

Legal Services Society

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018



**Legal
Services
Society**

British Columbia
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Board Chair's Accountability Statement



The Legal Services Society's *2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017/18 – 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'CHaldane'.

Celeste Haldane
Chair, LSS Board of Directors

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Chair/CEO Report Letter

On behalf of the board of directors, we are pleased to report that the Legal Services Society (LSS) achieved the expectations set out in its September 7, 2017 Mandate Letter, and advanced the goals in its 2017/18 – 2019/20 Service Plan.

To support the government's commitment to make life more affordable for British Columbians, LSS continued to introduce improvements to its Client Information System (CIS). These improvements to the society's business management software system ensure cost-effective operations and provide detailed analysis of the society's work to support management decisions. To support the government's commitment to deliver the services people count on and to support true and lasting reconciliation with Indigenous peoples, LSS undertook a number of initiatives.

One initiative was the opening of the Parents Legal Centre (PLC) in Surrey. The PLC is a legal clinic for parents whose children are at risk of being taken into government care. The clinic, which has Indigenous lawyers and advocates on staff, delivers services in a culturally appropriate way. LSS staff also met with Indigenous communities around the province to plan further expansion of the PLC program. An equally significant initiative was the development of LSS's Reconciliation Action Plan, which sets out the society's strategy for Indigenous legal aid services for future years.

To ensure LSS and the Ministry of the Attorney General work together in a manner that is strategic, effective, and accountable, the two organizations have a number of protocols. These include quarterly meetings between the LSS board chair and the Attorney General and between LSS's CEO and the Assistant Deputy Minister; a Standing Committee of the Assistant Deputy Minister of the Justice Services Branch and the CEO for addressing any issues arising between the parties; and a working group consisting of senior LSS staff and the ministry staff that meets every three weeks to discuss budgets and services.

The society ensures good governance through a comprehensive orientation plan for all new board members, an annual peer-review performance assessment, and regular educational presentations on the society's operations.

We would like to extend our thanks to LSS staff and to the many private lawyers who represent the society's clients. Without their commitment to legal aid and to improving the lives of those in need, the society could not deliver such a broad range of services or develop so many new and innovative services, on time and on budget. We would also like to thank the Attorney General and his staff for their collaboration and support throughout the year.



A handwritten signature in black ink, appearing to read 'Celeste Haldane'.

Celeste Haldane
Chair, LSS Board of Directors



A handwritten signature in black ink, appearing to read 'Mark Benton'.

Mark Benton, QC
Chief Executive Officer

Purpose of the Organization

The Legal Services Society provides legal aid in British Columbia. Created by the Legal Services Society Act in 1979, LSS is a non-profit organization that is a separate legal entity from government (see legalaids.bc.ca/about/ourMandate.php). Our priority is to serve the interests of people with low incomes. LSS is funded primarily by the provincial government and receives grants from the Law Foundation and Notary Foundation. Legal representation services are available for financially eligible people with serious family, child protection, or criminal law problems. Legal representation is also available for people who face a refugee or deportation hearing, a Mental Health Review Panel or BC Review Board hearing, or who have a prison issue for which the Charter of Rights and Freedoms establishes a right to counsel.

We provide legal advice services through criminal and family duty counsel in and out of courthouses across B.C., immigration duty counsel for people in detention at the Canada Border Services Agency's enforcement centre in Vancouver, the Family LawLINE, and the Brydges Line telephone service for people who may be or have been arrested. LSS also provides family advice lawyers at various locations to support the family justice counsellors.

Public legal education and information (PLEI) is integral to our services. PLEI includes legal information, triage, and community referrals. Legal information and outreach services are delivered by intake workers, legal information outreach workers (LIOWs), an Aboriginal community legal worker (ACLW), local agents, and community partners. We provide information through our LSS website, Family Law in B.C. website, Aboriginal Legal Aid in B.C. website, and MyLawBC website. We provide legal education through training workshops, conferences, and webinars. We reach hundreds of intermediaries and advocates each year so that they are better able to help people with low incomes solve their legal issues. Our network of regional offices, local agents, and community partners works to ensure access to legal aid and other justice services throughout British Columbia.

Strategic Direction and Operating Environment

In accordance with our 2017/18 Mandate Letter (legalaids.bc.ca/about/ourMandate.php), the society delivered on our priority actions. Our goals and initiatives align with the government's priorities and the strategic goals of the Ministry of the Attorney General. LSS has demonstrated its commitment to transparency and accountability to the public, and we follow all relevant provincial government reporting and disclosure requirements.

In 2017/18, we began drafting a new LSS strategic plan by identifying a new vision and mission, and new goals, objectives, strategies, and performance measures. The goals reflect the results of a strategic planning process that included consultation with staff and management, and consideration of our current environment. We worked to ensure that our plan is relevant and easy to communicate, and reflects a common vision for moving forward as an organization. The new goals are intended to guide LSS over the long term (5 – 10 years). They describe the organizational outcomes LSS needs to achieve to fulfill our new mission and vision and to ensure access to justice for all.

In 2017/18, LSS advanced the work of the CIS Transition Project, opened a new Parents Legal Centre (PLC) in Surrey, and identified strategies to better meet the legal needs of Aboriginal people in B.C.

We developed a draft Reconciliation Action Plan, providing the first strategic roadmap since 2007 for LSS to improve Indigenous access to justice.

In February 2018, LSS received the announcement of our largest budgetary increase since 2002 for the year 2018/19. We spent the last part of 2017/18 making plans to execute our increased budget with a particular focus on the selection and planning for new Parents Legal Centres, coordinating tariff changes, structuring a lawyer incentive and training program, planning for the second stream of the CIS Transition project, and planning other service expansions.

The improvements we made to CIS received positive feedback from lawyers. However, based on previous satisfaction surveys, we believe that a significant rise in lawyer satisfaction is unlikely until tariff rates are increased.

LSS met its requirement to balance the budget but faced significant cost pressures in 2017/18 in the immigration tariff, due to an increased demand for services. Since fall 2015, demand for immigration and refugee legal aid services has increased significantly. The volume of refugee (non-appeal) service requests in 2017/18 increased by 33 percent over 2016/17, and the number of contracts issued in 2017/18 increased by 28 percent over 2016/17 (see Clients Served table under Goal 1). Due to this increase in contracts, costs for immigration and refugee cases exceeded our budget. Thanks to discussions between the federal and provincial governments, LSS received a commitment for additional immigration and refugee funding that ensured the continuation of services to the end of the 2017/18 fiscal year.

In the criminal tariff, LSS saw a 6 percent reduction in service requests, and issued 8 percent fewer contracts in 2017/18 than in the previous year. This decline is due in part to functionality we introduced into our client information system in January 2017 allowing lawyers to add new offences to existing contracts. Previously, if an offence needed to be added more than 90 days after the client's interview date, the client needed to make a new service request.

In the family tariff, LSS saw a 5 percent reduction in service requests and issued 14 percent fewer contracts in 2017/18 than in the previous year. Due to costs exceeding budget in 2016/17, LSS reduced family services in January 2017 by eliminating discretionary spending. This meant LSS no longer approved cases under exception review (for cases that do not meet standard coverage criteria), under discretionary coverage (for cases marginally over the financial eligibility guidelines), and for family extended services (for cases where LSS provides lawyers with additional hours to work on a case). We reintroduced discretionary spending on April 16, 2018, due to additional funding from the provincial government, and we will thus be able to offer services to more clients in 2018/19 than we could in 2017/18.

LSS employees have been dealing with large workloads due to work on the CIS Transition Project and the justice transformation initiatives. To mitigate the risk of reduced employee engagement, LSS continued to focus on its recognition program, training program, and succession management program designed to support employees targeted to fill future management vacancies.

Report on Performance

LSS delivered on our 2017/18 Mandate Letter priorities. We made several significant updates to our Client Information System (CIS) in 2017/18, including a new invoice form for lawyers, and improved functionality for internal staff on both the invoicing and client application sides of the system. We had broad engagement from our stakeholders in designing these improvements to ensure they met user needs. We then rolled out a comprehensive training program with e-learning for lawyers and multi-day in-person sessions for staff to ensure smooth adoption of the system improvements. Lawyers and staff provided positive feedback, indicating that the changes make their work more effective and efficient. As part of the CIS work this past fiscal, we reviewed all relevant data fields to ensure we are collecting the right information in an efficient and useful manner, to optimize operational process and decisions, and for meaningful data analysis and reporting. We will continue to work on the CIS Transition Project into the new fiscal year.

In 2017/18, LSS commissioned refresh evaluations of its justice innovation and transformation initiatives. The results of these refresh evaluations confirmed and strengthened the results found in the summative evaluations (see evaluation highlights under Goal 4). The positive evaluations helped LSS secure additional funding from the provincial government to expand the Parents Legal Centre (PLC) model.

We opened a new PLC in Surrey on February 19, 2018. The Surrey PLC will help parents facing matters that could go to Surrey Provincial Court. This centre helps parents in Surrey, White Rock, and parts of Langley, and parents from Delta with cases handled by Métis Family Services. In 2018/19, we plan to expand the PLC model to more locations in B.C.

LSS drafted a Reconciliation Action Plan that incorporates feedback from several sources. These include our Aboriginal Justice dialogues (a series of workshops to gather input from Aboriginal organizations and individuals who provide services to the Aboriginal community). We also consulted the Truth and Reconciliation Commission's final report, Grand Chief Ed John's report on Indigenous child welfare in B.C., and the United Nations Declaration on the Rights of Indigenous Peoples. We continue to support Indigenous-led initiatives such as First Nations Courts, and plan how Indigenous communities can be better served by future Parents Legal Centres (see Goal 1 for more information on how we served Indigenous clients).

