

Director Attendance 2016-17

Name	Board Meetings		Audit Committee		Remuneration Committee	
	2016 - 17	2015 - 16	2016 - 17	2015 - 16	2016 - 17	2015 - 16
Susan Douglas- Scott	4/4	1/1	1/5*	0/3*	2/2	1/1
Alan Dickson	4/4	1/1	5/5	3/3	N/A	N/A
Fiona O'Donnell	4/4	1/1	N/A	2/3**	2/2	1/1
Bridget Sly	3/4	1/1	4/5	1/3	N/A	N/A
Elizabeth Humphreys	2/2***	N/A	N/A	N/A	1/1***	N/A
Elizabeth McAtear	2/2***	N/A	3/3***	N/A	N/A	N/A
Twimukye Macline Mushaka	1/2***	N/A	N/A	N/A	N/A	N/A

* Not a committee member. Attendance as an observer on occasion.

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

*** Attendance from date of appointment during year.

Annual Governance Statement for the year ended 31 March 2017

Sound Corporate Governance

As a young 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 have been developed by the Directors along with our sponsor team 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 meetings with the sponsor team, members of specialist teams and other SG colleagues to ensure clarity of purpose, sound communication and effective reporting.

The Board met four times in formal session this period. There were also 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.

Annual Governance Statement for the year ended 31 March 2017

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. The Audit Committee is attended by representatives of internal audit and, when appropriate, 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 the New Scheme due to be launched later in 2017, 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 defined new roles and responsibilities, we introduced new measures, with improved management information and where appropriate 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.

Annual Governance Statement for the year ended 31 March 2017

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 also have in place independent internal auditors to examine our governance, risk management and control processes and they have provided their opinion that reasonable and effective governance, risk management and control processes were in place based upon their programme of work during the 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;

Annual Governance Statement for the year ended 31 March 2017

- 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

The Board has been setting up its governance arrangements to ensure compliance with best practice and relevant legislation.

The Board has developed 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 five 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.

Annual Governance Statement for the year ended 31 March 2017

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 met twice during the year. It 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.

Significant internal control issues

Internal controls and procedures have been further strengthened with a formal partnership with NHS Counter Fraud Services and the implementation of a continuous improvement plan following in depth internal review.

During the course of the year we have become aware of and have investigated six instances of suspected fraud in relation to fund recipients. The total amount estimated to be involved is around £75,000 (2015-16 £3,000).

All cases have been reported to NHS Counter Fraud Services for investigation and two cases have been progressed to the Procurator Fiscal. As these payments were recorded as costs when originally advanced they do not represent a further cost if deemed to be irrecoverable.

Over the course of the year 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
26 June 2017

Directors' Report for the year ended 31 March 2017

The directors submit their annual report including for the year ended 31 March 2017.

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 2016-17 where these go beyond the requirements of the Companies Act 2006.

Principal activities

The principal activities are described on page 10.

Directors

Susan Douglas-Scott

Chair of the board

Alan Dickson

Non-executive director

Fiona O'Donnell

Non-executive director

BrIDGET Sly

Non-executive director

Elizabeth Humphreys (Appointed 8 August 2016)

Non-executive director

Elizabeth McAtear (Appointed 8 August 2016)

Non-executive director

Twimukye Macline Mushaka (Appointed 8 August 2016)

Non-executive director

For further information, please see governance statement on pages 26 to 31.

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.

Directors' Report for the year ended 31 March 2017

Non-current assets

Full details of the movement in non-current assets are given in Notes 6 and 7 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 26 to 31.

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.

Directors' Report for the year ended 31 March 2017

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 pages 19 to 23 and the Governance Statement on pages 26 to 31.

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.

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 26 to 31.

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the External Auditor is aware of that information.

Directors' Report for the year ended 31 March 2017

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 2017 Board meeting.

By order of the Board

**James A Maguire
Company Secretary
26 June 2017**

Independent Auditor's Report to the members of ILF Scotland

We have audited the accounts of ILF Scotland for the year ended 31 March 2017 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 2016-17 Government Financial Reporting Manual ('the 2016-17 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 18), 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 Financial Reporting Council (FRC's) Revised Ethical Standard 2016. We are responsible for giving an opinion on the regularity of expenditure and income in accordance with the 2016-17 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

Independent Auditor's Report to the members of ILF Scotland

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 2017 and of the net expenditure for the year 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 2016-17 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 2016-17 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.

