



Community Justice Scotland
Ceartas Coimhearsnachd Alba

Annual report and accounts
for six months of the
financial period ended 31
March 2017

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LAI D BEFORE THE SCOTTISH PARLIAMENT
BY THE SCOTTISH MINISTERS UNDER
SECTION 11(4) OF THE COMMUNITY
JUSTICE (SCOTLAND) ACT 2016.
REF SG/2017/232

Foreword

The purpose of Community Justice Scotland is to provide leadership for the community justice sector; offer opportunities for innovation, learning and development; provide independent assurance on the delivery of improved outcomes and, where required, provide support to help deliver improvement.

Community Justice Scotland assumed its full functions on 1st April 2017. However, it was established in a shadow capacity on 1st October 2016 and this annual report and accounts relate only to the six month period, prior to the launch of Community Justice Scotland on 1st April 2017.

During this period the focus was on recruitment, facilities and early partner engagement.

Five Board Members (including the Chair) were appointed by Scottish Ministers and one Member was co-opted bringing the number of Board Members to six in total. Several members of staff were recruited commencing their employment shortly before or after the launch date of 1st April. Office accommodation was set up within Saughton House, Edinburgh along with communication and IT facilities. Shared service arrangements were agreed with relevant Scottish Government departments for financial systems, HR support, internal audit and IT support. Grant Thornton were appointed external auditors and procedures necessary to ensure legal compliance were developed and adopted. In all of these areas, considerable support and assistance was provided by staff of the Scottish Government.

The business plan for 2017-18 has been agreed and work is underway on a range of activities to complete the process of establishment and to engage with partners to promote and effect policies and practices which will deliver better outcomes for community justice. In the course of this year Community Justice Scotland will publish its Corporate Plan 2017-20 following stakeholder consultation and approval by Scottish Ministers; agree its strategic approach to communications and engagement; establish a HUB and strategy for innovation, learning and development; consult on a commissioning framework; and work with local authorities and partners to consider the Community Justice Outcome Plans and further performance improvement activity.

Jean Couper CBE

Explanatory Note

Community Justice Scotland formally took on the majority of its functions on 1st April 2017. It had been legally established in a shadow capacity six months earlier. The Annual Accounts for 2016-17 cover that six month setup period, and are not accompanied by a full Annual Report for the following reason. Community Justice Scotland (CJS) was established by the Community Justice (Scotland) Act, which received Royal Assent on 21st March 2016. The Explanatory Notes of the Act stipulated that:

Following enactment of the legislation, Community Justice Scotland will take on its full functions from 1 April 2017. As a new public body, and to facilitate the transition between the existing model and the new model, Community Justice Scotland will exist in a shadow capacity for a period of approximately six months. The length of the shadow period will be dependent on timescales for senior appointment recruitment.

This six month establishment period was to ensure that CJS could be made ready to carry out its intended functions from 1st April 2017.¹ This involved Scottish Ministers appointing a Chair, Board and Chief Executive; and supporting that Chief Executive to:

- conduct workforce planning and recruit staff;
- secure and move into suitable accommodation;
- secure corporate services for CJS. These included IT and digital services (including website design), HR, banking, finance, procurement, internal and external audit and accounting.
- draft corporate policies around, for example: HR, Health and Safety, Business Continuity, Risk Management; and ensure compliance with statutory obligations around Freedom of Information, Complaints, Data Protection and Public Records Management.

On 1st October 2016, relevant sections of the Act were commenced to give CJS the legal status to carry out these activities.² The sections of the Act setting out CJS's main functions were not commenced until CJS took up its main functions on April 1st 2017. Until then, CJS existed in a shadow capacity only, therefore, not necessary to publish a full Annual Report. These Annual Accounts only cover the period of that shadow capacity during which CJS was established.