Goals, Strategies, Measures and Targets

Goal 1: People with low incomes who have legal issues use LSS services.

LSS needs to ensure our services are accessible, address the needs of clients, are culturally appropriate, and that the public is aware that these services are available.

Strategies

- Make it easier for clients to access legal aid services.
- Partner with Aboriginal and other underserved communities to deliver services that support positive client outcomes.
- Support service partners and front-line workers to deliver effective and efficient services.
- Support clients to be active participants in solving their legal issues.

Performance Measure 1.1: Client satisfaction with accessibility.

| Performance Measure | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Percent of clients satisfied with the accessibility of LSS services | 69% | N/A | N/A | 73% | 67% | N/A | N/A |

Data Source: Client Services Survey

Performance Measure 1.2: Client satisfaction with helpfulness.

| Performance Measure | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Percent of clients satisfied with the helpfulness of LSS services | 68% | N/A | N/A | 72% | 65% | N/A | N/A |

Data Source: Client Services Survey

Performance Measure 1.3: Client satisfaction overall.

| Performance Measure | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Percent of clients satisfied overall with LSS services | 66% | N/A | N/A | 70% | 64% | N/A | 68% |

Data Source: Client Services Survey

Performance Measure 1.4: Client satisfaction with support for participation in resolution.

| Performance Measure | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Percent of clients satisfied with LSS support to help them participate in resolving their legal issues | 66% | N/A | N/A | 70% | 61% | N/A | N/A |

Data Source: Client Services Survey

Discussion

- LSS contracts an independent research organization to conduct a client services survey to assess overall client satisfaction with LSS services as well as the accessibility and helpfulness of those services. Results demonstrate whether we are providing appropriate services when and where clients need them, thus fulfilling our mandate to help people solve their legal problems and to facilitate access to justice. Prior to 2017/18, we conducted the client survey every three years. Starting in 2017/18, we increased the frequency to every two years.
- LSS benchmarks its performance on satisfaction and accessibility against comparable organizations, including other legal aid plans, using Common Measurement Tool (CMT) questions. LSS sets targets based on a reasonable expectation of improvement over results in the previous survey.
- When comparing 2018 results to previous waves, we can only make broad comparisons (not direct percentage-to-percentage comparisons). We decided to take a fresh approach with the 2018 Client Services Survey. We modified the survey to gather more tailored feedback on specific priorities that we want to address in the coming years. Modifications included editing, removing, and adding survey questions. In addition, the 2018 survey scope was extended to include client groups (such as JITI clients) that had not been previously included. Because of these study design changes, we cannot be certain that wave-over-wave differences observed in the results are due to actual changes in client satisfaction, experience, and perception or due to study design changes.
- In 2018/19, we will address client satisfaction by monitoring satisfaction more regularly via short client exit surveys, recording calls on the call centre to ensure customer service meets expectations, as well as improving and expanding our services to clients.
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, new measures will replace measures 1.1, 1.2, and 1.4 in future annual service plan reports.

Performance Measure 1.5: Approved applicants receiving same day contract.

| Performance Measure | 2016/17 Baseline | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|--|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Percent of approved applicants receiving a representation contract within the same day of applying | 56% | 58% | 55% | 58% | 58% |

Data Source: Client Information System

Discussion

- Timely application approval supports timely resolution of the client's legal matter. It also supports court efficiency by minimizing court delays while clients await legal aid approval and by minimizing the risk that clients will abandon their applications and proceed without legal representation. LSS set the target for 2017/18 based on improvements in business processes and system performance as part of the CIS transition project. LSS will track this new annual measure closely. Although we did not meet the target for 2017/18, we anticipate improvements in the next year as we have more time to benefit from the CIS changes.

Other Performance Highlights

- In 2017/18, LSS issued 26,061 legal representation contracts with 930 lawyers. The following tables show the number of individuals who applied for representation services (service requests) and the number of individuals who received a representation contract (contracts). The contract issued rate is the percent of applicants who received a contract. The consistency in demand for services shows that the public is aware of our services and can access them.

Clients Served

| Area of Law | 2017/18 | | 2016/17 | | 2015/16 ¹ | |
|---|-------------------------------|---------------|-------------------------------|---------------|-------------------------------|---------------|
| | Service Requests ² | Contracts | Service Requests ² | Contracts | Service Requests ² | Contracts |
| Criminal | 24,229 | 19,179 | 25,762 | 20,971 | 25,341 | 20,548 |
| Family | 7,261 | 3,276 | 7,657 | 3,807 | 7,888 | 3,803 |
| CFCSA ³ | 3,095 | 2,255 | 3,205 | 2,424 | 3,122 | 2,377 |
| Immigration ⁴ | 1,737 | 1,327 | 1,473 | 1,064 | 1,040 | 776 |
| Administrative Appeals ⁵ | 112 | 24 | 85 | 20 | 65 | 21 |
| Total | 36,434 | 26,061 | 38,182 | 28,286 | 37,456 | 27,525 |
| ¹ On April 27, 2015, LSS introduced a new computer system to manage client intake services and lawyer billings. We believe application counts for 2015/16 are comparable to applications reported for previous periods; however, changes in data collection practices as a result of the new system reduce application data reliability for the period. ² In previous annual service plan reports, we referred to service requests as applications. The term service request reflects how we use our new client information system. ³ LSS provides services to eligible clients facing child protection issues under the Child, Family and Community Services Act (CFCSA). ⁴ All volumes in this table reflect both standard and appeal service requests and contracts. ⁵ With the new client information system, LSS introduced “Administrative Appeals” as a new area of law. These are prison appeal matters that in previous years were counted under Criminal applications and contracts. | | | | | | |

Contract Issued Rate

| Area of Law | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
| Criminal | 79.2% | 81.4% | 81.1% |
| Family | 45.1% | 49.7% | 48.2% |
| CFCSA | 72.9% | 75.6% | 76.1% |
| Immigration | 76.4% | 72.2% | 74.6% |
| Administrative Appeals ¹ | 21.4% | 23.5% | 32.3% |
| ¹ With the new system in April 2015, LSS introduced “Administrative Appeals” as a new area of law. These are prison appeal matters that in previous years were counted under Criminal applications and contracts. | | | |

Other Performance Highlights

- LSS offers a wide variety of advice services. These services help us support clients when they do not meet the eligibility requirements for legal representation. We make it easier for clients to access legal aid by providing advice phone lines and by situating duty counsel lawyers in courthouses. The following table shows the number of times we assisted clients through our various advice services.

Legal Advice Services

| | 2017/18 | 2016/17 | 2015/16 ¹ |
|---|---------|---------|----------------------|
| Criminal Advice Services | | | |
| Criminal duty counsel client assists | 69,088 | 71,110 | 56,791 |
| First Nations Court duty counsel client assists | 403 | 321 | 259 |
| Brydges Line calls handled | 17,381 | 17,913 | 18,221 |
| Family Advice Services | | | |
| Family duty counsel client assists | 31,136 | 31,866 | 28,672 |
| Family lead duty counsel clients assisted | 6,364 | 7,000 | 5,919 |
| Family LawLINE clients assisted | 2,606 | 2,343 | 2,849 |
| Immigration Advice Services | | | |
| Immigration duty counsel client assists | 1,113 | 1,309 | 915 |
| ¹ The introduction of a new lawyer billing system on April 27, 2015, disrupted the reporting of duty counsel client counts for most of the period. We estimate that duty counsel volumes for 2015/16 are under-reported by approximately 20 to 30 percent. | | | |

- Overall, about 30 percent of LSS representation clients in 2017/18 identified themselves as Aboriginal. LSS provided support to Indigenous clients through the following:
 - Funded 131 Gladue reports for Indigenous clients for sentencing hearings. Demand for reports tripled mid-year, and an agreement from the government to use federal criminal monies enabled us to move from seven reports to 22 reports per month.
 - Developed new publications about Gladue submissions and Gladue reports
 - Assisted clients 1,338 times through our Aboriginal community legal worker (see Appendix B)
 - Supported existing First Nations Courts by providing honoraria for Elders, providing dedicated duty counsel, and hosting an Elders Conference
 - Provided duty counsel services and supported Elders to participate in the new Nicola Valley First Nations Court (Merritt) that opened in October 2017
 - Met with Indigenous leaders and community service providers throughout the province regarding expansion of the Parents Legal Centre model

Goal 2: People with low incomes get help with related legal issues so they can solve and prevent legal problems.

Clients' legal problems often arise from or lead to other problems such as health, housing, and debt issues. By working with other service providers to help clients get support for these issues, LSS can improve client outcomes as well as reduce clients' use of justice, health, and social services over the long term.

Strategies

- Collaborate with service partners to assess and refer clients to services for their related legal issues.
- Support front-line workers to assess and refer clients to services for their related legal issues.

Performance Measure 2.1: Clients referred to services to address related issues.

| Performance Measure | 2016/17 Actual | 2017/18 Baseline | 2018/19 Target | 2019/20 Target |
|--|----------------|------------------|----------------|----------------|
| Percent of clients referred by LSS intake to services to address related issues ¹ | N/A | N/A | N/A | TBD |

Data Source: Client Information System

¹ LSS cannot report out on this measure yet as we were unable to capture this data in the Client Information System (CIS) in 2017/18. Due to recent changes in CIS, we will be able to collect this data going forward.

