

Notice of Meeting and Agenda Scotland Excel Executive Sub-committee

Date	Time	Venue
Friday, 20 September 2019	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

KENNETH GRAHAM
Clerk

Members

Provost Bill Howatson (Aberdeenshire Council); Councillor Angus Macmillan Douglas (Angus Council); Councillor Graham Hutchison (City of Edinburgh Council); Provost Norman A Macdonald (Comhairle Nan Eilean Siar); Councillor Stephen Thompson (Dumfries and Galloway Council); Councillor Altany Craik (Fife Council); Bailie Norman MacLeod (Glasgow City Council); Councillor Alister Mackinnon (Highland Council); Councillor Donald L Reid (North Ayrshire Council); Councillor Paul Di Mascio (North Lanarkshire Council); Councillor John Shaw (Renfrewshire Council); Councillor Amanda Hawick (Shetland Islands Council) and Councillor Collette Stevenson (South Lanarkshire Council)

Councillor John Shaw (Convener): Councillor Paul Di Mascio (Vice Convener)

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Video Conferencing

Should any member wish to participate using video conferencing please contact Karen Forrest on 0141 618 7444.

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

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|----------|---|---------------|
| 1 | Minute | 1 - 8 |
| | Minute of meeting of the Executive Sub-committee held on 23 August 2019. | |
| 2 | Annual Audit Report on the Annual Accounts 2018/19 | 9 - 82 |
| | Report by the Treasurer. | |
| 3 | Date of Next Meeting | |
| | Note that the next meeting of the Executive Sub-committee will be held at 10.45 am on 25 October 2019 in Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley. | |



Minute of Meeting Scotland Excel Executive Sub-committee

Date	Time	Venue
Friday 23 August 2019	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

Present

Councillor Altany Craik (Fife Council); Bailie Norman MacLeod (Glasgow City Council); Councillor Alister Mackinnon (Highland Council); Councillor John Shaw (Renfrewshire Council) and Councillor Collette Stevenson (South Lanarkshire Council).

By Video Conference

Provost Norman Macdonald (Comhairle Nan Eilean Siar) and Councillor Stephen Thompson (Dumfries and Galloway Council).

Chair

Councillor Shaw, Convener, presided.

In Attendance

J Welsh, Director, H Carr, Head of Strategic Procurement, S Brannagan, Head of Customer & Business Services, E Kidd and S Brydson, Senior Procurement Specialists and K Copland, Procurement Coordinator (all Scotland Excel); M Conaghan, Legal & Democratic Services Manager, C McCourt, Finance Business Partner and E Currie, Senior Committee Services Officer (all Renfrewshire Council).

Apologies

Provost Bill Howatson (Aberdeenshire Council); Councillor Angus Macmillan Douglas (Angus Council); Councillor Graham Hutchison (City of Edinburgh Council); Councillor Paul Di Mascio (North Lanarkshire Council); and Councillor Amanda Hawick (Shetland Islands Council).

Declarations of Interest

There were no declarations of interest intimated prior to commencement of the meeting.

1. Minute

There was submitted the Minute of the meeting of the Executive Sub-committee held on 2 August 2019.

It was proposed that item 2 – Contract for Approval: New Build Residential Construction – be amended by the addition of the words ‘of the Executive Sub-committee’ following the word ‘members’ in the last paragraph and decision (b) of the Minute. This was agreed.

DECIDED: That the Minute, as amended, be approved.

2. Revenue Budget Monitoring

There was submitted a joint revenue budget monitoring report by the Treasurer and the Director of Scotland Excel for the period 1 April to 19 July 2019.

The report intimated that at the end of period 4, Scotland Excel was projecting a break-even position in its Core activities and Projects were anticipated to contribute £173,000 to Core, as per the approved budget.

The 2019/20 budget had included a temporary drawdown from Project reserve balances carried forward of £120,000 to fund Supported Living/Care at Home activity. The Scottish Government had provided grant funding of £150,000 for this activity and this reserve funding was no longer required in 2019/20.

To better align to the reporting structure, budget adjustments between budget headings had been processed. In addition, a £14,000 reserve drawdown was now budgeted to cover the further 0.5% pay inflation awarded in 2028/19, as approved but not quantified in the 2019/20 budget report.

At 19 July 2019, the year-to-date net expenditure for Core was £694,000, which comprised gross expenditure of £927,000, less gross income of £233,000. The projection for the end of 2019/20 was a break-even position for Core.

The Projects year-to-date net expenditure was £59,000, which comprised gross expenditure of £341,000, less gross income of £282,000. Projects were expected to contribute £173,000 funding to Core Operations during 2019/20, as per the approved budget.

The table appended to the report provided an analysis of the actual spend to date along with projected net expenditure for 2019/20 and included a summary of movement in the Revenue Reserve, as well as a glossary of terms.

It was proposed that ‘other income’ be detailed in the glossary of terms in future revenue budget monitoring reports and this was agreed.

DECIDED:

(a) That the report be noted; and

(b) That ‘other income’ be detailed in the glossary of terms in future revenue budget monitoring reports.

Declaration of Interest

Councillor Stevenson declared a financial interest in the following item of business and that she would take no part in the discussion and decision on this item, she remained in the meeting.

3. Social Care Flexible Frameworks Governance

There was submitted a report by the Director of Scotland Excel relative to the children's residential care and education services including short breaks flexible framework agreement and the social care agency workers flexible framework agreement.

The report intimated that the regulations relating to the procurement of social care services allowed for a more flexible approach of these services, in comparison to other goods or services, known as the 'light-touch' regime. This allowed Scotland Excel more scope to choose the procurement methodology most suited to the market whilst fundamentally adhering to the EU Treaty principles of non-discrimination, equal treatment, transparency and proportionality.

Scotland Excel had utilised the flexibility of the light-touch regime and developed the children's residential care and education services including short breaks flexible framework agreement which commenced on 1 May 2018 and the social care agency workers flexible framework agreement which commenced on 1 August 2018. These were similar to a Dynamic Purchasing System (DPS) but were not subject to the same restrictions. The operation of each flexible framework agreement could be varied to suit the specific market requirements and ultimately the needs of those utilising the services.

In order to ensure equal treatment of providers applying to join any flexible framework agreement and to confirm that any new provider met the required framework standards, Scotland Excel would replicate the initial procurement procedures at the point of application for new providers to ensure they were subject to the same minimum requirements and assessment as those who had participated from the commencement dates.

Following evaluation of offers received, a report detailing the recommendation to award would be submitted to the Director of Scotland Excel, or Head of Strategic Procurement in the Director's absence, for approval. In line with the agreed governance for DPS arrangements, the Executive Sub-committee would be updated on the addition of providers to flexible framework agreements on an annual basis in the annual procurement report.

DECIDED:

(a) That authority be delegated to the Director of Scotland Excel, or Head of Strategic Procurement, in the Director's absence, or their delegates, to approve award recommendations for any new entrants for both the children's residential care and education services including short breaks and social care agency workers flexible framework agreements; and

(b) That the Executive Sub-committee be updated on the addition of providers to both flexible framework agreements on an annual basis in the annual procurement report.

4(a) Contract for Approval: Care Homes for Adults with Learning Difficulties Including Autism

There was submitted a report by the Director of Scotland Excel relative to the award of a renewal framework agreement for care homes for adults with learning disabilities including autism which would operate from 16 September 2019 to 15 September 2023.

The report intimated that the framework had been based on the existing model whilst encompassing changes to policy, guidance and legislation and the refresh of the Keys to Life strategy. The framework sought to ensure that there continued to be sufficient choice of quality and value for money provision with the capability and capacity to deliver suitable services, as required, and sought to encourage innovative approaches to promoting choice and control, increasing life choices and improving lifestyles for adults with learning disabilities. A key element included supporting people to maintain or develop links with their preferred communities and Scotland Excel had responded to this by developing this renewal as a flexible framework agreement.