The Accounting Officer authorised these financial statements for issue on

29 September 2017

SIGNED:

Karyn McCluskey

ACCOUNTABLE OFFICER

Date: 29 September 2017

¹ [http://www.parliament.scot/S4_Bills/Community%20Justice%20\(Scotland\)%20Bill/b68s4-introd-en.pdf](http://www.parliament.scot/S4_Bills/Community%20Justice%20(Scotland)%20Bill/b68s4-introd-en.pdf), page 20

² <http://www.legislation.gov.uk/ssi/2016/262/schedule/made>

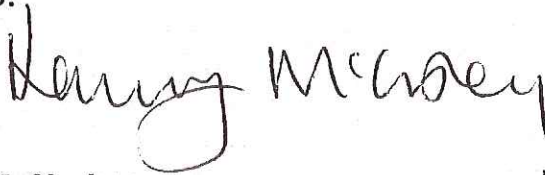
Note on Finances

The Financial Memorandum of the Community Justice (Scotland) Act identified setup costs of £615,000 for this shadow period.³ It became apparent early on, however, that the actual costs incurred on the establishment would be spread over 2016-17 and 2017-18, due to the fact that CJS would only take on its full functions over the course of 2017-18 – launching a national hub for innovation, learning and development on 1st October 2017, for instance.

The Scottish Government (SG) has agreed that the setup costs be split over two financial years: £296,000 was spent on the establishment of CJS in 2016-17; a further estimated £281,000 has been allocated for one-off setup costs in 2017-18. This totals an estimated cost of £577,000 spread over two years, a change from the £615,000 to be incurred in a single year, as was detailed in the Financial Memorandum. The deviation is largely due to savings made from accommodating CJS within the SG estate as opposed to in privately let office space as was presumed in the Financial Memorandum.

There is a final note to make on future comparability. As these accounts cover only the establishment of CJS and not the exercise of its functions, they cannot be used as a benchmark or as a point of reference for financial performance in future years.

SIGNED:



Karyn McCluskey

Date: 29 September 2017

ACCOUNTABLE OFFICER

³ [http://www.parliament.scot/S4_Bills/Community%20Justice%20\(Scotland\)%20Bill/b68s4-introd-en.pdf](http://www.parliament.scot/S4_Bills/Community%20Justice%20(Scotland)%20Bill/b68s4-introd-en.pdf) page 17

Governance

CJS Structure

CJS Board consists of six Board Members:

Jean Couper CBE(Chair), Gerry Bann, Linda Bendle, Gerry McClay, Glenys Watt and Lillian Cringles (co-opted)

The Board met for the first time on Friday 17 March 2017.

The Chief Executive and Accountable Officer is Karyn McCluskey.

The CJS Register of Interests is available on the CJS website. On the basis of robust assurance provided there are no interests that conflict with the interests of the CJS.

The Audit and Risk Committee

Membership currently consists of Gerry Bann(Chair), Gerry McClay and Glenys Watt.

The Committee met on 16 August 2017.

Auditors

The *Public Finance and Accountability (Scotland) Act 2000* places personal responsibility on the Auditor General for Scotland to determine who should undertake the audit of CJS. For the financial years 2016-17 to 2020-21, the Auditor General has appointed Grant Thornton UK LLP to undertake our audit. The general duties of the auditors, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Scottish Government Internal Audit Directorate will provide internal audit work during 2017-18.

Risks

The main risks during CJS's setup phase were shared with Community Justice Division of Scottish Government, with whom CJS was established. They focused on threats to CJS's ability to carry out its functions from 1st April 2017. They included:

- the risk of not getting sufficient and appropriate staff into position for CJS to carry out its functions;
- the risk of CJS not entering into appropriate and cost-effective shared service agreements to enable it to carry out its business functions;
- the risk of non-compliance with generic statutory obligations of Non Departmental Public Bodies.

Disclosure of relevant audit information

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Personal data related incidents



There were no data security incidents during the establishment period.

Managing financial transactions and payment of suppliers

CJS's financial systems were only set up in the course of the shadow period. As a result, all transactions were carried out by the SG on behalf of CJS, and invoiced to CJS at the end of the period.

Payment performance for transactions in this period is therefore for the SG to report, rather than CJS.

From 2017-18, CJS will aim to pay all invoices not in dispute within 10 days.