Performance Measure 2.2: Client satisfaction with support to address their related issues.

| Performance Measure | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual ¹ | 2018/19 Target | 2019/20 Target |
|--|----------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|
| Percent of clients satisfied with the level of support LSS gave them to address their related legal issues | 59% | N/A | N/A | 63% | 53% | N/A | N/A |

Data Source: Client Satisfaction Survey

¹ In the 2017/18 Client Satisfaction Survey, the skip logic for this question was changed as compared to prior years; therefore, caution must be used when comparing this result to the prior results. (Skip logic changes what question the respondent sees next based on how they answer the current question.)

Performance Measure 2.3: Lawyer satisfaction with support to help clients address related legal issues.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Percent of lawyers satisfied with LSS support for increasing their ability to help clients address related legal issues | N/A | 25% | N/A | N/A | 28% | N/A |

Data Source: Lawyer Satisfaction Survey

Performance Measure 2.4: Lawyer support for integrated approach.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Percent of lawyers who support the integrated approach to providing legal aid services | N/A | 68% | N/A | N/A | 71% | N/A |

Data Source: Lawyer Satisfaction Survey

Discussion

- For discussion on performance measure 2.2, please see discussion under performance measures 1.1 to 1.4.
- Measures 2.3 and 2.4 show LSS's progress on supporting lawyers with tools to deliver an integrated approach to legal aid services. These measures demonstrate how effectively LSS is working with lawyers to provide services that help clients find positive and lasting solutions to their legal issues. LSS contracts an independent research organization to conduct an online tariff lawyer satisfaction survey. We will conduct the next tariff lawyer satisfaction survey in 2018/19.
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, a new measure will replace measure 2.2 in future annual service plan reports.

Other Performance Highlights

- LSS continued its community partner program allowing people in small and rural communities to have a local trusted intermediary to identify legal problems and link them to appropriate legal services. The society's 26 community partners provide primary services in 33 locations and perform outreach to over 60 locations in the province, 23 of which are on-reserve communities. In 2017/18, community partners referred 1,147 people to a legal aid office and referred 1,298 people to the LSS Call Centre. They also refer people to Family LawLINE, publications and websites, and other places that provide assistance.

- Our legal information outreach workers (LIOWs) continued to support clients by helping them find information and self-help resources on a range of issues, as well as attending workshops and community events to promote legal aid services (see Appendix B).

Goal 3: LSS manages resources soundly.

LSS must manage resources effectively and efficiently to ensure we are achieving the optimum benefit for the society's clients within available funding.

Strategies

- Foster employee engagement and retention of key staff through professional development, succession management, and organizational communication.
- Engage with and develop stronger relationships with legal aid lawyers.
- Improve information technology systems to respond to a changing environment.
- Improve the nimbleness and flexibility of LSS business processes to support capacity.

Performance Measure 3.1: Employee engagement.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Overall average employee engagement | N/A | 71 | N/A | N/A | N/A | 74 |

Data Source: Work Environment Survey

Discussion

- This measure is a composite rating that includes employee commitment, job satisfaction, and organization satisfaction. It measures the society's performance in providing employees with the resources necessary to perform their duties, to develop their skills, and to contribute to the society's goals. LSS uses data gathered from an online Work Environment Survey conducted by BC Stats for this measure.
- LSS chose this measure because research in both the public and private sectors has shown that engaged employees are key to achieving positive organizational outcomes. Engaged employees are more productive, less likely to resign, and provide higher quality services.
- LSS conducts the Work Environment Survey every three years. The next Work Environment Survey will take place in 2019/20.

Performance Measure 3.2: Lawyer satisfaction with LSS support.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Percent of lawyers satisfied with the overall support provided by LSS | N/A | 57% | N/A | N/A | 60% | N/A |

Data Source: Lawyer Satisfaction Survey

Discussion

- This measure shows how well we are supporting lawyers overall. The measure uses lawyers' responses to our tariff lawyer satisfaction survey. Lawyers are one of our most important resources, and it is critical that we maintain a positive relationship with them to ensure we provide effective and efficient services to our clients. LSS contracts an independent research organization to conduct an online tariff lawyer satisfaction survey. We will conduct the next tariff lawyer satisfaction survey in 2018/19.

Performance Measure 3.3: Lawyers taking more than three contracts in first six months.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Number of new lawyers taking more than three contracts in the first six months ¹ | 60 | 54 | 60 | 50 | N/A | N/A |

Data Source: Client Information System

¹ For the years shown, LSS reported the results for this performance measure incorrectly in previous annual service plan reports due to an error in our methodology. We have corrected all the results.

Discussion

- This annual measure tracks our ability to recruit lawyers and to support their involvement with LSS through assigning them contracts. It looks at the number of lawyers whose six-month anniversary of joining the LSS roster fell within 2017/18, and who accepted three or more contracts within the first six months of their start date. We do not have a benchmark for this measure.
- LSS did not meet its target of 60 lawyers taking three or more contracts in their first six months. LSS plans to invest more resources into lawyer onboarding and engagement in 2018/19, which should increase this number.
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, a new measure will replace measure 3.3 in future annual service plan reports.

Performance Measure 3.4: Lawyers paid within 20 days.

| Performance Measure | 2016/17 Baseline | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|
| Percent of lawyer invoices paid within 20 days | 98.7% | N/A | 99.3% | N/A | N/A |

Data Source: Client Information System

Discussion

- This annual measure tracks the percent of lawyer invoices that we pay within twenty days. Our result for this measure was very high for the last two years, suggesting efficiency in our lawyer invoicing system and processes.
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, a new measure will replace measure 3.4 in future annual service plan reports.

Performance Measure 3.5: Lawyer invoices processed without review.

| Performance Measure | 2017/18 Baseline | 2018/19 Target | 2019/20 Target |
|--|---------------------|-------------------|-------------------|
| Percent of lawyer-submitted invoices processed for payment without review ¹ | 97.5% | N/A | N/A |

Data Source: LSS Online

Discussion

- This annual measure tracks the percent of lawyer-submitted invoices that we process for payment without review. Our result for this measure was very high for this baseline year, suggesting efficiency in our lawyer invoicing system and processes
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, a new measure will replace measure 3.5 in future annual service plan reports.

Performance Measure 3.6: Public support for legal aid.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Percent of the public that supports the provision of legal aid services | 92% | N/A | >90% | 92% | N/A | >90% |

Data Source: Public Opinion Poll

Discussion

- Measure 3.6 shows the proportion of B.C. residents who say they support providing legal information, advice, and representation services to people with low incomes. The level of

public support for legal aid is a primary indicator of the value B.C. residents place on legal aid services and the contribution of these services to a fair and efficient justice system. This measure is linked to public awareness of legal aid services and helps demonstrate the importance of legal aid in ensuring access to justice for the people of B.C.

- LSS gathers public opinion data from a survey conducted by an independent survey organization. Prior to 2016/17, LSS conducted the Public Opinion Poll every year. Starting in 2017/18, we changed the frequency to every two years. The next poll is in 2019/20.
- This year's result shows that public support has remained positive and consistent.

Performance Measure 3.7: Third-quarter expense forecast.

| Performance Measure | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Third-quarter expense forecast accuracy | 0.46% | 0.19% | 0.24% | 0% | 0% |

Data Source: LSS Finance System. This measure is calculated using the following formula: (Q3 year-end expense forecast – actual year-end expense)/(Q3 year-end expense forecast).

Discussion

- Measure 3.7 is an annual measure that tracks the accuracy of our year-end expense forecast by comparing our third-quarter forecast and the year-end actual. Targets are set based on a reasonable expectation of improvement over previous performance. Our result for 2017/18 was within one percent of our target.
- In 2018/19, LSS introduced new service plan goals, objectives, and performance measures. As a result, a new measure will replace measure 3.7 in future annual service plan reports.

Goal 4: LSS provides leadership in justice innovation.

LSS believes that innovation is needed to bring about the fundamental justice system changes required for clients to achieve timely and lasting resolutions to their legal issues.

Strategies

- Pilot evidence-based legal aid initiatives to improve access and outcomes.
- Communicate LSS's strategic direction to stakeholders.
- Consult with Aboriginal communities and other stakeholders to identify opportunities to develop innovative services and increase access to justice for Aboriginal people.

Performance Measure 4.1: References to LSS and justice innovation.

| Performance Measure | 2015/16 Actual | 2016/17 Actual | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Volume of references to LSS and justice innovation ¹ | 28 | 29 | 35+ | 25 | 30+ | 30+ |

Data Source: Internet search of academic literature, stakeholder reports, and media

Discussion

- This measure is a count of media references to LSS's justice transformation ideas and projects, which reflect our leadership in the area and the growing reach of our influence.
- Data is from a manual search of academic literature, stakeholder reports, and media for references to LSS's justice transformation ideas and projects. There are some limitations to this measure's accuracy (in favour of under-reporting) because we use a manual collection method. Targets are based on a reasonable expectation of improvement over baseline results in prior years (with the exception of 2014/15 because of the exceptional nature of the first launch of the five justice transformation projects). We also monitor our social media profile, though we do not reflect this in the performance measure.
- In 2017/18, LSS was highlighted in the media for our justice innovation projects and ideas, such as the justice transformation initiatives and the MyLawBC online tool. MyLawBC continued to garner media attention — long past its launch date — as a reference point for what is possible in digital service delivery. The provincial election prompted news coverage of LSS, especially budget announcements from the new government highlighting the expansion of Parents Legal Centres. Other references were to our work in access to justice for Indigenous people, including the expansion of our Gladue reports program and support for First Nations Courts.