Independent Auditor's Report to the members of ILF Scotland

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.

Stephen Cartwright (Senior Statutory Auditor)
For and on behalf of
Henderson Loggie, Statutory Auditor
Dundee

26 June 2017

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

Expenditure	Notes	2016-17	2015-16*
		£	£
Grants to individuals	3	52,386,656	40,737,517
Staff costs	4	1,086,888	620,825
Depreciation and amortisation	5	20,206	9,825
Other expenditure	5	737,684	526,985
Total comprehensive net expenditure for the year		54,231,434	41,895,152

The notes on pages 43 to 57 form part of these accounts.

All expenditure relates to continuing operations.

* The company was incorporated in March 2015 and began operations on 1 July 2015. 2015-16 is therefore a nine month period.

Statement of Financial Position as at 31 March 2017

	Notes	31 March 2017	31 March 2016
		£	£
Non-current assets			
Property, plant and equipment	6	18,060	24,373
Intangible assets	7	31,739	23,107
Total non-current assets		49,799	47,480
Current assets			
Trade and other receivables	9	41,025	82,281
Cash and cash equivalents	10	11,099,206	7,761,787
Total current assets		11,140,231	7,844,068
Total assets		11,190,030	7,891,548
Current liabilities			
Trade and other payables	11	(1,017,807)	(424,769)
Other liabilities – grant liabilities	11	(3,772,057)	(2,215,955)
Other liabilities – deferred income	11	(4,519,835)	(4,960,077)
Total current liabilities		(9,309,699)	(7,600,801)
Total assets less current liabilities		1,880,331	290,747
Non-current liabilities			
Deferred income – capital grants	12	(767)	(3,067)
Net assets		1,879,564	287,680
Taxpayers' equity			
General reserve		1,879,564	287,680
Total taxpayers' equity		1,879,564	287,680

The notes on pages 43 to 57 form part of these accounts.

These accounts were approved and authorised for issue by the Directors on 26 June 2017.

Susan Douglas-Scott, Chair of the Board

Statement of Cash Flows for the year ended 31 March 2017

	Notes	2016-17	2015-16*
		£	£
Cash flows from operating activities			
Net expenditure		(54,231,434)	(41,895,152)
Depreciation and amortisation	5	22,506	11,358
Amortisation of capital grant	12	(2,300)	(1,533)
Decrease/(Increase) in trade and other receivables	9	41,256	(82,281)
Increase in trade and other payables, grant liabilities and provisions	11/12	<u>1,708,898</u>	<u>7,598,501</u>
Net cash outflow from operating activities		<u>(52,461,074)</u>	<u>(34,369,107)</u>
Purchase of fixed assets	6/7	<u>(24,825)</u>	<u>(26,340)</u>
Net cash outflow from investing activities		<u>(24,825)</u>	<u>(26,340)</u>
Cash flows from financing activities			
Grant funding (page 42)		55,823,318	42,150,334
Capital grant	12	-	6,900
Net cash inflow from financing activities		<u>55,823,318</u>	<u>42,157,234</u>
Net increase in cash and cash equivalents in the period		3,337,419	7,761,787
Cash and cash equivalents at the beginning of the period		7,761,787	-
Cash and cash equivalents at the end of the period	10	<u>11,099,206</u>	<u>7,761,787</u>

The notes on pages 43 to 57 form part of these accounts.

* The company was incorporated in March 2015 and began operations on 1 July 2015. 2015-16 is therefore a nine month operating period.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	General Reserve
	£
Balance at 1 April 2016	287,680
Changes in Taxpayers' equity 2016-2017	
Grant in aid from Scottish Government	55,795,209
Other income	28,109
Total income	55,823,318
Net expenditure	<u>(54,231,434)</u>
	1,591,884
Balance at 31 March 2017	1,879,564
Balance at 10 March 2015*	-
Changes in Taxpayers' equity 2015-2016	
Grant in aid from departments	42,150,334
Net expenditure	<u>(41,895,152)</u>
	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.