New providers and or services would be added to the framework at up to three points during the framework period and incumbent providers could have new services admitted to the framework at these points.

The framework had been advertised with an estimated value of £106 million over the four-year term and breakdown of the forecast formed Appendix 1 to the report. North Lanarkshire Council had intimated that it would not participate in this framework in line with the council's policy of not purchasing adult residential care. The framework would be open to the remaining 31 local authorities, NHS organisations and integrated bodies.

The report summarised the outcome of the procurement process for this framework. Tender responses had been received from 26 providers and 70 services. One provider could not commit to implementing the insurance requirements and withdrew their two services; another provider submitted a bid for a care home which did not meet the Care Inspectorate registration requirements and withdrew; and a further provider, who had 10 services, withdrew in the latter stages of evaluation.

Based on the criteria and scoring methodology set out in the tender documents, a full evaluation of the remaining compliant offers had been carried out and Appendix 1 to the report detailed the scoring achieved by each bidder.

The terms of the framework required that providers hold at least a grade 4 for the Care and Support criteria of a Care Inspectorate inspection. Care homes with lower grades were recommended for a deferred award which would be valid for 12 months, whereby the provider must evidence sufficient improvement and inspection grades which did meet the requirement.

Based on the evaluation undertaken, and in line with the criteria and weightings set out in the report, it was recommended that a multi-supplier framework agreement be awarded, both immediate and deferred, to 24 providers and 57 care homes as outlined in Appendix 1 to the report.

Appendix 2 to the report detailed the forecast spend; Appendix 3 to the report detailed the Scottish Living Wage status for suppliers at the point of tender; and Appendix 4 to the report detailed the SME status of providers.

It was noted that all awards to Cygnet Health Care Limited would be deferred awards and that Appendix 1 to the report would be amended to reflect this.

DECIDED:

(a) That the award of the framework agreement, as detailed in Appendix 1 to the report, as amended, be approved;

(b) That authority be delegated to the Director of Scotland Excel, or Head of Strategic Procurement, in the Director's absence, or their delegates, to approve award recommendations for any new entrants to the framework;

(c) That the Executive Sub-committee be updated on the addition of providers to the framework on an annual basis in the annual procurement report; and

(d) That it be noted that all awards to Cygnet Health Care Limited would be deferred awards and that Appendix 1 to the report would be amended to reflect this.

4(b) Contract for Approval: Supply and Delivery of Community Meals

There was submitted a report by the Director of Scotland Excel relative to the award of a renewal framework agreement for the supply and delivery of community meals which would operate from 1 September 2019 until 31 August 2022, with the option to extend for up to 12 months until 31 August 2023.

The report summarised the outcome of the procurement process for this framework and intimated that the framework would provide a wide variety of nutritionally balanced, good quality, affordable meals which would be delivered to people in their own homes, community venues and council premises.

The framework had been divided into three lots as detailed in table 1 of the report and had been advertised with a forecast spend of approximately £4 million per annum across the three lots. It was noted that 16 councils had confirmed their intention to participate in the framework, however, all member councils had been listed in the contract notice as potential participants to enable them to access the framework in the future.

Tender responses had been received from two suppliers and a summary of the offers received was detailed in Appendix 2 to the report. The community meals marketplace was limited at present and the volume of bids received demonstrated this. Scotland Excel would continue to engage with SMEs to provide support and development to expand the marketplace and number of bidders who could provide these services in future.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of complaint offers had been carried out and Appendix 3 to the report detailed the scoring achieved by each bidder.

Based on the evaluation undertaken, and in line with the criteria and weightings set out in the report, it was recommended that a multi-supplier framework arrangement be awarded to two suppliers as outlined in Appendix 3 to the report.

Appendix 4 to the report detailed the Scottish Living Wage status of bidders.

DECIDED: That the award of the framework agreement for supply and delivery of community meals, as detailed in Appendix 3 to the report, be approved.

4(c) Contract for Approval: Supply and Distribution of Fresh Bread, Rolls and Bakery Products

There was submitted a report by the Director of Scotland Excel relative to the award of a new framework agreement for the supply and distribution of fresh bread, rolls and bakery products which would operate from 1 October 2019 until 30 September 2022, with the option to extend for up to an additional 12-month period until 30 September 2023.

The report summarised the outcome of the procurement process for this national framework agreement and intimated that the framework would provide a mechanism for local authorities to procure a range of fresh bread, rolls and bakery products.

Tender responses had been received from eight suppliers. One supplier failed to upload their pricing schedule by the closing date and time and had therefore been deemed non-compliant and one supplier was deemed to be non-compliant in the second stage commercial assessment. A summary of the six compliant offers received together with their SME status was detailed in Appendix 1 to the report.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of compliant offers had been carried out and Appendix 2 to the report detailed the scoring achieved by each bidder.

Based on the evaluation undertaken, and in line with the criteria and weightings set out in the report, it was recommended that a multi-supplier framework arrangement be awarded to six suppliers as outlined in Appendix 2 to the report.

Appendix 3 to the report detailed the Scottish Living Wage status of bidders.

DECIDED: That the award of the framework agreement for supply and distribution of fresh bread, rolls and bakery products, as detailed in Appendix 2 to the report, be approved.

5(a) Request for Associate Membership by Cornerstone Community Care

There was submitted a report by the Director of Scotland Excel advising that Cornerstone Community Care had submitted an application to become an associate member of Scotland Excel.

The report provided details of the organisation and the legislative position in relation to the application.

It was proposed that the legal persona of organisations be confirmed in future reports relating to requests for associate membership. This was agreed.

DECIDED:

(a) That the application by Cornerstone Community Care to become an associate member of Scotland Excel, at an annual membership fee of £500, be approved subject to completion and signing of the agreement documentation; and

(b) That the legal persona of organisations be confirmed in future reports relating to requests for associate membership.

5(b) Request for Associate Membership by Scottish Courts and Tribunal Service

There was submitted a report by the Director of Scotland Excel advising that the Scottish Courts and Tribunal Service had submitted an application to become an associate member of Scotland Excel.

The report provided details of the organisation and the legislative position in relation to the application.

DECIDED: That the application by the Scottish Courts and Tribunal Service to become an associate member of Scotland Excel, at no annual membership fee, be approved subject to completion and signing of the agreement documentation.

5(c) Request for Associate Membership by Scottish Police Authority

There was submitted a report by the Director of Scotland Excel advising that the Scottish Police Authority had submitted an application to become an associate member of Scotland Excel.

The report provided details of the organisation and the legislative position in relation to the application.

It was noted that the Scottish Policy Authority was in the process of reviewing its Scottish Living Wage status. It was proposed that this matter be revisited in six-months time and that an update report be submitted to a future meeting of the Executive Sub-committee. This was agreed.

DECIDED:

(a) That the application by the Scottish Police Authority to become an associate member of Scotland Excel, at an annual membership fee of £5,000, be approved subject to completion and signing of the agreement documentation; and

(b) That the matter of the Scottish Policy Authority reviewing its Scottish Living Wage status be revisited in six months time and that a report be submitted to a future meeting of the Executive Sub-committee.

5(d) Request for Associate Membership by Shettleston Housing Association Limited

There was submitted a report by the Director of Scotland Excel advising that Shettleston Housing Association Limited had submitted an application to become an associate member of Scotland Excel.

The report provided details of the organisation and the legislative position in relation to the application.

DECIDED: That the application by Shettleston Housing Association to become an associate member of Scotland Excel, at an annual membership fee of £3,471, be approved subject to completion and signing of the agreement documentation.