Working with Communities

CJS is committed to providing equality of opportunities to those in our society who are most in need. We will recruit three modern apprentices in a staggered approach. We will support them through a tailored programme that will incorporate learning, qualifications and practical experience, supported by colleagues and mentors. Providing this opportunity is part of our commitment to practise our values of support, compassion, trust, respect, integrity and fairness.

The Environment

To reduce our carbon footprint, wherever possible:

- CJS will be based in an office that is part of the wider Scottish Government estate. As such CJS will adhere to the Scottish Government Environmental Policy, buildings, waste and sustainable places strategy.
- CJS will seek to use public transport when travelling for business. It is noted that in some instances using public transport will not be possible due to time constraints and distance/location of meeting.
- CJS will endeavour to arrange meetings in locations where the fewest people have to travel to attend, thus reducing our carbon footprint and again utilising public transport where applicable.
- CJS will explore the option to become involved with the Scottish Government's environmental management on active travel. This encourages the use of cycling and walking where possible. Applying these methods of travel above also affirms our stance on value for public money and commitment to local communities.

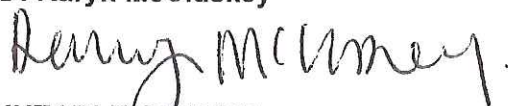
Funding

CJS is financed by grant-in-aid from Scottish Government Director General, Learning & Justice. The Scottish Ministers are accountable to the Scottish Parliament for the financial resources of CJS and for the allocation of the correct level of funding from the Scottish Government. CJS spent £296,000 on its establishment in 2016-17. This money was spent as follows:

	2016-17
	£000's
Staffing costs	123
Other operating costs	173
Total	296

SIGNED: Karyn McCluskey

Date: 29 September 2017



ACCOUNTABLE OFFICER



Remuneration and Staff Report

Pay and conditions of service

The **Chair Jean Couper CBE** was appointed by Scottish Ministers on a three year appointment from 1st September 2016. Initially, it is expected that the Chair's time commitment will be up to 30 hours (4 days) each month in performing her functions. This time commitment will be reviewed once Community Justice Scotland is fully operational and is expected to reduce.

Board Members (other than co-opted) were appointed for three years, commencing on 1 March 2017 and ending on 29 February 2020. It is difficult to specify Board members' time commitment while this new body is being established. However, they are expected to be able to devote up to 20 days a year, plus an additional 5 to 8 days in the first year of operation of CJS, to the exercise of their functions as a Board Member. They are entitled to receive from CJS a fee of £215 for every 7.5 hours (excluding meal breaks) devoted to performing their functions (as required or requested by CJS) on a pro rata basis, up to a maximum total annual fee of £6,020 in the first year of their appointment and a maximum total fee of £4,300 in any financial year thereafter.

The Chair is entitled to receive a fee of £300 (non-pensionable) for every day of not less than 7.5 hours (excluding meal breaks) devoted to performing her functions (as required or requested by Community Justice Scotland) on a pro rata basis. She is not expected to devote any more than 300 hours, equating to a maximum total fee of £12,000 per financial year, to the exercise of her functions.

The Chair will receive no fee for any time devoted to performing her functions which exceed 300 hours (40 days) in any financial year. However, the Scottish Ministers may, exceptionally, approve any request for additional remuneration if they consider it necessary or expedient that she devote significantly more time to performing her functions during any particular financial year.

The Chair is not entitled to a pension in respect of her office, and is not entitled to any gratuity, allowance or compensation when her period in office ends (whatever the reason). She is not entitled to remuneration for any period during which she is disqualified from holding office. The Chair may resign office by giving three months written notice to the Scottish Ministers.

The **Chief Executive and Accountable Officer Karyn McCluskey** was appointed through a fair and open recruitment process. The Chief Executive's base starting salary is £90,000, on a salary range of £90,000 to £95,000 per annum. Progression within this range, if any, will be considered by CJS against the Scottish Government's Public Sector Pay Policy for Senior Appointments.

There is no mandatory retirement age. The Chief Executive is required to give a minimum of three months' written notice when she wishes to retire from her employment or leave the post.