A letter 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 43 to 57 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2017

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. There is also an agreement between the Scottish Government and the Department of Health (DOH), Northern Ireland for ILF Scotland to administer ILF payments to ILF users based in Northern Ireland

It is financed by Grant in Aid from Scottish Government 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 2016-17 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. Grants to individuals are paid in arrears and the Statement of Financial Position at 31 March 2017 shows a net assets position.

Scottish Government has provided a letter of to the Chief Executive 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 equipment. ILF Scotland believes that the useful economic life is a realistic reflection of the life of its equipment, and the depreciated historical cost method provides a realistic reflection of the consumption

Notes to the Accounts for the year ended 31 March 2017

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

Notes to the Accounts for the year ended 31 March 2017

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. 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.

Notes to the Accounts for the year ended 31 March 2017

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.

Notes to the Accounts for the year ended 31 March 2017

3 Grants to individuals

	2016-17 £	2015-16 £
Payments made in year	51,582,664	38,588,129
Grant liabilities at start of year	(2,204,381)	-
Grant liabilities at end of year	3,772,057	2,204,381
Grant returns received in year	(763,684)	(54,993)
	52,386,656	40,737,517
Number of individuals in receipt of payment at 31 March	3,083	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 £763,684 (2015-16 £54,993) in respect of unused funds returned by individuals.

4 Staff costs

4a Staff numbers and related costs

	2016-17 £	2015-16 £
Wages and salaries	917,724	513,962
Social security costs	79,355	50,858
Other pension costs (see below)	89,809	56,005
Total staff costs	1,086,888	620,825

Notes to the Accounts for the year ended 31 March 2017

	2016-17 Number	2015-16 Number
Average number of persons directly employed:		
Directors (part-time non-executives)	7	4
Full time equivalent employees	31	21
	38	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 2017 (31 March 2016 nil). Contributions prepaid were nil at 31 March 2017 (31 March 2016 nil).

Notes to the Accounts for the year ended 31 March 2017

5 Other expenditure and non-cash items

	2016-17	2015-16
	£	£
Running costs:		
Independent assessor fees and expenses	221,760	110,651
IT and information security costs	136,646	108,751
Rates, utilities and other estate costs	100,226	99,315
Legal and professional costs	52,282	27,680
Services, training, recruitment, travel and subsistence	159,286	108,225
Auditors remuneration (audit fee only)	14,730	14,730
Communication and engagement	15,015	17,587
Postage costs	12,696	7,721
Printing and stationary costs	8,098	14,393
Research costs	16,945	17,932
Total other expenditure	737,684	526,985
<hr/>		
Non-cash items		
Depreciation	11,398	8,125
Amortisation	11,108	3,233
Sub-total	22,506	11,358
Grant release	(2,300)	(1,533)

Total non-cash items	20,206	9,825
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Notes to the Accounts for the year ended 31 March 2017

6 Property, plant and equipment

	Information Technology	Total
Cost	£	£
At 1 April 2016	32,498	32,498
Additions in year	5,085	5,085
Balance at 31 March 2017	37,583	37,583

Depreciation

At 1 April 2016	8,125	8,125
Charge for year	11,398	11,398
Balance at 31 March 2017	19,523	19,523

Net Book Value

At 31 March 2017	18,060	18,060
At 31 March 2016	24,373	24,373

Cost	Information Technology	Total
	£	£
Additions in period and balance at 31 March 2016	32,498	32,498

Depreciation

Charge for the period and balance at 31 March 2016	8,125	8,125
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Net Book Value

At 31 March 2016	24,373	24,373
At 10 March 2015*	-	-

*Denotes date of company incorporation.