6. Date of Next Meeting

DECIDED: That it be noted that the next meeting of the Executive Sub-committee would be held at 10.45 am on 20 September 2019 in Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley.

Scotland Excel

To: Executive Sub-Committee

On: 20 September 2019

**Report
By:**

The Treasurer

Heading:

Annual Audit Report on the Annual Accounts 2018/19

1. Summary

- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 (the Regulations) require Scotland Excel to prepare and publish annual accounts that are subject to external audit.
- 1.2. Section 10 of the Regulations requires the committee to consider any report made by the appointed auditor before deciding whether to sign the audited accounts.
- 1.3. The findings of the appointed auditor, Audit Scotland, are included in the Annual Audit Report at Appendix 1, which also confirms their opinion that the annual accounts are free from material misstatement and present a true and fair view of Scotland Excel's financial position at 31 March 2019.
- 1.4. The Unaudited Annual Accounts for the year 2018/19 were reported to the Joint Committee on 21 June 2019. Owing to a revision in pension estimates, there is an increase in net liabilities in the Balance Sheet of £0.227m in the Audited Annual Accounts, attached for reference at Appendix 2. Further information is outlined at paragraph 3.5 below.
- 1.5. There has also been a prior year restatement of capital expenditure and intangible assets. Neither the net deficit nor the Usable Reserve is affected by this change. Further detail can be found in Note 2 of the annual accounts.

2. Background

- 2.1 The Unaudited Annual Accounts for 2018/19 were submitted to Audit Scotland by the statutory deadline of 30 June 2019. The external auditor is required to complete the audit by 30 September 2019 and provide an opinion about whether the financial statements as a whole are free from material misstatement.
- 2.2 The Annual Audit Report (Appendix 1) highlights significant risk areas identified by the auditor during planning, as follows:

- Risk of management override of controls;
- Risk of fraud over income;
- Risk of fraud over expenditure;
- IFRS15 and accounting for income;
- Estimates and judgements;
- New accounting system; and
- Financial sustainability.

2.3 Pages 16 to 18 of the report at Appendix 1 presents how, in each of these areas, the result of audit testing was satisfactory.

2.4 As well as reviewing the annual accounts, the scope of the audit includes financial sustainability. Audit Scotland concluded that:

“Scotland Excel continues to operate in a challenging financial climate. However, action has been taken by management to manage financial pressures.”

2.5 Information relating to the pension liability has been revised in the Audited Annual Accounts, owing to two developments that affect potential costs. The first relates to a Court of Appeal ruling (McCloud/Sargeant) that transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age were unlawful on the grounds of age discrimination. For Scotland Excel, the impact of this is an additional £0.227m of pension liability, which has been reflected in the Management Commentary, financial statements and notes.

The second change relates to potential amendments to the rules governing the indexation of Guaranteed Minimum Pension. For Scotland Excel, the impact of this is an estimated £0.095m; however this has not been reflected in the financial statements because the liability has not yet crystallised. Instead, a Contingent Liability is reported on page 34 of the accounts (Appendix 2).

2.6 Audit Scotland will be present at the meeting of the Executive Sub-Committee to speak to the appended Annual Audit Report 2018/19.

3. **Recommendations**

The Committee is asked to:

3.1 Note the findings of the 2018/19 audit as contained in the external auditor's Annual Audit Report at Appendix 1;

3.2. Approve the Scotland Excel 2018/19 Audited Annual Accounts (Appendix 2) for signature.

Scotland Excel

2018/19 Annual Audit Report – Proposed



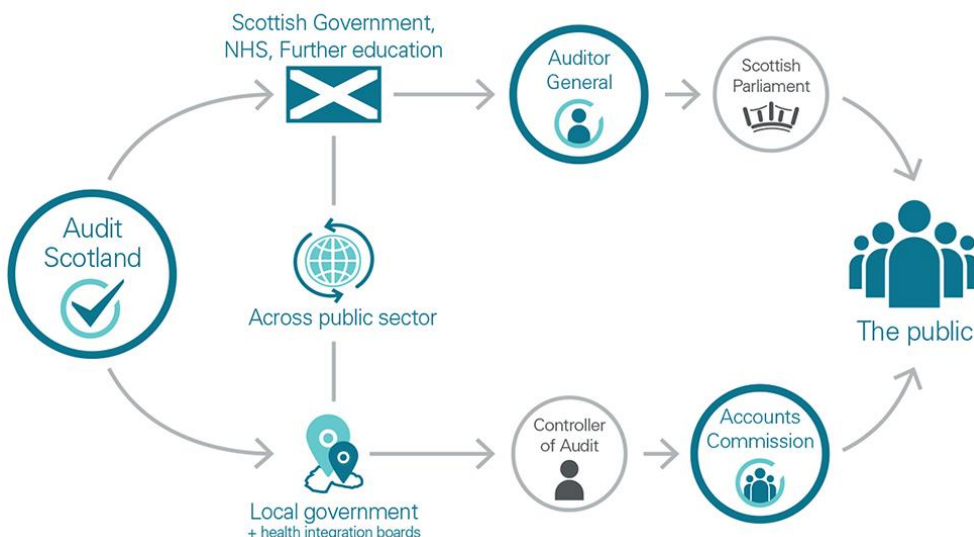
 **AUDIT SCOTLAND**

Prepared for Scotland Excel Executive Sub-Committee and the Controller of Audit
September 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2018/19 annual accounts

- 1 Scotland Excel's financial statements give a true and fair view and were properly prepared.
- 2 An adjustment to pension disclosures and balances was required as a result of a legal judgment. This resulted in an increase of £0.227 million to the pension fund liability reported in the Balance Sheet.
- 3 The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability and Annual Governance Statement

- 4 Scotland Excel achieved a surplus of £0.318 million in 2018/19. This comprises a deficit of £0.098 million for core services and a surplus of £0.416 million for projects.
- 5 The 2019/20 budget projected total budgeted income and expenditure of £4.002 million, resulting in a breakeven position. Budgeted income included £0.120 million planned use of reserves and net project income of £0.173 million. To aid achieving this breakeven position, an increase of two per cent in requisition income was agreed.
- 6 Future planning indicates a budget gap in 2020/21 of £90,000 and a breakeven position in 2021/22. This position is based on a three per cent increase in requisition income in both years. The budget gap experienced in 2020/21 is expected to be managed through savings.
- 7 We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Introduction

1. This report summarises the findings from our 2018/19 audit of Scotland Excel.

2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 22 March 2019 meeting of the Joint Committee. This report comprises the findings from:

- an audit of Scotland Excel annual accounts
- consideration of the financial sustainability and Annual Governance Statement.

Adding value through the audit

3. We add value to Scotland Excel through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.

4. In so doing, we aim to help Scotland Excel promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The Joint Committee has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Joint Committee is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual accounts and conclude on securing financial sustainability and appropriateness of the Annual Governance Statement disclosures. In doing this, we aim to support improvement and accountability.

8. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As

highlighted in our 2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

9. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £5,880 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the Executive Sub-Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

12. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

Scotland Excel's financial statements give a true and fair view and were properly prepared.

An adjustment to pensions disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £0.227 million to the pension fund liability reported in the Balance Sheet.

The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Audit opinions on the annual accounts

13. The annual accounts for the year ended 31 March 2019 were approved by the Executive Sub-Committee on 20 September 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

14. We received the unaudited annual accounts on 21 June 2019 in line with our agreed audit timetable.

15. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

16. The Local Authority Accounts (Scotland) Regulations 2014 required Scotland Excel to give public notice for inspection and objection of the 2018/19 unaudited annual accounts by 17 June 2019. The public notice was published on the Scotland Excel website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met.