CJS submits a pay remit within the terms and conditions of the Scottish Government (SG) Public Sector Pay Guidance to its sponsoring department at SG for negotiation on an annual basis. The pay remit for the six month shadow period in 2016-17 was laid out in the Financial Memorandum of the Community Justice (Scotland) Act 2016.

In line with SG pay policy guidance, there were no performance or other form of bonus payment made in 2016-17.



Employee contracts normally have no fixed period and can be terminated on up to three months' notice and fixed term contracts are terminable on up to five weeks' notice by CJS.

There were no contractual termination payments in 2016-17.

Staff Resources

The breakdown of staff resources by gender is shown in the table below.

	All	Male	Female
Chair	1	-	1
Board members	5*	2	3
Chief Executive	1	-	1
Other Staff	8	3	5
	15	5	10
Other appointments:			
Fixed term appointments	-	-	-
Secondees	-	-	-
Agency staff	1	-	1
Total	16	5	11

**one board member co-opted*

Remuneration (subject to audit)

	Total
	Remuneration
	Six months to 31 March 2017
Karyn McCluskey	
Chief Executive (from 10 October 2016)	
Salary	£40,000-£45,000
Pension benefit	£17,000
Total	£55,000-£60,000



Fair Pay (audited)

	Six months to 31 March 2017
Median remuneration of all CJS staff, annualised	£37,353
Pay multiple between mid-point of highest paid member of staff banding and median total remuneration of all staff, annualised	2.5
Lowest pay banding:	£23,383 - £26,448
Highest pay banding	£90,000 – £95,000

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Real Increase in the Value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Pension Benefits	Total accrued pension at age 67 as at 31 March 2017 and related lump sum	Real increase in pension and related lump sum at age 67	CETV at 31 March 2017	CETV at 31 March 2016	Real Value of CETV increase over year
	£'000	£'000	£'000	£'000	£'000
Karyn McCluskey	0 - 5	0 - 2.5	11	0	8

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of

the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Pension Liabilities

CJS pension benefits are provided through the Civil Service pension arrangements and administered for CJS by Scottish Government. More details of the Civil Service Pension Scheme can be found in the annual accounts (note 1).

Sickness absence

The majority of CJS's staff did not take up their posts until February or March 2017 – in some cases late March. Calculating sickness absence percentages for such a short period, with few staff, does not give a statistically representative picture of sickness absence. CJS will declare sickness absence in next year's annual report.

Expenditure on Consultancy and Off Payroll Matters

CJS spent zero on consultancy or off payroll matters.

Equal opportunities and diversity

CJS is fully committed to equality in the work place and across our operation. CJS has a range of policies in place to ensure equality matters are given priority. These policies include; Fairness at Work Code of Conduct and Interim Resourcing.

CJS aims to encourage employers to employ individuals with lived experience of the justice system. CJS encouraged people with such lived experience to apply for positions in the organisation, and reviewed its recruitment procedures so as not to discriminate against them.



Staff costs**Staff Costs:****Six months to
31 March 2017****£'000**

Wages and salaries	68
Social security costs	8
Other pension costs	15
Agency costs	25
Board fees and expenses	7
Total administration staff costs	123

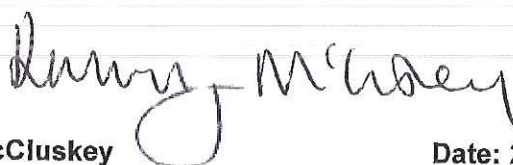
Staff Numbers

It is usual to report average numbers of employees during the year. As staff numbers increased steadily during the shadow period, an average figure would be of little use. Instead, we are reporting the number of staff working at CJS in each month of the shadow period:

	Oct	Nov	Dec	Jan	Feb	Mar
Chair	1	1	1	1	1	1
Board Members	-	-	-	-	-	5
Chief Executive	1	1	1	1	1	1
Other Staff	-	1	1	1	2	8
Agency Staff	-	-	1	1	1	1
Total	2	3	4	4	5	16