Notes to the Accounts for the year ended 31 March 2017

7 Intangible assets

Cost or valuation

	Information Technology	Total
	£	£
At 1 April 2016	26,340	26,340
Additions in year	<u>19,740</u>	<u>19,740</u>
Balance at 31 March 2017	<u>46,080</u>	<u>46,080</u>

Amortisation

At 1 April 2016	3,233	3,233
Charge for year	<u>11,108</u>	<u>11,108</u>
At 31 March 2017	<u>14,341</u>	<u>14,341</u>

Net Book Value

At 31 March 2017	31,739	31,739
At 31 March 2016	<u>23,107</u>	<u>23,107</u>

Cost or valuation

	Information Technology	Total
	£	£
Additions in period and balance at 31 March 2016	26,340	26,340

Amortisation

Charge for the period and balance at 31 March 2016	3,233	3,233
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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.

Notes to the Accounts for the year ended 31 March 2017

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 2017 £	31 March 2016 £
Cash and cash equivalents	<u>11,099,206</u>	<u>7,761,787</u>

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

Notes to the Accounts for the year ended 31 March 2017

Financial liabilities

	31 March 2017	31 March 2016
	£	£
Grant liabilities	3,772,057	2,215,955
Trade payables and accruals	1,017,807	424,769
Deferred income	4,517,535	4,957,777
Capital grant liabilities	3,067	5,367
	9,310,466	7,603,868

Grant liabilities: Represents awards authorised but unpaid at the year end, which are paid four weeks in arrears. A letter has been 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 2017	31 March 2016
	£	£
Due within one year		
Prepayments	31,329	75,949
Other receivables	9,696	6,332
	41,025	82,281

All receivables relate to bodies external to Scottish Government.

Notes to the Accounts for the year ended 31 March 2017

	2016-17	2015-16
10 Cash and cash equivalents	£	£
Balance at 1 April 2016	7,761,787	-
Net cash inflow	3,337,419	7,761,787
Balance at 31 March 2017	11,099,206	7,761,787

	31 March 2017	31 March 2016
	£	£
Benefit accounts	11,056,248	7,317,688
Administration account	42,958	444,099
	11,099,206	7,761,787

The following balances were held:

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 2017	31 March 2016
	£	£
Grant liabilities	3,772,057	2,215,955
Trade payables	14,521	10,373
Accruals	218,843	172,629
Deferred income – Scottish Government	4,517,535	4,957,777
Deferred income – Capital Grants	2,300	2,300
Other payables	784,443	241,767
	9,309,699	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.

Notes to the Accounts for the year ended 31 March 2017

12 Non-current Liabilities

	31 March 2017 £	31 March 2016 £
At 1 April 2016	5,367	-
Capital grant received	-	6,900
Less amortised in period	(2,300)	(1,533)
Total balance at 31 March 2017	<u>3,067</u>	<u>5,367</u>
Less due within one year	(2,300)	(2,300)
Due after more than one year	<u>767</u>	<u>3,067</u>

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. There are six cases currently being investigated which may involve fraud in relation to fund recipients. The total amount estimated to be involved is around £75,000 (2015-16 £3,000). All cases have been reported to NHS Counter Fraud Services for investigation including two which have been reported to the Procurator Fiscal.

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 if deemed to be 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.

Notes to the Accounts for the year ended 31 March 2017

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 2017 £	31 March 2016 £
Land and buildings (Denholm House)		
Within one year	85,000	120,000
Within two to five years	21,250	150,000
Total	<hr/> 106,250	<hr/> 270,000
Lease payments charged in year	<hr/> 55,181	<hr/> 90,000

15 Directors' remuneration, interests and indemnities

The Directors receive remuneration from the company. The total remuneration paid to the Directors was £14,003 (2015-16 £5,668) for the year and further information is provided in the Remuneration Report. Directors received reimbursement for travel and subsistence expenses amounting to £2,079 (2015-16 £746) for the year. 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.

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

Notes to the Accounts for the year ended 31 March 2017

16 Related party transactions and controlling party

Related parties are the Directors, all parts of the Scottish Government (SG) including its agencies, and the Department of Health (DOH), Northern Ireland. There is an agreement between SG and DOH for ILF Scotland to administer ILF payments to ILF users based in Northern Ireland. ILF Scotland received Grant in Aid from SG of £55,795,209 (2015-16 £42,150,334). SG makes payments to ILF Scotland on a monthly basis.

The Company's ultimate controlling party is the Scottish Ministers.

During the year 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 2017.

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 26 June 2017.