Risks of material misstatement

17. [Appendix 1](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material, we consider both the amount and nature of the misstatement.

20. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations as detailed in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£56,900
Performance materiality	£33,600
Reporting threshold	£1,000

Source: Audit Scotland

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 2](#).

23. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Capital accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how capital expenditure is reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that capital expenditure would be reflected in the financial statements to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in new accounting policies for property, plant, and equipment (PPE) and intangible assets. To comply with <i>International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors</i>, retrospective restatements and a third Balance Sheet were required. A number of new transactions, balances, and statutory adjustments have been reflected in the financial statements.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p>2. Reserves accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how reserves are reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that the accounting treatment for reserves would be updated to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in a revenue reserve balance being recognised in the financial statements at the year end. Prior year comparatives were also restated to reflect the updated accounting treatment. The revenue reserve balance reflects accumulated surpluses that have been generated in previous years which are available to Scotland Excel.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p>3. Pension fund liability legal judgement</p> <p>Legal cases were brought against the UK government regarding the transition arrangements made in each of the pension schemes for judges and firefighters. These arrangements came into effect as part of the move from a Final Salary Pension Scheme to a Career Average Pension Scheme in 2015 and included certain protections for active members of the schemes.</p> <p>The claimants successfully argued, in the resultant Employment Tribunal hearing, that some elements of the protection measures were unlawful on the grounds of age discrimination. The Employment Tribunal's ruling on this matter was upheld by the Supreme Court in June 2019.</p> <p>As this would have an impact on the transition arrangements of all government backed pension schemes, the council instructed, on behalf of Scotland Excel, the actuary to the Strathclyde Pension Fund to quantify the impact on the Scotland Excel's pension fund liability. The actuary estimated that the impact from this case is to increase the Scotland Excel's pension fund liability by £0.227 million.</p>	<p>The financial statements were updated to reflect the impact of the legal judgement on the pension fund liability.</p>

Finding	Resolution
<p>The impact of this adjustment resulted in a £0.227 million increase to the pension fund liability reported in the Balance Sheet from £3.394 million to £3.621 million, with a matching increase in the unusable pension reserve. This also resulted in a £0.223 million increase in the pension cost charge incorporated within the Comprehensive Income and Expenditure Statement in the accounts. As these adjustments are fully mitigated by a statutory adjustment, they have no impact on the £0.098 million deficit reported in the general fund reserve balance in the unaudited accounts.</p>	
<p>4. Cashflow Statement</p> <p>As part of audit work during the year, we had discussions with management on the presentation of the financial statements and the requirement for a Cashflow Statement. Scotland Excel does not have a bank account and all income and expenditure transactions are processed through Renfrewshire Council's, as the administering authority, bank account. The only cash held by Scotland Excel is petty cash which amounted to £150 at the year end.</p> <p>As a result, it was agreed that the Cashflow Statement could be removed as the cash held by Scotland Excel was not significant and the Cashflow Statement should only reflect cash transactions processed by Scotland Excel, of which there were none. The Cashflow Statement was removed in the unaudited annual accounts considered by the Joint Committee in June 2019.</p>	<p>The financial statements were updated to remove the Cashflow Statement.</p>
<p>5. Capital expenditure</p> <p>As part of our work on PPE and intangible assets, we identified capital expenditure transactions had been correctly capitalised on the Balance Sheet. However, the transactions had also been processed incorrectly through the Comprehensive Income and Expenditure Statement as revenue expenditure. This resulted in income and expenditure being overstated by £94,074 in 2018/19.</p>	<p>The overstatement of income and expenditure in 2018/19 was corrected within the Comprehensive Income and Expenditure Statement.</p> <p>As income and expenditure were overstated by the same amount, this did not impact on the deficit on the provision of services.</p>
Source: Audit Scotland	

How we evaluate misstatements

24. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There were two material adjustments to the unaudited financial statements which are outlined in [Exhibit 2](#).

Other Findings

25. From the audit work we performed, we noted three additional errors resulting in expenditure being understated by £11,406. This comprises £2,242 of lease costs and a £2,631 service charge for core services and £6,533 of expenditure relating to recruitment for projects that had not been recognised in the unaudited annual accounts. These errors were corrected by management.

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress. Three agreed actions were raised in 2017/18 and all have been fully actioned.

Recommendation 1 – Capital Expenditure and Reserves

27. As detailed in [Exhibit 2](#) above, during the 2017/18 audit, we noted that Scotland Excel had incurred capital expenditure, but this has been accounted for as revenue expenditure. The financial statements disclosed that Scotland Excel did not have the power to hold assets therefore any capital expenditure was treated as revenue expenditure.

28. A similar disclosure issue was identified in respect of Scotland Excel's reserves. The financial statements outlined that the Joint Committee had no specific powers to hold reserves therefore reserves were transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of Scotland Excel or when the Joint Committee decides to reimburse the reserves to member councils.

29. The Code of Practice on Local Authority Accounting in the United Kingdom states that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

30. We recommended that management should review how capital expenditure and reserves were disclosed within the financial statements.

31. For the 2018/19 financial statements management have revised their accounting treatment and now recognise assets and reserves within the financial statements. As a result, the Balance Sheet has been restated to reflect the impact of this change in accounting treatment.

Recommendation 2 – Management Commentary

32. As part of the 2017/18 audit, we reported that the Management Commentary had been prepared in accordance with statutory guidance. However, there was scope to improve how performance was reported and we recommended that management review the content of the Management Commentary and the use of performance data.

33. The Management Commentary in the 2018/19 annual accounts has undergone a significant update. It now provides a clear and user-friendly summary of Scotland Excel's performance over the year. Management have also incorporated a number of charts and exhibits to improve the transparency of the details reported.

Recommendation 3 – Budget monitoring reports

34. Income generated from projects has grown considerably in recent years and is expected to form a greater proportion of Scotland Excel's funding in future years. As a result, it was recommended in our 2017/18 Annual Audit Report that management update the content of budget monitoring reports to include details on projects.

35. The content of budget monitoring reports was updated from January 2019 and these now include details on income and expenditure associated with projects. Management will review the level of detail reported on projects and discuss with members if any changes are required in future due to the developing nature and significance of projects.

Part 2

Financial sustainability and Annual Governance Statement



Main judgements

Scotland Excel achieved a surplus of £0.318 million in 2018/19. This comprises a deficit of £0.098 million for core services and a surplus of £0.416 million for projects.

The 2019/20 budget projected total budgeted income and expenditure of £4.002 million, resulting in a breakeven position. Budgeted income included £0.120 million planned use of reserves and net project income of £0.173 million. To aid achieving this breakeven position, an increase of two per cent in requisition income was agreed.

Future planning indicates a budget gap in 2020/21 of £90,000 and a breakeven position in 2021/22. This position is based on a three per cent increase in requisition income in both years. The budget gap experienced in 2020/21 is expected to be managed through savings.

We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial performance in 2018/19

36. The Joint Committee approved the 2018/19 budget in December 2017. Total budgeted income and expenditure was £3.644 million, resulting in a breakeven position. Budgeted income included an underspend of £70,000 carried forward from 2017/18. Budgeted project income and expenditure was £0.960 million, resulting in a breakeven position for projects.

37. Actual outturn in 2018/19 was total expenditure of £5.102 million and total income of £5.420 million. This resulted in a surplus of £0.318 million for the year compared to a budgeted breakeven position. While an overall surplus was achieved, this was driven by projects and there was a deficit on core services ([Exhibit 3](#)).