CJS had no exit packages in the six months to 31 March 2017

SIGNED:



Karyn McCluskey

Date: 29 September 2017

ACCOUNTABLE OFFICER



Statement of Accountable Officer's responsibilities

In terms of the Community Justice (Scotland) Act 2016, Scottish Ministers have directed CJS to prepare for each financial year a statement of accounts in the form and on the basis set out in their Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CJS and of its comprehensive net expenditure, financial position, cash flows and movement in taxpayers' equity for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and in particular to:

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

The Chief Executive is designated as CJS's Accountable Officer by the Principal Accountable Officer of the Scottish Administration in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding CJS assets, are set out in the Memorandum to Accountable Officers for Other Public Bodies issued by the Scottish Government which is available at www.scotland.gov.uk/Resource/Doc/1069/0084581.doc

Governance Statement

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CJS's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to CJS, in accordance with the responsibilities set out in the "Memorandum to Accountable Officers".

Purpose of the System of Internal Control

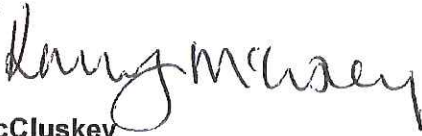
The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was put in place during the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve CJS policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The processes within the organisation have regard to the guidance to public bodies in Scotland issued by Scottish Ministers and set out in the Scottish Public Finance Manual with further guidance contained within the Governance and Accountability Framework Document agreed with Scottish Government.

Community Justice Scotland has established a number of internal controls to ensure budget information and spend is reported to the Chief Executive and Board Members. CJS adopted the Scottish Government Accounting system of SEAS and on a monthly basis the information from this system is verified against internal accounting methods. Monthly reports, with narrative, are provided to Scottish Government Sponsorship Team, Chief Executive and Board Members. In addition to reporting, SG and CJS met regularly to discuss budget and spend. Every 6 months a full review of the spend will take place. Information reported is in regard to annual budget and set-up budget.

SIGNED:



Karyn McCluskey

Date: 29 September 2017

ACCOUNTABLE OFFICER



Independent auditor's report to the members of Community Justice Scotland, the Auditor General for Scotland and the Scottish Parliament

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Community Justice Scotland for the six month period ended 31 March 2017 under the Community Justice (Scotland) Act 2016. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position; Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Community Justice (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017 and of its net expenditure for the six month period ended 31 March 2017;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the Community Justice (Scotland) 2016 Act and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accountable Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

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

Other information in the annual report and accounts

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

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Community Justice (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

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


- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Community Justice (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Community Justice (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

Matters on which we required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.


Joanne Brown CPFA
For and on behalf of Grant Thornton UK LLP
110 Queen Street
Glasgow
G1 3BX

2 October 2017

Financial Statements

Community Justice Scotland

Annual Accounts

Six months ending 31 March 2017



STATEMENT OF COMPREHENSIVE NET EXPENDITURE⁴
for the year ended 31 March 2017

	<i>Note</i>	Six months to 31 March 2017
		£'000s
ADMINISTRATIVE COSTS		
Staff costs	2	123
Other admin costs	3	173
Notional cost ⁵		3
Depreciation		
Amortisation		
NET OPERATING COST		299

⁵ To be noted – the cost of the external audit for 2016-17 will be incurred in 2017-18 financial year. It is expected that this cost will be £3,500. The figure is not accrued as CJS do not consider this to be material.

STATEMENT OF FINANCIAL POSITION

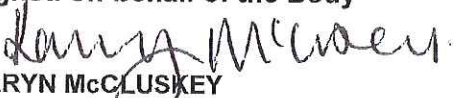
as at 31 March 2017

Six months to 31
March 2017

	<i>Note</i>	£'000s
NON-CURRENT ASSETS		
Property, plant and equipment		0
Intangible assets		0
<i>Total non-current assets</i>		
CURRENT ASSETS		
Trade and other receivables		0
Cash and cash equivalents		
<i>Total current assets</i>		
TOTAL ASSETS		0
CURRENT LIABILITIES		
Trade and other payables		0
<i>Total current liabilities</i>		0
NON-CURRENT LIABILITIES		
Other Financial liabilities	6	0
<i>Total non-current liabilities</i>		0
TOTAL LIABILITIES		0
NET ASSETS/(LIABILITIES)		0
TAXPAYERS EQUITY		
General Fund	SOCTE	0
TOTAL TAXPAYERS EQUITY		0