Performance Measure 4.2: Clients served by justice innovation services.

| Performance Measure | 2016/17 Baseline | 2017/18 Target | 2017/18 Actual | 2018/19 Target | 2019/20 Target |
|---|------------------|----------------|----------------|------------------|------------------|
| Volume of clients served by new justice innovation services | 4,236 | N/A | 4,474 | TBD ¹ | TBD ¹ |

Data Source: Justice innovation services databases

¹Targets will be set once we establish service expansion plans for 2018/19 and beyond.

Discussion

- This measure tracks the growing impact of early resolution-focused services on people in B.C. Future targets will be set based on performance in 2017/18 and with consideration of expansion plans. For this measure, we use client data from the Expanded Criminal Duty Counsel program, Expanded Family Duty Counsel program, Parents Legal Centres, and the expanded Family LawLINE. Due to data limitations, counts include new clients as well as returning clients and thus there is some double counting.

Other Performance Highlights

- In 2017/18, LSS commissioned refresh evaluations of our justice innovation and transformation initiatives. The refresh evaluations used the same methodology as the summative evaluations conducted in 2016/17. The results of the refresh evaluations confirmed and strengthened the results found in the summative evaluations. (See <https://lss.bc.ca/about/evaluations.php> for the full reports.) Evaluation highlights include the following.
 - Parents Legal Centre (PLC) — Vancouver: The location of the PLC is convenient and having an Indigenous lawyer on staff is considered helpful for building trust with Indigenous clients. The PLC is helping clients get early legal assistance and engage collaboratively to resolve their child protection issues. The PLC is providing clients with a good understanding of their legal issues and their rights and obligations. Clients are highly satisfied with the services received.
 - Expanded Criminal Duty Counsel (CDC): Cases have a higher rate of resolution and a shorter time to resolution compared to similar cases at other provincial court locations. Seventy-eight percent of clients would not have been eligible for a legal aid representation contract based on financial or coverage guidelines, or both, which indicates an increase in legal aid access. Clients are satisfied with the legal services they received and consider them helpful. There is evidence that the CDC will lead to greater efficiency for LSS and the court process.
 - Expanded Family Duty Counsel (FDC): FDC is accessible to clients and is considered a “one-stop shop” for integrated services. File management contributes to service continuity.
 - Expanded Family LawLINE: Eighty-six percent of clients were satisfied or very satisfied with the help and support they received. At the time of the evaluation survey, 51 percent of respondents said they had resolved some or all of their issues and 32 percent resolved their issues out of court.
- MyLawBC usage continued to grow in 2017/18 with pathways started more than 14,000 times. Over the year, we conducted usability tests and gathered feedback from advocates and intermediaries. This information led to a number of improvements to the site that has bettered its user experience and usability. (For more MyLawBC data, see Appendix B).

Financial Report

Discussion of Results

The following discussion of the society's financial condition for the year ending March 31, 2018, should be read in conjunction with the society's audited financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles for provincial reporting entities established by the Canadian Public Sector Accounting Board. LSS is accountable for how it uses all its funding under the Budget Transparency and Accountability Act.

Revenue

LSS receives revenue from the following sources: the provincial government, the federal government, the Law Foundation, and the Notary Foundation. Total revenue for 2017/18 was \$84.6 million. The provincial government provides the largest portion of our revenue. In 2017/18, the provincial government provided \$80.7 million to LSS.

Provincial funding

The funding we receive from the provincial government is subject to a three-year Memorandum of Understanding (MOU) between LSS and the Ministry of the Attorney General. The MOU outlines the roles and responsibilities for LSS and the ministry, the types of services LSS can provide with provincial government funding, and the priorities for allocating that funding. The MOU defines how criminal cases are to be categorized and funded.

There are three criminal case categories:

- **Category A:** Within the approved budget within which cases will be accounted for where the total of the fees and disbursements are less than or equal to \$75,000.
- **Category B:** Within the approved budget within which a case will be accounted for where the total of the fees and disbursements exceed \$75,000 and are less than or equal to \$175,000, or where it is a Court Appointed Counsel Case or a Charter Required Counsel Case. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any Category A surplus to the shortfall. LSS must then transfer funds from the Deferred Contribution Fund, if any, to offset any remaining shortfall. If a shortfall still remains, LSS must enter into a discussion with the Ministry of the Attorney General.
- **Category C:** Within the approved budget within which a case will be accounted for where the total of the fees and disbursements exceed \$175,000, or where the case is one in which the rate payable to counsel exceeds the society's enhanced fee rate. These cases are funded through a special funding agreement with the Ministry of the Attorney General.

Federal funding

The federal government's maximum contribution to the provincial government for legal aid in 2017/18 was \$17,422,009, of which up to \$2,076,101 was allocated to immigration and refugee legal aid services. During the year, the provincial Ministry of the Attorney General and LSS worked together to secure additional funding of \$1,176,101 from the federal government to offset the increased costs due to greater than expected volumes of refugee applications and contracts. Included in the 2017/18 federal budget was an increased contribution to the provinces for criminal legal aid. B.C.'s share of this was \$1,647,723, and these funds were allocated to LSS and included in revenue for the fiscal year.

Foundation grants

Both the Law Foundation and the Notary Foundation provide annual grants to LSS from revenue earned on trust funds held by their members. The Notaries Act requires the Notary Foundation to contribute 55 percent of their interest revenue to the society. The Notary Foundation provided \$872,755 to LSS in 2017/18, compared to \$909,802 in 2016/17.

During the year, the society and the Law Foundation amended the payment schedule to better meet the needs of the society. The result was a one-time reduction of revenue, which will result in increased revenue in a future year. The Foundation provided \$2.3 million in 2017/18 compared to \$3.1 million in 2016/17.

Since funds from the Law Foundation and the Notary Foundation are not included in the MOU, LSS can allocate the funds at our discretion, based on LSS board priorities and service plan goals.

Expenses

LSS's expenses totalled \$86.0 million this year, an increase of \$4.0 million from the prior year. Of this amount, \$59.2 million was for tariff costs, \$12.9 million for salaries and benefits, \$2.8 million for building and amortization, and \$11.1 million for other costs. Tables 2 through 7 summarize the society's expenses for the past four years. See Audited Financial Statements — Note 10, Expenses by object.

Tariff program expenses

The financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS), and expenses are consolidated and reported as programs. The tariff expenses reported in the financial statements include payments to the private bar, any direct service contracts, and an allocation for both public services and tariff administration costs.

Tables 2 through 5 provide details of the costs included in the tariff expenses. Total expenditures for tariff programs were \$69.4 million or 80.7 percent of total spending in 2017/18, compared to \$68.4 million or 83.4 percent in 2016/17.

To determine the costs for tariff and duty counsel, LSS estimates the liability for services provided by the private bar using an actuarial model. This model includes actual costs based on invoices received and estimated costs for work performed on all unbilled contracts made during the fiscal year. The calculation is 90 percent accurate, 19 times out of 20. The estimated tariff liability at the end of 2017/18 is \$9.1 million. An independent actuary reviewed the actuarial model in February 2016, and no changes were recommended. The next review will be February 2019, with the results reported for the 2018/19 fiscal year.

Variance and Trend Analysis

The society's revenue increased by \$2.6 million during the fiscal year. The increase was due to several factors. First, LSS received funding due to additional transfers from the federal government to the provincial government. That funding included \$1.1 million (2017 – \$0.5 million) for the immigration tariff and \$1.6 million (2017 – \$1.1 million) for the criminal tariff. Second, the province provided additional funding of \$4.1 million (2017 – \$2.0 million) for the JITI projects. These increases were offset by a reduction in Law Foundation funding (see foundation grant above) and Department of Justice case funding.

LSS experienced unbudgeted growth in immigration tariff costs for the second year in a row due to significant increase in applications and contracts for refugee legal aid. The volume of refugee (non-appeals) services requests in 2017/18 was up 32 percent from 2016/17 and 125 percent from 2015/16. The number of contracts issued in 2017/18 was up 27 percent from 2016/17 and 130 percent from 2015/16. Long-term funding for immigration and refugee legal aid remains a concern for the society. The forecast for 2018/19 is for increasing volumes and higher costs. LSS plans to keep working closely with the provincial and federal governments to mitigate and manage this tariff. The society will monitor the tariff and implement mitigation strategies if required.

In 2017/18, the society issued 8.8 percent fewer criminal referrals, which resulted in a reduction in the criminal services lawyer fees. These savings were offset by an increase in both duty counsel and large cases.

Family tariff expenses decreased in 2017/18 due to the elimination of discretionary spending in January 2017 (implemented due to costs exceeding budget in 2016/17). The society continued these reductions throughout the fiscal year, reducing costs and providing services within the available budget. We reintroduced discretionary spending on April 16, 2018 due to additional funding from the provincial government

Risks and Uncertainties

LSS's largest risk is fluctuating demand and costs for services. We cannot predict the demand for tariff services, nor can we control the pace at which cases are billed. The ability to control costs and manage demand continues to be critical to meeting budget targets.