Exhibit 3

2018/19 Outturn

	Core (£ millions)	Projects (£ millions)	Total (£ millions)
Income	3.555	1.865	5.420
Expenditure	3.653	1.449	5.102
Net (Income) / Expenditure	0.098	(0.416)	(0.318)

Source: Scotland Excel 2018/19 annual accounts

Short term financial planning

38. The largest source of income for Scotland Excel is requisitions from members of the Joint Committee. However, the level of income from other sources has increased in recent years and makes up approximately 37 per cent of total income in 2018/19. The other sources of income include rebates, associate memberships, projects, and the Academy.

39. The Joint Committee approved the 2019/20 budget in December 2018. Total budgeted income and expenditure was £4.002 million, resulting in a breakeven position. However, budgeted income included £0.120 million planned use of reserves and net project income of £0.173 million (i.e. the budgeted surplus from projects). A two per cent increase in requisition income was agreed by the Joint Committee which resulted in requisitions increasing from £3.484 million in 2018/19 to £3.554 million in 2019/20.

Medium to long term financial planning

40. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to the financial sustainability of Scotland Excel over the medium and long term.

41. As part of the budget setting process, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

42. Forecasts up to 2021/22 were included within the 2019/20 budget. The forecasts estimate a budget gap in 2020/21 of £90,000, that is to be managed through savings, followed by a breakeven position in 2021/22. This position is based on a three per cent increase in requisition income for both 2020/21 and 2021/22.

43. Scotland Excel carried out a review of its funding model in June 2018. The review highlighted the challenging financial landscape within local government and the work Scotland Excel would be doing to manage its financial position and support member councils. An update on the funding model was reported at the June 2019 Joint Committee meeting and the key developments are outlined below.

- **Consultancy:** a number of projects are underway with various types of organisations including East Renfrewshire Council, Fife Council, Tayside Procurement, Cycling Scotland, and City Property (Glasgow) LLP. A surplus target of £70,000 was approved by the Joint Committee and Scotland Excel is on target to achieve this, with opportunity to exceed the target.

- **Learning and development – the Academy:** programmes have been delivered and are progressing over a range of topics including project management and procurement. A marketing campaign was launched to help build the Academy's profile and create demand and awareness of programmes available. The Academy has also been approved to deliver a Business Analysis, Decision Making and Innovation programme which is accredited by the Scottish Qualifications Authority. A surplus target of £53,000 was approved by the Joint Committee and Scotland Excel is on target to achieve this target.
- **Rebates:** the Joint Committee approved the use of volume rebates within appropriate contracts. Consideration of the appropriateness of using rebates is now standard practice within the internal contract governance process. Rebates are forecast to achieve a surplus in 2020/21.

44. From the work carried out, we have concluded that Scotland Excel has appropriate financial planning arrangements in place. Cost and income generation pressures are expected to continue in the medium term. However, the financial planning arrangements in place allow management to plan for these pressures and ensure necessary actions are taken when required.

Annual Governance Statement

45. Our review of the Annual Governance Statement assessed the assurances which are provided to the Director regarding the adequacy and effectiveness of the Joint Committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding that 'a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control system'.

46. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

EU Withdrawal

47. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

48. Management have been carrying out work to assess the potential impact of EU withdrawal on operations. This includes research, active engagement, partnership working, and briefings to ensure management and Scotland Excel are aware of the potential impact and can respond to developments. This has also been reflected within Scotland Excel's Risk Register.

49. In addition, Renfrewshire Council is the lead authority for Scotland Excel. As a result, Scotland Excel is expected to follow and reflect the work done by the council in preparation for EU withdrawal where required.

50. We have concluded that Scotland Excel has appropriate arrangements in place in preparing for EU withdrawal.

Appendix 1

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	No unusual or inappropriate transactions were identified as part of our detailed journal testing. A review of accounting estimates did not show any evidence of bias. Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the balance sheet. Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls. Conclusion: no evidence of management override of controls.
2 Risk of fraud over income Scotland Excel receives a significant amount of income from several sources including, income generated from sales, fees and charges. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Analytical procedures on income streams. Detailed testing of income transactions focusing on the areas of greatest risk.	Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances. Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year. Conclusion: no evidence of fraud over income.
3 Risk of fraud over expenditure Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.	Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk.	Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances. Detailed testing of expenditure transactions confirmed these were normal business

Audit risk	Assurance procedure	Results and conclusions
<p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to Scotland Excel due to the variety and extent of expenditure incurred in delivering services.</p>		<p>transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>
<p>4 IFRS 15 and accounting for income</p> <p>IFRS 15 Revenue from contracts with customers comes in to effect in 2018/19 and requires entities to use a five-step approach to recognising income.</p> <p>In June 2018 the Joint Committee approved changes to Scotland Excel's funding model. The changes approved will result in greater reliance on generated income as a source of funding and less reliance on requisition income. Income is expected to be generated from a number of sources and some projects span a number of years.</p> <p>The expected increases in income generated, the sources and timing of income generated, and the requirements of IFRS 15 represent an increased risk of material misstatement in the financial statements.</p>	<p>Review of income sources and detailed testing of income transactions against the recognition requirements of IFRS 15.</p> <p>Review of reserves and deferred income balances at the year-end.</p>	<p>Detailed testing of income transactions from all sources confirmed these had been correctly recognised in accordance with IFRS 15.</p> <p>A review of reserves and deferred income balances at the year-end confirmed these had been appropriately classified in the Balance Sheet.</p> <p>Conclusion: income has been recognised in accordance with IFRS 15 and reserves and deferred income balances have been appropriately classified.</p>
<p>5 Estimates and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account area of pensions.</p> <p>Scotland Excel's net liability relating to the Strathclyde Pension Fund at 31 March 2018 was £1.441 million. This value is an estimate based on a number of assumptions from the pension fund actuary.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<p>Review of the pension actuary and the assumptions made in calculating the estimated pension liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>6 New accounting system</p> <p>Renfrewshire Council implemented an enterprise resource planning system (Business World), in October 2018 which combines finance, HR, payroll and procurement into a single integrated application.</p> <p>The implementation of Business World during the 2018/19 financial year means that the annual accounts will be prepared using information recorded both before and after the change in system, under two different control environments.</p> <p>This introduces additional risks:</p> <ul style="list-style-type: none"> - The new control environment may be less robust - Data may not be correctly transferred to the new system - Differences in the new system may make accounts preparation more challenging <p>The overall impact of the move to Business World is an increased risk of material misstatement in the annual accounts. This affects Scotland Excel as Renfrewshire Council is the host authority and Scotland Excel uses its accounting system.</p>	<p>Gaining an understanding of Business World by reviewing process maps and through discussions with key officers.</p> <p>Detailed testing of significant transactions processed during the change period and rolled forward balances.</p> <p>Review of account/cost code mapping from legacy system to Business World.</p> <p>The work outlined above will be completed as part of the Renfrewshire Council audit and the Scotland Excel audit team will take assurances from that work.</p>	<p>As part of work on the Renfrewshire Council audit, a review of the process maps and the operation of the key systems was carried out. This was reported in the 2018/19 Management Report for Renfrewshire Council.</p> <p>Detailed testing of transactions processed during the change period and rolled forward balances did not identify any issues.</p> <p>A review of account code/cost code mapping from the legacy system to Business World did not identify any issues.</p> <p>Conclusion: audit work carried out did not identify any issues in the roll forward of balances and mapping of account codes/cost centres to the new system.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>7 Financial sustainability</p> <p>The 2018/19 Revenue Estimates and finance reports to members throughout the year highlight uncertainties in future funding and increasing pressures on available resources. It is likely future savings will need to be made to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>	<p>A review of budget monitoring reports and the financial statements highlight a surplus was achieved in year compared to a budgeted breakeven position. This increases reserves and provides management flexibility to deal with adverse and unforeseen events in the medium term.</p> <p>Financial planning has highlighted the need to achieve savings and use reserves to achieve a breakeven position in future years. There are also risks associated with the funding model review. These issues could lead</p>
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Audit risk	Assurance procedure	Results and conclusions
		<p>pressures on the provision of services in future years. However, appropriate financial planning arrangements are in place and these will allow management to plan and take action against pressures and risks.</p> <p>Conclusion: Scotland Excel continues to operate in a challenging financial climate. However, action has been taken by management to manage financial pressures.</p>