The annual accounts report the results of Community Justice Scotland for the six months to 31 March 2017. They have been prepared in accordance with the Accounts Direction given by the Scottish Ministers in accordance with section 12 of the Community Justice (Scotland) Act 2016. The Accountable Officer authorises these financial statements for issue on the date noted below.

Signed on behalf of the Body


KARYN McCLUSKEY
 Chief Executive and Accountable Officer
 29 September 2017



STATEMENT OF CASH FLOW

for the year ended 31 March 2017

	Notes	Six months to 31 March 2017
		£'000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating cost	SOCNE ⁴	(299)
Adjustments for non-cash transactions:		
* Depreciation		-
* Amortisation		-
* Notional costs	4	3
Movements in working capital:		
* (Increase)/Decrease in trade and other receivables		-
* Increase/(Decrease) in trade and other payables		-
Net cash outflow from operating activities		(296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		-
Purchase of intangible assets		-
Net cash flow from investing activities		0
CASH FLOWS FROM FINANCING ACTIVITIES		
Funding	SOCTE ⁵	296
Net cash flow from financing activities		296
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		0
Cash and cash equivalents at beginning of period	7	0
Cash and cash equivalents at end of period	7	0
NET CHANGE IN CASH AND CASH EQUIVALENT		0



BALANCES**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**
for the year ended 31 March 2017

	<i>Note</i>	General Fund
		£'000
Balance at 1 October 2016		0
Non-cash charges – notional costs	4	3
Net operating cost for the year	SOCNE	(299)
Net funding		296
Balance at 31 March 2017		0



NOTES TO THE ACCOUNTS

For the year ended 31 March 2017

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Community Justice Scotland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

These accounts are the first set of accounts of Community Justice Scotland. As at 31 March 2017, there are no recorded assets or liabilities, but the accounting policies provided below also include policies that Community Justice Scotland will follow as the organisation becomes fully established.

(a) Accounting convention

The accounts are prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard.

(b) Property, plant and equipment (PPE) and Intangible Assets

Depreciated historic cost will be used as a proxy for the fair value of all assets. All of the assets in these categories have:

- low values and short useful economic lives which realistically reflect the life of the asset and;
- a depreciation/amortisation charge which provides a realistic reflection of consumption.

The capitalisation thresholds for the principal categories of assets will be £5,000, with the exception of Information Technology assets, where the capitalisation threshold will be £1,000.

Assets classified as under construction will be recognised in the statement of financial position to the extent that money has been paid or a liability has been incurred.

(c) Depreciation

Depreciation will be provided for property, plant and equipment, on a straight line basis at rates sufficient to write down their cost over their estimated useful lives. The depreciation periods for the principal categories of assets will be: -

Buildings	15 years
Fixtures and fittings	10 years
Office Equipment	5 years
Information Technology Hardware	3 years

A full year is charged in the year of acquisition, and there is no charge in the year of disposal.

Assets under construction are not depreciated.

(d) Government grants

All of the expenditure of CJS is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund. Funding for the acquisition of fixed assets received from the Scottish Government is credited to the general fund. Funding received from any other source for the acquisition of specific assets is recognised as income in the statement of comprehensive net expenditure.

(e) Amortisation

The benefit of rent-free periods on leases of premises is amortised over the period of the lease or over the period to a lease break point when this is the most probable end of lease, whichever is the shorter.

Amortisation is provided on intangible assets, on a straight line basis at rates sufficient to write down their cost over their estimated useful lives. The amortisation periods for the principal categories of assets will be: -

IT Software	3 years
IT Websites	5 years

A full year will be charged in the year of acquisition, and there is no charge in the year of disposal.