Our biggest risk exposure is in the criminal tariff due to it being the largest proportion of our tariff expense. We issue over 70 percent of our contracts to individuals dealing with a criminal legal issue. Our MOU outlines three categories for criminal cases and sets limits based on the amount we can spend on a case before having to obtain a special funding agreement, which helps to limit our

exposure to the increasing costs of large criminal cases. Based on current trends, we anticipate projected criminal tariff costs for Category B and C in 2018/19 will exceed budget, and we will continue to work closely with the provincial government to manage this risk.

Accumulated surplus

The *Legal Services Society Act* requires the society not to incur a deficit without the prior approval of the Attorney General and the Minister of Finance. Due to limits on accessing our accumulated surplus, we met the requirement of a balanced budget by restricting operations. During the 2017/18 fiscal year, the Ministry approved an operating deficit of \$1.4 million. At March 31, 2018, the society's total accumulated surplus was \$3.9 million, of which \$3.0 million was restricted by the board to cover the remaining annual amortization costs of CIS. The balance is restricted and not available for other purposes without approval by the board. See Audited Financial Statements — Note 8, Accumulated surplus.

Capital expenditures

Capital expenditures are required to assure the continued operations of the society. These expenditures include information systems, leasehold improvements, and office equipment. The major capital expenditures for the fiscal year were improving CIS and replacing the telephone system.

LSS does not receive contributions from the provincial government for capital expenditures and therefore must be able to incur the amortization expense before replacing the existing assets. The society has restricted capital spending in order to minimize amortization costs. Currently, after adjusting for CIS and Parents Legal Centre — Surrey, LSS's capital asset book value represents 10.7 percent (10.9 percent in 2017) of the assets original cost. This is an indication that a majority of the assets are beyond their estimated useful life. The society has taken this into consideration in its 2018/19 capital budget. In future years, the society may be required to increase spending on capital assets.

Financial Resource Summary Table

| Table 1 | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| \$ millions | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 Budget | 2017/18 Actual | 2017/18 Variance |
| Operating Revenue | | | | | | | |
| Contribution from province | 75.20 | 74.20 | 74.60 | 76.90 | 77.60 | 80.70 | 3.10 |
| Other income & recoveries | 4.90 | 5.50 | 5.20 | 5.10 | 4.20 | 3.90 | (0.3) |
| Total Revenue | 80.10 | 79.70 | 79.80 | 82.00 | 81.80 | 84.60 | 2.80 |
| Operating Expenses | | | | | | | |
| Criminal Tariff | 44.60 | 42.40 | 41.60 | 42.80 | 40.30 | 43.80 | 3.50 |
| Family Tariff | 15.80 | 14.20 | 14.60 | 15.20 | 14.40 | 14.80 | 0.40 |
| Child Protection Tariff | 8.20 | 7.80 | 7.20 | 7.60 | 8.10 | 7.80 | (0.3) |
| Immigration Tariff | 2.00 | 2.20 | 2.10 | 2.80 | 2.20 | 3.00 | 0.80 |
| Justice Innovation and Transformation Initiatives | 0.00 | 2.00 | 2.00 | 2.00 | 4.80 | 3.90 | (0.9) |
| Publishing | 1.50 | 1.70 | 1.90 | 1.80 | 1.70 | 1.80 | 0.10 |
| Community engagement | 0.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 |
| Indigenous Services | 0.50 | 0.60 | 0.70 | 0.50 | 0.60 | 0.60 | 0.00 |
| Administration | 6.50 | 7.50 | 7.90 | 7.50 | 7.90 | 8.50 | 0.60 |
| Amortization | 0.70 | 0.40 | 0.80 | 0.80 | 0.80 | 0.80 | 0.00 |
| Total Expenses | 80.60 | 79.80 | 79.80 | 82.00 | 81.80 | 86.00 | 4.20 |
| Net Income from Operations | (0.5) | (0.1) | 0.00 | 0.00 | 0.00 | (1.4) | (1.4) |
| Capital Expenditures | 2.80 | 2.10 | 0.50 | 0.90 | 0.70 | 1.30 | 0.60 |
| Total Liabilities | 16.50 | 17.00 | 17.90 | 14.50 | 14.50 | 18.10 | 3.60 |
| Accumulated Surplus/ Retained Earnings | 5.40 | 5.30 | 5.30 | 5.30 | 5.30 | 3.90 | (1.4) |

Note 1: The above financial information was prepared based on Canadian Public Sector Accounting Standards, except for accounting treatment of deferred contributions.

LSS Expenses — Summary Tables

| Table 2 Criminal Services | | | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------|---------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 | |
| | | | | Budget | Actual |
| Lawyer fees ¹ | \$23,284,848 | \$22,968,267 | \$23,032,687 | \$18,399,000 | \$21,145,746 |
| Duty counsel | 5,748,955 | 5,566,167 | 5,573,166 | 5,867,000 | 6,094,147 |
| Disbursements ² | 3,456,408 | 3,226,333 | 3,496,834 | 3,450,000 | 3,411,000 |
| Large cases | 2,494,921 | 2,117,309 | 3,055,682 | 4,425,000 | 5,465,167 |
| Contracted representation services ³ | 1,876,919 | 1,835,338 | 1,942,537 | 2,024,000 | 1,938,904 |
| Public services | 3,596,599 | 3,867,410 | 3,771,680 | 3,847,373 | 3,646,290 |
| Tariff administration | 1,935,780 | 2,033,098 | 1,957,942 | 2,250,472 | 2,063,829 |
| Total criminal services | \$42,394,430 | \$41,613,922 | \$42,830,528 | \$40,262,845 | \$43,765,083 |

¹ In 2017/18, this includes a digital strategy payment of \$2,065,386.

² Includes costs other than legal fees such as travel, mileage, transcripts, translators, and expert witnesses.

³ Includes Community Legal Assistance Society, West Coast Prison Justice Society, and Downtown Community Court.

| Table 3 Family Services | | | | | |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------|---------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 | |
| | | | | Budget | Actual |
| Lawyer fees ¹ | \$7,952,126 | \$7,996,463 | \$8,544,938 | \$7,721,000 | \$8,149,575 |
| Duty counsel ² | 3,289,831 | 3,530,351 | 3,387,763 | 3,481,000 | 3,663,283 |
| Disbursements | 1,319,228 | 1,264,141 | 1,453,859 | 1,230,000 | 1,217,162 |
| Public services | 1,030,236 | 1,073,222 | 998,165 | 1,017,055 | 979,499 |
| Tariff administration | 630,827 | 745,319 | 783,263 | 897,972 | 756,863 |
| Total family services | \$14,222,248 | \$14,609,496 | \$15,167,988 | \$14,347,027 | \$14,766,382 |

¹ In 2017/18, this includes a digital strategy payment of \$646,500.

² Includes Family LawLINE.

| Table 4 Child Protection (CFCSA) Services | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 | |
| | | | | Budget | Actual |
| Lawyer fees ¹ | \$6,564,372 | \$5,898,378 | \$6,285,639 | \$6,765,000 | \$6,483,010 |
| Disbursements | 465,600 | 514,879 | 560,471 | 520,000 | 521,996 |
| Public services | 420,688 | 438,385 | 433,188 | 441,692 | 414,782 |
| Tariff administration | 325,403 | 324,500 | 361,024 | 413,880 | 361,201 |
| Total CFCSA services | \$7,776,063 | \$7,176,142 | \$7,640,322 | \$8,140,572 | \$7,780,989 |

¹ In 2017/18, this includes a digital strategy payment of \$484,237.

| Table 5 Immigration and Refugee Services | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 | |
| | | | | Budget | Actual |
| Lawyer fees ¹ | \$1,151,255 | \$1,149,611 | \$1,622,094 | \$1,050,000 | \$1,715,664 |
| Duty counsel | 139,890 | 145,724 | 123,779 | 150,000 | 132,692 |
| Disbursements | 332,176 | 285,065 | 424,871 | 300,000 | 490,981 |
| Public services | 479,728 | 476,759 | 497,599 | 505,622 | 519,297 |
| Tariff administration | 75,141 | 90,621 | 114,472 | 133,033 | 122,757 |
| Total immigration services | \$2,178,190 | \$2,147,780 | \$2,782,815 | \$2,138,655 | \$2,981,391 |

¹ In 2017/18, this includes a digital strategy payment of \$152,087.

| Table 6 Other Programs | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2016/17 | |
| | | | | Budget | Actual |
| Justice Innovation Transformation Initiatives (JITI) | \$2,017,682 | \$2,000,000 | \$2,000,000 | \$4,800,000 | \$3,857,159 |
| Publishing Services | 1,725,753 | 1,881,422 | 1,762,922 | 1,709,251 | 1,787,067 |
| Community engagement | 1,038,401 | 982,048 | 1,029,951 | 1,025,584 | 1,063,296 |
| Indigenous Services | 578,673 | 656,615 | 515,450 | 610,432 | 638,275 |
| Total other programs | \$5,360,509 | \$5,520,085 | \$5,308,323 | \$8,145,267 | \$7,345,797 |

| Table 7 Administration | | | | | |
|--|---------------------------|---------------------------|---------------------------|--------------------|--------------------|
| | 2014/15 Actual | 2015/16 Actual | 2016/17 Actual | 2017/18 | |
| | | | | Budget | Actual |
| Executive Office | \$1,175,862 | \$1,285,771 | \$1,045,840 | \$1,265,556 | \$1,413,830 |
| Strategic Planning, Policy, and Human Resources | 1,962,507 | 2,065,301 | 1,980,172 | 2,046,047 | 2,056,730 |
| IT Services | 2,809,804 | 2,676,352 | 2,651,553 | 2,889,718 | 3,412,200 |
| Finance and Administration | 1,952,924 | 2,691,614 | 2,581,555 | 2,528,313 | 2,457,561 |
| Total administration | \$7,901,097 | \$8,719,038 | \$8,259,120 | \$8,729,634 | \$9,340,321 |

Legal Services Society

Financial statements 2017/18

Legal Services Society management's responsibility for the financial statements

Management is responsible for the preparation of the society's financial statements. This responsibility includes maintaining the integrity and objectivity of the society's financial records, and presenting the society's financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Management maintains a system of internal controls that ensures all material agreements and transactions of the society are properly recorded. The society's financial statements for the year ended March 31, 2018, have been examined by PricewaterhouseCoopers LLP. Their examination was made in accordance with Canadian generally accepted auditing standards, and included obtaining a sufficient understanding of the society's internal controls to plan the audit.