Appendix 2

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Scotland Excel

2018/19 Annual Audit Report – Proposed

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Scotland Excel Executive Sub-Committee

20 September 2019

Scotland Excel Audit of 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 24 September 2019 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Executive Sub-Committee's consideration our draft Annual Audit Report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. As outlined within our Annual Audit Plan, due to the nature and size of Scotland Excel, we have assessed the extent of wider dimensions work and concluded that a reduced scope, as outlined in paragraph 53 of the Code of Audit Practice, can be applied.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Scotland Excel Executive Sub-Committee, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material

non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Treasurer, as the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Scotland Excel Executive Sub-Committee and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of Scotland Excel as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Treasurer and Scotland Excel Executive Sub-Committee for the financial statements

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

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

The Executive Sub-Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mark Ferris
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2019

APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris, Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Mark

Scotland Excel Annual Accounts 2018/19

1. This representation letter is provided about your audit of the annual accounts of Scotland Excel for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Remuneration Report, Management Commentary and Annual Governance Statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Director and Executive Sub-Committee, the following representations given to you in connection with your audit of Scotland Excel's annual accounts for the year ended 31 March 2019.

General

3. Scotland Excel and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scotland Excel have been recorded in the accounting records and are properly reflected in the financial statements.

Financial Reporting Framework

4. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
5. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Scotland Excel at 31 March 2019 and the transactions for 2018/19.

Accounting Policies & Estimates

6. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scotland Excel's circumstances and have been consistently applied.

7. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

8. I have assessed Scotland Excel's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Scotland Excel's ability to continue as a going concern.

Assets

9. All assets at 31 March 2019 of which I am aware have been recognised in the annual accounts.
10. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
12. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

13. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.
14. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
15. The pension assumptions made by the actuary in the IAS 19 report for Scotland Excel have been considered and I confirm that they are consistent with management's own view.
16. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

17. There are no significant contingent liabilities, other than those disclosed in Note 17 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and IAS 37.

Fraud

18. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements

- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

19. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

20. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all of Scotland Excel's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

21. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

22. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

23. I confirm that the Joint Committee has undertaken a review of the system of internal control during 2018/19 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
24. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

25. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Prior Period Restatements

26. I confirm the prior period restatements in respect of the accounting treatment for capital transactions and reserves in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, and in the notes to the financial statements are accurate and in line with accounting records.

Yours sincerely

Treasurer



Audited Annual Accounts 2018/19

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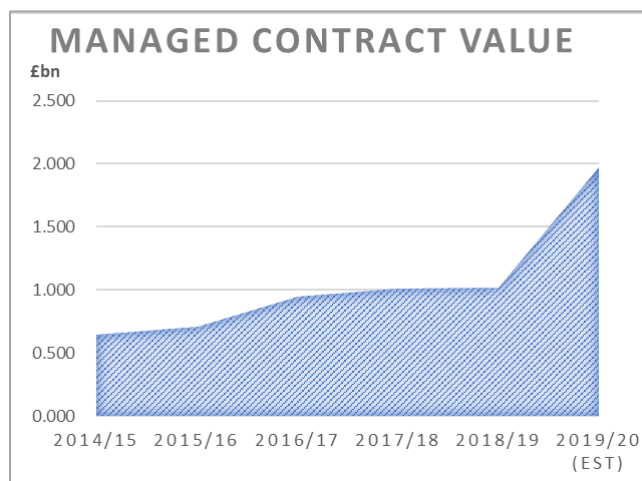
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Management Commentary

Introduction

In 2018, Scotland Excel marked ten years at the centre of procurement expertise for local government, making it one of the most successful collaborative ventures undertaken by Scottish Local Authorities. During that time, Scotland Excel has delivered measurable benefits to councils including an estimated £150m of savings and efficiencies, returning around £5 for every £1 invested in our operations.

At March 2019, the contract portfolio managed and administered by Scotland Excel totals £1.018bn and is estimated to grow to just under £2bn by the end of 2019/20. The current growth is driven by supporting member councils through the delivery of high value, high risk contracts within construction and social care, which includes migration of ownership of the national care contract for older people from COSLA.



In addition to the growth in the contract portfolio delivered by Scotland Excel, the organisation is also carrying out an increasing number of fixed-term and targeted projects across the wider public sector.

Both of these factors have contributed to an increasing staff complement within Scotland Excel over the past 5 years, as evidenced in the following graph.



Structure

Scotland Excel is governed by three groups of stakeholders from our member organisations:

The **Joint Committee** is made up of one or more Elected Members (Councillors) from each of Scotland's 32 local authorities. It meets twice a year and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan.

The **Executive Sub-Committee** is a sub-group of Elected Members from the Joint Committee who meet regularly to approve contract awards and other business decisions.

The **Management Group** consists of six local authority Chief Executives ensuring delivery of Scotland Excel's overall business plan objectives and providing strategic direction across a range of operational areas.

Internally, the organisation has Executive and Senior Management Teams that run the day-to-day business of Scotland Excel. There is also an active Staff Engagement Group that facilitates employee engagement, as well as organising charity and social events.

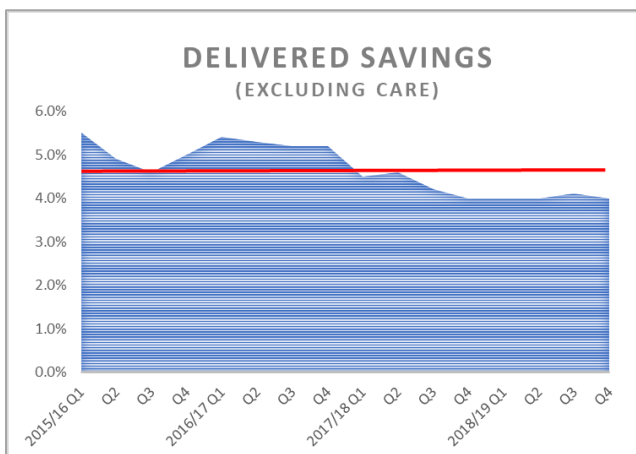
Strategic Aims

Challenges facing the local government sector require the continuous development of new and innovative solutions.

Scotland Excel has demonstrated its ability to deliver such solutions and support many of these challenges, both directly through savings, efficiencies and increased commercial capability, and indirectly by embedding national and local policies within our procurement strategies.

The graph below shows an estimate of delivered savings accrued by Scotland Excel partner organisations over the past four years.

As can be seen from the graph, savings accrued by partner organisations averaged 4.6% across the period (solid line). The figures shown in the graph exclude all Care frameworks.



Accrued savings in percentage terms across the Scotland Excel portfolio reduced from 2017/18 following the launch of new procurement frameworks and as the overall size of the portfolio increases.

The Scotland Excel 2018-23 Strategy, “Shared Vision, Shared Success”, sets out how we plan to develop and

improve going forward, providing even greater support to councils and other public sector stakeholders.

The Strategy looks forward over a period of five years to support a longer-term view of our goals and objectives and enable us to plan accordingly.

The Strategy can be found at the following link:
<http://www.scotland-excel.org.uk/home/Aboutus/Business-Goals.aspx>



The current Scotland Excel Strategy Map is detailed below, along with progress achieved during 2018/19 against the target outcomes shown in the table that follows.