(f) Operating leases

Rentals payable under operating leases are charged to the revenue account over the term of the lease.

(g) Provisions

Provisions are made for obligations which are of an uncertain amount or time at the balance sheet date. During financial year 2016-17, CJS made no provisions.

(h) Value added tax

Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

(i) Receivables

All material amounts due as at 31 March 2017 have been brought into the account irrespective of when actual payments were received.

(j) Payables

All material amounts outstanding as at 31 March 2017 have been brought into account irrespective of when actual payments were made.

(k) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme which is an unfunded multi-employer defined benefit scheme.

As it is not possible to identify CJS share of the underlying assets and liabilities of the scheme, CJS has accounted for the contributions to the scheme as if it was a defined contribution scheme. This is in accordance with FRS 17.

The funding arrangements are through defined contributions.

It is not possible to identify or describe the extent to which CJS is liable for other entities obligations or any agreed allocation of deficit/surplus on the wind-up of the plan given the scale of our involvement in relation to the wider Scottish Government (SG). The exact proportion of the plan attributable to CJS is negligible in relation to SG and other related bodies within the plan.

Employer contributions to the scheme are shown in the Remuneration and Staffing Report.

(l) Going concern

The Community Justice (Scotland) Act 2016 established Community Justice Scotland (CJS). The Act came in to effect on 1 October 2016 with limited powers and CJS was fully established from 1st April 2017. It is appropriate for the accounts of CJS to be prepared on a going concern basis.

(m) New Accounting Standards

A number of new accounting standards have been issued or amendments made to existing standards, but do not come into force until future accounting periods and therefore are not yet applied. All new standards issued and amendments made to existing standards are reviewed by the Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. The standards that are considered relevant to Community Justice Scotland and the anticipated impact on the consolidated accounts are as follows:

IFRS 16 – Leases

This standard will come into effect for accounting periods beginning after 1 January 2019, when the distinction between finance and operating leases is removed and all leases become "on balance sheet". FRAB will consider if this standard is to be adapted or applied in full, although it is anticipated that the principles of the standard will be applied.

2. Staff costs**Six Months to
31 March 2017**

	£'000
Wages and salaries	68
Social Security costs	8
Other pension costs	15
Board fees	7
Agency cost	25
Total staff costs	123

3. Other operating costs**Other Operating Costs:****Six months to
31 March 2017**

	£'000
Accommodation, including Rent, Rates and Setup	26
IT	114
Other Staff costs	28
Recruitment	4
Other Office costs	1
Total other operating costs	173

4. Notional costs**Notional Costs:****Six months to
31 March 2017**

	£'000
Accountancy costs	3
Total	3

5. Financial instruments

As the cash requirements of CJS are met through grant funding, financial instruments play a more limited role in creating and managing risk than in a non-public sector body. The



majority of financial instruments relate to contracts to buy non-financial items in line with CJS' s expected purchase and usage requirements, and CJS is therefore exposed to little credit, liquidity or market risk.

6. Related party transactions

The Scottish Government Justice Directorate is the sponsor department of the CJS. The Scottish Government Justice Directorate is regarded as a related party with which there have been various material transactions during the year.

No other related party transactions have been undertaken during the period.

7. Capital commitments and contingent liabilities

There were no contracted capital commitments or contingent liabilities.

8. Commitments under leases

Obligations under operating leases comprise:

	Six months to 31 March 2017
	£'000
Buildings:	
Not later than one year	25
Later than one year and not later than five years	42
Later than five years	0

Payments due under operating leases relate to the lease of premises.

9. Segmental reporting

CJS is considered to have just one operating segment and therefore no segmental information is produced.



ACCOUNTS DIRECTION



Scottish Government
Riaghaltas na h-Alba
gov.scot

COMMUNITY JUSTICE SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of section 12 of the Community Justice (Scotland) Act 2016, hereby give the following direction:

1. The statement of accounts for the six months of financial year ended 31 March 2017, and subsequent full years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the period for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period in the exercise of its functions.
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers



Linda Pollock, Deputy Director, Community Justice Division

Dated 02 June 2017



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