The directors of the society's board are not employees of the society. The board of directors is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the control of the society's financial operations. The board of directors meets with staff of PricewaterhouseCoopers LLP to discuss their audit work, the society's internal controls, and the financial statements. The board of directors is responsible for approving the financial statements.



Mark Benton, QC
Chief Executive Officer



Eugene Wandell, CPA, CMA
Vice President, Finance and Corporate Services



May 16, 2018

Independent Auditor's Report

To the Board of Directors of the Legal Services Society and to the Ministry of Attorney General of British Columbia

We have audited the accompanying financial statements of the Legal Services Society, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, changes in net financial assets / liabilities and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements outlined in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, changes in net financial assets / liabilities and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements outlined in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter

Without modifying our opinion, we draw your attention to note 2 to the financial statements, which describes the basis of accounting and the differences between such basis of accounting and Canadian Public Sector Accounting Standards. The impact of these differences was not material to the financial statements.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Statement of financial position

as at March 31, 2018

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Financial assets | | |
| Cash (note 16) | \$ 1,713,163 | \$ 394,505 |
| Investments (notes 4 and 16) | 9,974,187 | 9,732,731 |
| Accounts receivable (note 16) | | |
| Government of British Columbia (note 13) | 3,115,312 | 1,802,490 |
| Government of Canada | 529,430 | 1,672,617 |
| Other | 633,082 | 724,790 |
| Total financial assets | 15,965,174 | 14,327,133 |
| Liabilities | | |
| Accounts payable and accrued liabilities | | |
| General (note 5a) | 2,973,658 | 1,965,165 |
| Tariff (note 5b) | 14,200,641 | 11,812,835 |
| Employee future benefits (note 3dii) | 252,000 | 252,000 |
| Long-term liabilities (note 7) | 625,184 | 516,400 |
| Total liabilities | 18,051,483 | 14,546,400 |
| Net financial (liabilities) | (2,086,309) | (219,267) |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 5,532,504 | 5,026,900 |
| Prepaid expenses | 493,500 | 532,062 |
| Total non-financial assets | 6,026,004 | 5,558,962 |
| Accumulated surplus (note 8) | \$ 3,939,695 | \$ 5,339,695 |
| Contractual obligations (note 12) | | |
| Economic dependence (note 14) | | |
| Contingent liabilities (note 15) | | |

The accompanying notes and supplementary schedule are an integral part of these financial statements.



Celeste Haldane
Chair of the Board of Directors



Karen Christiansen, FCPA, FCA
Chair of the Finance Committee

Statement of operations and accumulated surplus

for the year ended March 31, 2018

| | Budget (note 11) | | 2018 | 2017 |
|--|-------------------------|-------------------|---------------------|---------------------|
| Revenue | | | | |
| Government of British Columbia (notes 9 and 13) | \$ | 72,796,000 | \$ 76,548,645 | \$ 74,943,685 |
| Law Foundation | | 3,085,000 | 2,346,250 | 3,085,000 |
| Justice Innovation and Transformation Initiatives | | 4,800,000 | 4,122,159 | 2,000,000 |
| Department of Justice — Canada | | — | 203,635 | 657,772 |
| Notary Foundation | | 600,000 | 872,755 | 909,802 |
| Investment income | | 368,000 | 254,779 | 285,091 |
| Miscellaneous | | 115,000 | 231,741 | 107,746 |
| Total revenue | | 81,764,000 | 84,579,964 | 81,989,096 |
| Expenses (note 10) | | | | |
| Criminal tariff | | 40,262,845 | 43,765,083 | 42,830,528 |
| Family tariff | | 14,347,027 | 14,766,382 | 15,167,988 |
| Child protection tariff | | 8,140,572 | 7,780,990 | 7,640,322 |
| Immigration and refugee tariff | | 2,138,655 | 2,981,391 | 2,782,815 |
| Justice Innovation and Transformation Initiatives | | 4,800,000 | 3,857,159 | 2,000,000 |
| Publishing | | 1,709,251 | 1,787,067 | 1,762,922 |
| Community engagement | | 1,025,584 | 1,063,296 | 1,029,951 |
| Indigenous services | | 610,432 | 638,275 | 515,450 |
| Administration | | 8,729,634 | 9,340,321 | 8,259,120 |
| Total expenses | | 81,764,000 | 85,979,964 | 81,989,096 |
| Net loss | | — | (1,400,000) | — |
| Accumulated surplus at beginning of year | | 5,339,695 | 5,339,695 | 5,339,695 |
| Accumulated surplus at end of year (note 8) | \$ | 5,339,695 | \$ 3,939,695 | \$ 5,339,695 |

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Statement of changes in net financial assets / liabilities

for the year ended March 31, 2018

| | Budget (note 11) | 2018 | 2017 |
|--|-------------------------|----------------|--------------|
| Net loss | \$ — | \$ (1,400,000) | \$ — |
| Acquisition of tangible capital assets | (650,000) | (1,345,004) | (854,872) |
| Amortization | 777,000 | 790,671 | 763,998 |
| Loss from disposal of tangible capital assets | | 48,729 | |
| | 127,000 | (505,604) | (90,874) |
| Acquisition of prepaid expenses | — | (493,500) | (532,062) |
| Use of prepaid expenses | — | 532,062 | 512,516 |
| | — | 38,562 | (19,546) |
| Increase/(decrease) in net financial assets/(liabilities) | 127,000 | (1,867,042) | (110,420) |
| Net financial (liabilities) at beginning of year | (219,267) | (219,267) | (108,847) |
| Net financial (liabilities) at end of year | \$ (92,267) | \$ (2,086,309) | \$ (219,267) |

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Statement of cash flows
for the year ended March 31, 2018

| | 2018 | 2017 |
|---|---------------------|-------------------|
| Operating transactions | | |
| Cash received | | |
| Transfers from Government of British Columbia | \$ 79,357,982 | \$ 76,447,361 |
| Grants received | 3,219,005 | 3,942,772 |
| Interest | 254,779 | 285,091 |
| GST recovered | 837,178 | — |
| Leasehold inducement received | 193,410 | — |
| Other | 833,093 | 1,108,654 |
| | <u>84,695,447</u> | <u>81,783,878</u> |
| Cash paid | | |
| Legal aid tariff | 56,816,112 | 61,090,574 |
| Salaries and benefits | 12,899,788 | 12,486,631 |
| Rent | 1,931,212 | 1,901,949 |
| Services | 2,434,537 | 2,434,537 |
| GST paid | — | 763,161 |
| All other | 7,708,680 | 6,652,244 |
| | <u>81,790,329</u> | <u>85,329,096</u> |
| Cash provided by (used in) operations | 2,905,118 | (3,545,218) |
| Capital transactions | | |
| Cash used to acquire tangible capital assets | (1,345,004) | (854,870) |
| Investing transactions | | |
| Investments purchased | (3,000,000) | (3,000,000) |
| Investments redeemed | 2,758,544 | 4,844,706 |
| Cash provided by (used in) investing transactions | <u>(241,456)</u> | <u>1,844,706</u> |
| Increase/(decrease) in cash | 1,318,658 | (2,555,382) |
| Cash at beginning of year | 394,505 | 2,949,887 |
| Cash at end of year | \$ <u>1,713,163</u> | \$ <u>394,505</u> |

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended March 31, 2018

1. Overview

The Legal Services Society (the society) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). The society is governed by a board of directors, of which five are appointed by the Province of British Columbia (the province) and four are appointed by the Law Society. The purpose of the society is to:

- assist individuals to resolve their legal problems and facilitate access to justice,
- establish and administer an effective and efficient system for providing legal aid to individuals in British Columbia, and
- provide advice to the Attorney General respecting legal aid and access to justice for individuals in British Columbia.

The society is not subject to income taxes.

2. Basis of presentation

These financial statements are prepared by management in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This section requires that financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), except in regards to government transfers as described in note 3(a).

3. Significant accounting policies

(a) Revenue recognition

Revenues are recognized in the period in which the transactions or events that give rise to the revenues occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred. This accounting policy complies with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. However, this accounting treatment is different from the requirements of Canadian PSAS, which require that government contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability. In this case, the transfer is recognized as revenue over the period that the liability is extinguished. The impact of this policy on the financial statements was not significant.

(b) Expenses

Expenses are reported on an accrual basis. The cost of services incurred during the year is expensed.

(c) Tariff expenses

Tariff expenses include amounts billed by lawyers to the society and an estimate of services performed by lawyers but not yet billed to the society.