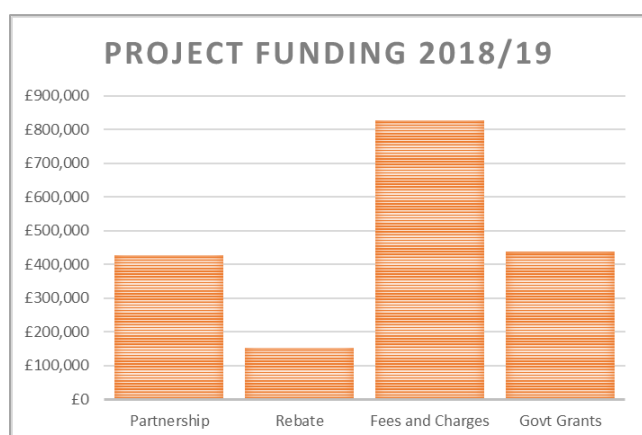
Vision			
To provide innovative, transformative solutions for local and national public services across Scotland			
Mission			
To make the most of our strategic procurement expertise and our experience of developing collaborative solutions which support better outcomes for Scotland's people and communities through early intervention and the delivery of sustainable public services			
Values			
Professional • Courageous • Respectful • Integrity			
Outcomes			
Our services shape the effective and efficient delivery of public services	Our services facilitate the delivery of national and local policy priorities	Our insight and knowledge underpin innovative solutions for our customers	Our customers receive a measurable return on investment through savings
Our expertise leads continuous improvement in commercial performance	Our services enable positive and sustainable outcomes for people and communities	Our activities are recognised as leading the way in public procurement	Our customers are satisfied with our services and how we deliver them
Goals			
1: Shaping solutions for innovative public services Strategic objectives: 1.1 Deliver a programme of collaborative procurement to support early intervention and the delivery of public services 1.2 Deliver programmes which lead and develop professional, organisational and commercial capability 1.3 Harness the potential of digital technology and data insight to support the delivery of public services 1.4 Use our insight and experience to shape policy and meet the challenges of future public service delivery	2: Being sustainable in everything we do Strategic objectives: 2.1 Deliver positive and measurable social value through our contracts 2.2 Deliver positive and measurable local impact through SME and third sector participation in our contracts 2.3 Deliver positive and measurable environmental benefits through our contracts 2.4 Lead and develop sustainable procurement knowledge and practice	3: Placing people at the heart of our business Strategic objectives: 3.1 Ensure our customers continue to receive maximum value from our services 3.2 Engage stakeholders in the delivery of effective local solutions 3.3 Represent the collective views of stakeholders at a national level 3.4 Implement policies which develop, empower, value and engage our workforce	4: Driving sustainable and scalable growth Strategic objectives: 4.1 Implement a new governance model which supports scalable business growth 4.2 Continue to maintain a robust business infrastructure to support our growth ambitions 4.3 Use our knowledge and insight to identify new services and/or sectors which provide growth opportunities 4.4 Explore opportunities to work with partners on the development and delivery of new business opportunities

<p>Our services shape the effective and efficient delivery of public services</p> <ul style="list-style-type: none"> • Dynamic Purchasing System (DPS) for recyclable and residual waste to support the delivery of environmental services • Engaging with partners and providers to agree a new approach to the procurement of care and support services • Negotiating with providers to complete a care cost model for older people's care home services 	<p>Our expertise leads to continuous improvement in commercial performance</p> <ul style="list-style-type: none"> • Scotland Excel Academy expanded to include advanced procurement practitioner and project management programmes • Business change and transformation projects delivered for Aberdeen City, East Renfrewshire and Fife Councils • Procurement & Commercial Improvement Programme (PCIP) assessments delivered for 53 housing associations over two years
<p>Our services facilitate the implementation of national and local policy priorities</p> <ul style="list-style-type: none"> • Funding secured to develop procurement guidance which supports the expansion of early learning and childcare provision • New contract for energy advice services will help councils and housing associations reduce fuel poverty • Tender for new build residential housing framework issued to support the delivery of affordable new homes 	<p>Our services enable positive and sustainable outcomes for people and communities</p> <ul style="list-style-type: none"> • Community benefits delivered 280 jobs, 34 apprenticeships and 107 work placements during 2018/19 • £339m spend with Scottish-based suppliers during 2018, 67% of which was with SMEs • Scottish supported business, Scotland's Bravest Manufacturing Company, has achieved over £1m of business from national frameworks
<p>Our insight and knowledge underpin innovative solutions for our customers</p> <ul style="list-style-type: none"> • Procurement support provided to SEEMiS to support the delivery of national education software solutions • Partnered with the Digital Office to hold a successful event aiming to accelerate digital transformation in local government • First phase of a new spend data analysis system implemented to improve contract management information and insight 	<p>Our activities are recognised as leading the way in public procurement</p> <ul style="list-style-type: none"> • Winner of two awards – Scottish Public Service Award for the care cost modelling and GO Award Scotland for the Academy • Scotland Excel staff invited to speak at 17 events and conferences • MSPs and senior stakeholders attended a parliamentary reception celebrating 10 Years of Scotland Excel
<p>Our customers receive a measurable return on investment through savings</p> <ul style="list-style-type: none"> • Average savings on contracts delivered, renewed or extended in 2018/19 was 4.2% against a 2.5% target • Estimated savings of £12.4 million delivered in 2018 – more than 3.5 times the investment made by councils though membership fees • Indexation modelling is being rolled out to the sector as a tool to support contract management price negotiations 	<p>Our customers are satisfied with our services and how we deliver them</p> <ul style="list-style-type: none"> • Online resources developed to provide stakeholders with access to a wide range of social care information • Account management services expanded to incorporate the delivery of assessments, business change initiatives and workshops • New 'self-service' management information resource in development in response to requests from council procurement teams

Projects

During 2018/19, Scotland Excel has been working closely with a range of public, Government and other organisations delivering procurement related project and consultancy services. Projects are resourced through a range of funding models including Scottish Government Grant Funding, partnership funding across a group of local authority partners and specific project fees for individual customer projects.

In total, 11 projects were delivered by Scotland Excel during 2018/19, generating a gross income total of £1.865m. Sources of project funding for 2018/19 are shown in the chart below.



Scotland Excel Academy

The Scotland Excel Academy has helped to raise the profile of procurement in local authorities by championing its potential to shape markets, support policy priorities and, ultimately, ensure the sustainable delivery of the services that every community needs.

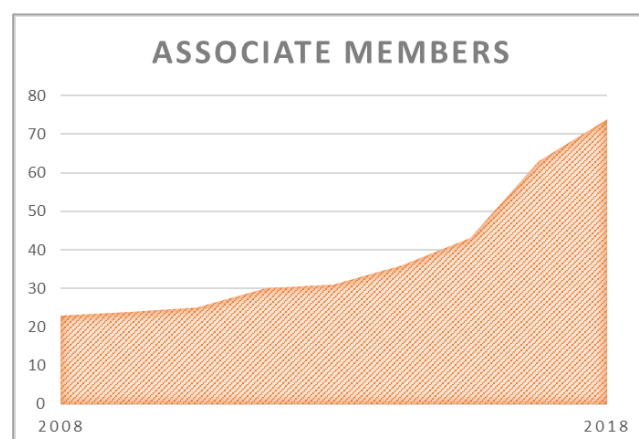
The Academy supports work-based learning through a blend of online learning, face to face workshops and master classes. The knowledge gained through this can then be applied directly in the workplace. The Academy also supports mentoring and practice sharing among the local authority community.