(d) Employee future benefits

- i. The society's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The society records its pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This method is used because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets, and costs to individual employers participating in the plan.
- ii. The cost of non-vested sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates, and discount rates.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the asset.

Tangible capital assets are amortized on a straight-line basis as follows:

| Assets | Per year |
|---------------------------|-------------------------------------|
| Furniture | 10 – 20% |
| Equipment | 20% |
| Computer equipment | 25 – 33% |
| Computer software | 20 – 33% |
| Client Information System | 10% |
| Leasehold improvements | Lower of lease term and useful life |

Tangible capital assets are written down when conditions indicate that they no longer contribute to the society's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net writedowns (if any) are accounted for as expenses in the statement of operations.

(f) Asset retirement obligation

The society recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets, which results from the acquisition, construction, development, and/or normal use of the assets. The society concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted, risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in the statement of operations as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(g) Prepaid expenses

Prepaid expenses include memberships, computer software licenses, and deposits. These items are charged to expense over the periods expected to benefit from them.

(h) Financial instruments

The society's financial instruments consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities. Accounts receivable, and accounts payable and accrued liabilities are initially recorded at fair market value and subsequently measured at cost.

Investments, which comprise guaranteed investment certificates, provincial bonds, corporate bonds, and structured bank notes, are initially recorded at fair market value and subsequently measured at amortized cost. The effective interest method is used to determine income.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A writedown of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

The fair values of the society's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity. The fair values of the society's investments are disclosed in note 4.

(i) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where estimates are significant to the financial statements include the tariff liabilities and expenses (note 17). Other areas where estimates are

made include the valuation of accounts receivable, amortization of tangible capital assets, asset retirement obligation, non-vested sick leave benefits, and contingent liabilities.

Estimates are based on the best information available at the time of the preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

(j) Newly adopted accounting standards:

Effective April 1, 2017, the society adopted the following new accounting standards:

- i. PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.
- ii. PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.
- iii. PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.
- iv. PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.
- v. PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

There was no impact to the financial statements upon transition to these standards.

4. Investments

The carrying value of the society's investments is \$9,974,187 (2017 — \$9,732,731). Included in investments is \$147,253 for accrued interest (2017 — \$184,792). Investments have maturities ranging from April 2018 to December 2020 and rates of return ranging from 1.23% to 2.65%.

The investments have a market value at March 31, 2018, of \$9,959,683 (2017 — \$9,732,296). Investments are recorded at amortized cost less any writedowns associated with a loss in value that is other than a temporary decline.

5. Accounts payable and accrued liabilities

(a) General

| | 2018 | 2017 |
|------------------|---------------------|---------------------|
| Trade payables | \$ 2,110,276 | \$ 1,140,498 |
| Payroll payables | 863,382 | 824,667 |
| Total | \$ 2,973,658 | \$ 1,965,165 |

(b) Tariff

| | 2018 | 2017 |
|-------------------------------|----------------------|----------------------|
| Submittals approved, not paid | \$ 3,770,390 | \$ 362,886 |
| Submittals not approved | 1,301,251 | 1,298,949 |
| Accrual (<i>note 17</i>) | 9,129,000 | 10,151,000 |
| Total | \$ 14,200,641 | \$ 11,812,835 |

The society uses an actuarial model to estimate legal services performed but not yet billed to the society. Management estimated the liability to be approximately \$9,129,000 (2017 — \$10,151,000). This estimate, included in the above table, incorporates average case costs and service billings for similar cases, based on historical experience over a two-year period. Actual costs could differ from this estimate (notes 3(i) and 17).

6. Employee future benefits

(a) Pension plan

The society and its employees contribute to the Municipal Pension Plan (jointly trusted pension plan). The board of trustees for this plan, representing plan members and employers, is responsible for administering the pension plan, including investing assets and administering benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the Municipal Pension Plan had approximately 193,000 active members and 90,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may

be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation for the Municipal Pension Plan will be as at December 31, 2018, with results available in 2019.

The society paid \$903,647 (2017 — \$842,582) for employer contributions to the plan.

(b) Non-vested sick leave

Employees are credited days per year, ranging from six to 10 days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement.

Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit cost and liabilities related to the plan are included in the financial statements. Employee unused sick bank is not paid out at retirement.

7. Long-term liabilities

| | 2018 | 2017 |
|-----------------------------|-------------------|------------|
| Asset retirement obligation | \$ — | \$ 516,400 |
| Leasehold inducements | 625,184 | — |
| Balance, end of year | \$ 625,184 | \$ 516,400 |

(a) Asset retirement obligation

In previous years, long-term liabilities included the society's accrual for its asset retirement obligation for the estimated costs of restoring certain leased facilities to their original condition at the end of the lease terms. During fiscal 2017/18, the society negotiated an extension to the lease. Included in the extension was the removal of the asset retirement obligation. The asset retirement obligation has been redesignated as a leasehold inducement and is being amortized over the period of the new lease. The following is a reconciliation of the changes in the asset retirement obligation during the year:

| | 2018 | 2017 |
|-----------------------------------|------------|------------|
| Balance, beginning of year | \$ 516,400 | \$ 491,800 |
| Accretion expense | 17,148 | 24,600 |
| Transfer to leasehold inducements | (533,548) | — |
| Balance, end of year | \$ — | \$ 516,400 |

The accretion expense is included in the premises expense.

(b) Leasehold inducements

| | 2018 | 2017 |
|-----------------------------|------------|------|
| Total leasehold inducements | \$ 683,341 | \$ — |
| Less: current portion | (58,157) | — |
| Long-term portion | \$ 625,184 | \$ — |

8. Accumulated surplus

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Total accumulated surplus at end of year | \$ 3,939,695 | \$ 5,339,695 |
| Internally restricted for Client Information System | \$ 2,944,653 | \$ 3,448,360 |
| Internally restricted for strategic initiatives | \$ 995,042 | \$ 1,891,335 |

The board of directors has authorized the following restrictions on the accumulated surplus:

- In fiscal 2013, the board of directors restricted the entire accumulated surplus to be used for board-directed strategic initiatives and allocated \$4.3 million of those funds for the Client Information System (CIS) to replace the legacy Case Management System.
- CIS was installed and went live in April 2015 at a total cost of \$4.258 million. An additional \$1.553 million was capitalized during the past two fiscal years, bringing the total cost to date to \$5.811 million.
- The accumulated surplus internally restricted for CIS will be drawn down as the cost of the CIS project is amortized
- These funds are not available for other purposes without approval by the board of directors.

9. Restricted contribution

| | Opening deferred contribution | Approved budget | Additional contributions | Recognized in operations | Closing deferred contribution |
|---|-------------------------------------|--------------------|-----------------------------|-----------------------------|-------------------------------------|
| Government of British Columbia — Category B | \$ — | \$1,813,000 | \$997,008 | \$2,810,008 | \$ — |

The society's Memorandum of Understanding (MOU) with the Ministry of the Attorney General provides for restricted funding for exceptional matters commencing with the 2003 fiscal year. Effective April 1, 2014, the MOU was revised to provide clarification on criminal case classification and funding of these cases.

There are now three categories:

- **Category A:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements is less than or equal to \$75,000.
- **Category B:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements exceeds \$75,000 and is less than or equal to \$175,000, or where it is a court-appointed counsel case, or a charter-required counsel case. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any eligible base criminal tariff surplus to the shortfall and then to deferred contributions.
- **Category C:** Within the approved budget within which a case will be accounted for, where the total of the fees and disbursements exceeds \$175,000, or where the case is one in which the rate payable to counsel exceeds the society's enhanced fee rate. These cases are funded through a special funding agreement with the Ministry of the Attorney General.

10. Expenses by object

The following is a summary of expenses by object:

| | 2018 Budget | 2018 Actual | 2017 Actual |
|--------------------------------|----------------------|----------------------|----------------------|
| Lawyer fees | \$ 38,360,003 | \$ 42,963,356 | \$ 42,280,424 |
| Duty counsel fees | 9,350,829 | 10,109,050 | 10,107,990 |
| Disbursements | 5,840,115 | 6,131,512 | 6,011,412 |
| Total tariff costs | 53,550,947 | 59,203,918 | 58,399,826 |
| Salaries and benefits | 13,087,121 | 12,938,505 | 12,066,265 |
| Grants and contracted services | 7,897,080 | 5,561,961 | 4,700,493 |
| Premises | 2,004,021 | 1,931,212 | 1,896,759 |
| Local agents | 1,820,500 | 1,768,587 | 1,768,880 |
| Computers | 1,148,328 | 1,924,010 | 1,095,119 |
| Office | 744,543 | 976,642 | 726,505 |
| Amortization | 776,706 | 839,400 | 763,998 |
| Miscellaneous | 357,046 | 570,799 | 307,177 |
| Board expenses | 205,508 | 159,313 | 149,239 |
| Travel | 172,200 | 105,617 | 114,835 |
| Total | \$ 81,764,000 | \$ 85,979,964 | \$ 81,989,096 |

11. Budgeted figures

The operating budgeted figures, presented on a basis consistent with that used for actual results, were approved by the board of directors on February 17, 2017, and submitted to the Ministry of the Attorney General on February 20, 2017 and was approved on March 16, 2017.

12. Contractual obligations

The society has the following contractual obligations:

| | Premises leases | Operating costs | Total |
|--------------|----------------------|---------------------|----------------------|
| 2019 | \$ 1,067,196 | \$ 4,745,192 | \$ 5,812,388 |
| 2020 | 1,017,957 | 748,321 | 1,766,278 |
| 2021 | 1,157,769 | 46,800 | 1,204,569 |
| 2022 | 1,157,769 | — | 1,157,769 |
| 2023 | 1,169,420 | — | 1,169,420 |
| Thereafter | 7,038,502 | — | 7,038,502 |
| Total | \$ 12,608,613 | \$ 5,540,313 | \$ 18,148,926 |

At year-end, the liability for future costs of legal services to be performed beyond the fiscal year, for which the society is currently committed, is estimated by management to be approximately \$21.5 million. This estimate uses the same methodology as described in note 5 for tariff payables.

13. Related parties

The society is related to the Province of British Columbia and its ministries, agencies, and Crown corporations. In this relationship, the province provided funding in the amount of \$80,670,804 (2017 — \$76,943,685), and the society is responsible for providing legal aid to individuals throughout British Columbia. At year-end, the province owed the society \$3,115,312 (2017 — \$1,802,490).

Certain members of the board of directors provide tariff services to the society. These services are provided in the regular course of business under the same terms and conditions as other lawyers. The total amount paid for their services during the year was \$40,106 (2017 — \$45,221). All payments to board members are reviewed by the finance committee on a quarterly basis.

14. Economic dependence

In 2018, the society received 95% (2017 — 94%) of its operating revenue from the Province of British Columbia.

15. Contingent liabilities

The nature of the society's activities is such that there is usually pending or prospective litigation at any time against the society. With respect to claims at March 31, 2018, management believes the society has valid defences and appropriate insurance coverage in place. Accordingly, no provision has been made in these financial statements for any liability that may result. In the event that any of these claims are successful, management believes they will not have a material effect on the society's financial position.

16. Risk management

Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The society's accounts receivable are due primarily from government organizations and reputable organizations. The society's cash and investments are held at Canadian chartered banks and Canadian financial institutions, respectively. The society is not exposed to significant credit risk.

At year-end, there were no significant accounts receivable that were past due or impaired.

Liquidity risk

Liquidity risk is the risk that the society will not be able to meet its financial obligations as they fall due. The society's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due. Additionally, the society has a line of credit up to \$1.0 million with a Canadian chartered bank. The interest rate per annum is the bank's prime rate. At March 31, 2018, the society has \$nil drawn against this line (2017 — \$nil).

The maturity of the society's financial assets and liabilities as at year-end was as follows:

2018

| | On demand | Up to 1 year | 1 to 3 years | Total |
|--|---------------------|----------------------|---------------------|----------------------|
| Financial assets | | | | |
| Cash | \$ 1,713,163 | \$ — | \$ — | \$ 1,713,163 |
| Investments | — | 5,390,193 | 4,583,994 | 9,974,187 |
| Accounts receivable | — | 4,277,824 | — | 4,277,824 |
| Total financial assets | \$ 1,713,163 | \$ 9,668,017 | \$ 4,583,994 | \$ 15,965,174 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | — | 8,045,299 | — | 8,045,299 |
| Tariff accrual | — | 9,129,000 | — | 9,129,000 |
| Other liabilities | — | 877,184 | — | 877,184 |
| Total liabilities | — | \$ 18,051,483 | — | \$ 18,051,483 |

2017

| | On demand | Up to 1 year | 1 to 3 years | Total |
|--|-------------------|----------------------|---------------------|----------------------|
| Financial assets | | | | |
| Cash | \$ 394,505 | \$ — | \$ — | \$ 394,505 |
| Investments | — | 7,145,441 | 2,587,290 | 9,732,731 |
| Accounts receivable | — | 4,199,897 | — | 4,199,897 |
| Total financial assets | \$ 394,505 | \$ 11,345,338 | \$ 2,587,290 | \$ 14,327,133 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | — | 3,627,000 | — | 3,627,000 |
| Tariff accrual | — | 10,151,000 | — | 10,151,000 |
| Other liabilities | — | 768,400 | — | 768,400 |
| Total liabilities | — | \$ 14,546,400 | — | \$ 14,546,400 |

Market risk

Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The society is not exposed to significant currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the society's investments will change in fair value due to future fluctuations in market interest rates. The fair value of the investments, and the income they generate, varies as market interest rates vary. All other financial instruments are non-interest bearing. The society mitigates this risk by monitoring interest rates.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The society is not exposed to significant other price risk.

17. Measurement uncertainty

| Program area | | Amount reported | Measurement uncertainty | Range |
|---|-----|------------------------|--------------------------------|---------------|
| Tariff accrual (<i>note 5b</i>) | Min | \$ 9,129,000 | \$ (912,900) | \$ 8,216,100 |
| | Max | \$ 9,129,000 | \$ 912,900 | \$ 10,041,900 |
| Tariff and transcript expenses (<i>note 10</i>) | Min | \$ 59,203,918 | \$ (912,900) | \$ 58,291,018 |
| | Max | \$ 59,203,918 | \$ 912,900 | \$ 60,116,818 |

Variability in the tariff accrual arises from the rate at which cases proceed and changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses could change within a range of +/-10%.

During the year ended March 31, 2016, the society engaged an independent actuarial firm to review the tariff accrual model. The review concluded that, in the aggregate, the tariff model remains appropriate for determining the amount to be accrued. The next review will be in January 2019, with the results reported in the March 31, 2019 financial statements.

Schedule 1

Tangible capital assets

Cost

| | Balance, beginning of year | 2018 Additions | 2018 Disposals | Balance, end of year |
|---------------------------|-------------------------------|-------------------|-------------------|-------------------------|
| Furniture | \$ 1,107,829 | \$ — | — | \$ 1,107,829 |
| Equipment | 611,560 | 34,938 | — | 646,498 |
| Computer equipment | 1,007,840 | 270,918 | — | 1,278,758 |
| Computer software | 2,345,547 | — | — | 2,345,547 |
| Client Information System | 5,037,065 | 774,149 | — | 5,811,214 |
| Leasehold improvements | 2,613,401 | 265,000 | (400,737) | 2,477,664 |
| Total | \$ 12,723,242 | \$ 1,345,005 | \$ (400,737) | \$ 13,667,510 |

Included in leasehold improvements is \$265,000 of additions in 2018 that are not yet being amortized.

Accumulated amortization

| | Balance, beginning of year | 2018 Additions | 2018 Disposals | Balance, end of year |
|---------------------------|-------------------------------|-------------------|-------------------|-------------------------|
| Furniture | \$ (988,968) | \$ (35,210) | — | \$ (1,024,178) |
| Equipment | (525,103) | (18,211) | — | (543,314) |
| Computer equipment | (993,134) | (10,145) | — | (1,003,279) |
| Computer software | (2,148,125) | (62,830) | — | (2,210,955) |
| Client Information System | (851,640) | (503,707) | — | (1,355,347) |
| Leasehold improvements | (2,189,372) | (160,568) | 352,007 | (1,997,933) |
| Total | \$ (7,696,342) | \$ (790,671) | 352,007 | \$ (8,135,006) |

Net book value

| | 2018 | 2017 |
|---------------------------|---------------------|--------------|
| Furniture | \$ 83,651 | \$ 118,861 |
| Equipment | 103,184 | 86,457 |
| Computer equipment | 275,479 | 14,706 |
| Computer software | 134,592 | 197,422 |
| Client Information System | 4,455,867 | 4,185,425 |
| Leasehold improvements | 479,731 | 424,029 |
| Total | \$ 5,532,504 | \$ 5,026,900 |

Appendix A — Additional Information

Organizational Overview:

Mandate: legalaid.bc.ca/about/ourMandate.php

Who We Are, and Our Vision, Mission, and Values: legalaid.bc.ca/about/index.php

Legal Aid Services: legalaid.bc.ca/legal_aid/

Legal Aid Locations: legalaid.bc.ca/legal_aid/legalAidLocations.php

Corporate Governance:

Board Governance: legalaid.bc.ca/about/ourGovernance.php

Senior Management: legalaid.bc.ca/about/ourExecutive.php

Contact Information:

Legal Services Society
400 – 510 Burrard Street
Vancouver, B.C. V6C 3A8
604-601-6000
legalaid.bc.ca

Appendix B — Legal Information and Education Services

| | 2017/18 | 2016/17 | 2015/16 |
|--|-----------|-----------|-----------|
| Aboriginal community legal worker client assists | 1,338 | 1,269 | 958 |
| Legal information outreach worker client assists | 4,607 | 6,000 | 8,501 |
| PLEI publications distributed | 155,431 | 77,428 | 107,978 |
| LSS website users | 188,967 | 206,972 | 206,159 |
| LSS website sessions | 378,346 | 418,770 | 456,720 |
| Family Law in B.C. website users | 790,077 | 741,781 | 604,021 |
| Family Law in B.C. website sessions | 1,219,761 | 1,461,186 | 1,296,214 |
| Aboriginal Legal Aid in B.C. website users | 11,233 | 12,352 | 11,893 |
| Aboriginal Legal Aid in B.C. website sessions | 15,131 | 16,091 | 16,191 |
| MyLawBC website users ¹ | 41,271 | 20,173 | N/A |
| MyLawBC website sessions ¹ | 54,877 | 29,085 | N/A |
| Total intermediaries reached through LSS workshops and conferences | 1,233 | 1,168 | 2,155 |
| Direct one-to-one client assists by community partners | 12,100 | 12,302 | 13,334 |

¹ Site launched in February 2016.