During 2019/20, the Scotland Excel Academy will deliver a broad range of Chartered Management Institute (CMI), Chartered Institute of Procurement and Supply (CIPS) and Scottish Qualifications Authority (SQA) accredited training courses to candidates drawn from both the public and third sectors. Training disciplines will cover Procurement, Leadership and Management and Project Management. It is anticipated that the Scotland Excel Academy will contribute a surplus of circa £50,000 to core running costs during 2019/20 and this has been reflected with the operating budget for that period.

Associate Members

Scotland Excel continues to build its portfolio of Associate Members, which currently number 74 in total. Associate Members are made up of 21 Arm's Length External Organisations (ALEOs), who gain associate membership through their host local authority. A further 53 Associate Members are drawn from a range of sectors including Social Housing, Charitable Trusts and include a number of Scottish Government Bodies.

Scotland Excel Associate Members have access to the full range of Contracts and Frameworks administered by Scotland Excel along with access to the procurement expertise available within the organisation. The graph below details the growth in Associate membership for Scotland Excel over the past nine years.



Primary Financial Statements

The annual accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Under Section 106 of the Local Government (Scotland) Act 1973, joint committees are classed as local authorities.

The annual accounts summarise the Joint Committee's transactions for the year and its year-end position at 31 March 2019. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet.

These statements are accompanied by Notes to the Accounts, which provide more details on the figures shown in the statements and set out the Accounting Policies adopted by the Joint Committee.

In a change to the presentation of this year's financial statements, there is no longer a Cashflow Statement. This is because the Joint Committee does not have a bank account. Apart from petty cash, all transactions are accounted for through Renfrewshire Council as the administering authority. The cash balance at 31 March 2019 of £150 in the Balance Sheet represents petty cash held by officers of the Joint Committee.

Financial Performance

Excluding Project expenditure and income, the Joint Committee returned a net expenditure in 2018/19 of £98,161, compared to the approved budget of £90,000, resulting in an overspend of £8,161.

There were a number of additional pressures in Core Operations during 2018/19 relating to ICT software and telephony, external recruitment support and costs relating to the local government supplier development programme, which supports local spend initiatives. Some of these costs have been reclassified

as capital expenditure this year and this can be seen at the bottom of the table below. These pressures are offset by a higher than expected underspend in Employee Costs, owing to the prudent management of vacancies. The net result was an overspend in Core gross expenditure (including capital) for 2018/19 of £1,951.

Income from requisitions was fully recovered in the year, however some of this was allocated to the capital expenditure. A shortfall in income from Crown Commercial Services contributed to an overall under-recovery in gross income (including capital) of £6,210.

Scotland Excel's Projects ended the year at 31 March 2019 with a surplus of income over expenditure of £415,871. Some of this balance is committed for future Project spend, as outlined in Note 6: Transfers to / from Earmarked Reserves on page 27.

Overall, excluding accounting adjustments relating to pensions and short-term accumulating absences, the Joint Committee returned a surplus of £317,710 for the financial year 2018/19, compared to a budgeted draw on reserves of £90,000; resulting in an underspend of £407,710. The CIES on page 21 summarises the total costs of providing services and the income available to fund those services.

The difference between employee costs in the figure below and the figure reported in the CIES is due to accounting adjustments for pension costs (£727,000) and accrued employee benefits (£2,122).

The difference between the Income from Projects figure below and the figure reported in the Comprehensive Income and Expenditure report is the re-classification of £437,100 as Government Grants and the Other Income figure here excludes Interest receivable of £4,203 and Pension interest costs of £50,000.

The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 1: Expenditure Funding Analysis on page 24.

	Core			Projects	Total
	Revised Budget	Actual	Variance	Actual	Actual
	£	£	£	£	£
Employee Costs	3,032,754	3,006,854	25,900	1,210,380	4,217,234
Property Costs	175,500	180,373	(4,873)	0	180,373
Supplies and Services	303,439	230,503	72,936	230,361	460,864
Support Services	219,700	226,045	(6,345)	0	226,045
Transfer Payments	13,500	5,994	7,506	2,517	8,511
Transport Costs	0	3,001	(3,001)	6,329	9,330
Total Expenditure	3,744,893	3,652,770	92,123	1,449,587	5,102,357
Requisition Income - revenue	(3,484,200)	(3,390,126)	(94,074)	0	(3,390,126)
Income from Projects	0	(80,693)	80,693	(1,865,458)	(1,946,151)
Other Income	(170,693)	(83,790)	(86,903)	0	(83,790)
Total Income	(3,654,893)	(3,554,609)	(100,284)	(1,865,458)	(5,420,067)
Capital expenditure	0	94,074	(94,074)	0	94,074
Requisition Income - capital	0	(94,074)	94,074	0	(94,074)
Net Expenditure / (Income) for Year	90,000	98,161	(8,161)	(415,871)	(317,710)

The Balance Sheet at 31 March 2019

The Balance Sheet sets out the total net worth of the Joint Committee at a snapshot in time. When comparing the net worth of the Joint Committee at 31 March 2019 to that of the prior year, an overall decrease in net worth of the organisation of £1.769m can be seen. This is primarily due to the increase in pension liability explained later.

In previous annual accounts, it was reported that Scotland Excel did not have the legal powers necessary to hold assets and as such the organisation had no capital spend. This has been reviewed with Audit Scotland and these accounts have been changed to reflect the substance of arrangements rather than their legal form, in that the Joint Committee have full use of their assets and effectively enjoy the benefits and assume the risks of holding them.

Non-current assets held by the Joint Committee are IT equipment and software. Two new Notes to the Accounts have been introduced to explain the financial impact of this. They are Note 9: Plant and Equipment and

Note 10: Intangible **Assets** on page 30.

Consequently, the balance sheet has been restated to reflect the impact of this change in accounting treatment, showing the opening position at 1 April 2017 by including a third comparative year. Further detail on the restatement can be found in Note 2: Restatement on page 25.

It has also been reported in previous years that Scotland Excel had “no specific powers to retain reserves to meet future funding requirements” and therefore any accumulated surpluses were transferred to Creditors in the balance sheet each year. However, in keeping with the substance of actual practice and in line with similar bodies across Scotland, the Joint Committee now reports accumulated CIES surpluses as a Usable Reserve and the Balance Sheet has therefore been restated to report this way.

Reserve balances are still ultimately due to constituent authorities, should it be distributed at any point in the future. Further detail on these balances can be found in Note 6: Transfers to / from Earmarked Reserves on page 27.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 16: Retirement Benefits on page 32.

The appointed actuaries have confirmed a net liability position of £3.621m (£1.441m 2017/18), an increase in liabilities of £2.180m in their assessment of the position of the pension fund.

This can be attributed to a reduction in corporate bond yields at 31 March 2019 compared to the previous year, which increases the value of obligations.

It also reflects an estimate of additional costs following a Court of Appeal ruling (McCloud/Sargeant) that transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age were unlawful on the grounds of age discrimination. For Scotland Excel, this amounts to an additional £0.227m of pension liability.

This is partially offset by investment returns being greater than the 31 March 2018 rate.

The net deficit position of the pension reserve impacts the Joint Committee as a whole, however the funding of these future liabilities will be met from future requisitions from members and as such the going concern assumption is valid.

The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Fund and the contributions from employees and employers together with planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

A further potential change to pension rules is outlined in Note 17: Contingent Liabilities on page 34; however this has not been reflected in the pension liability reported in the Balance Sheet.

Principal Risk and Uncertainty

Scotland Excel maintains an operational Risk Register to assess threats / risks that could adversely impact on the delivery of organisational objectives, identifying actions currently being undertaken by Scotland Excel to mitigate the likelihood and impact of these risks.

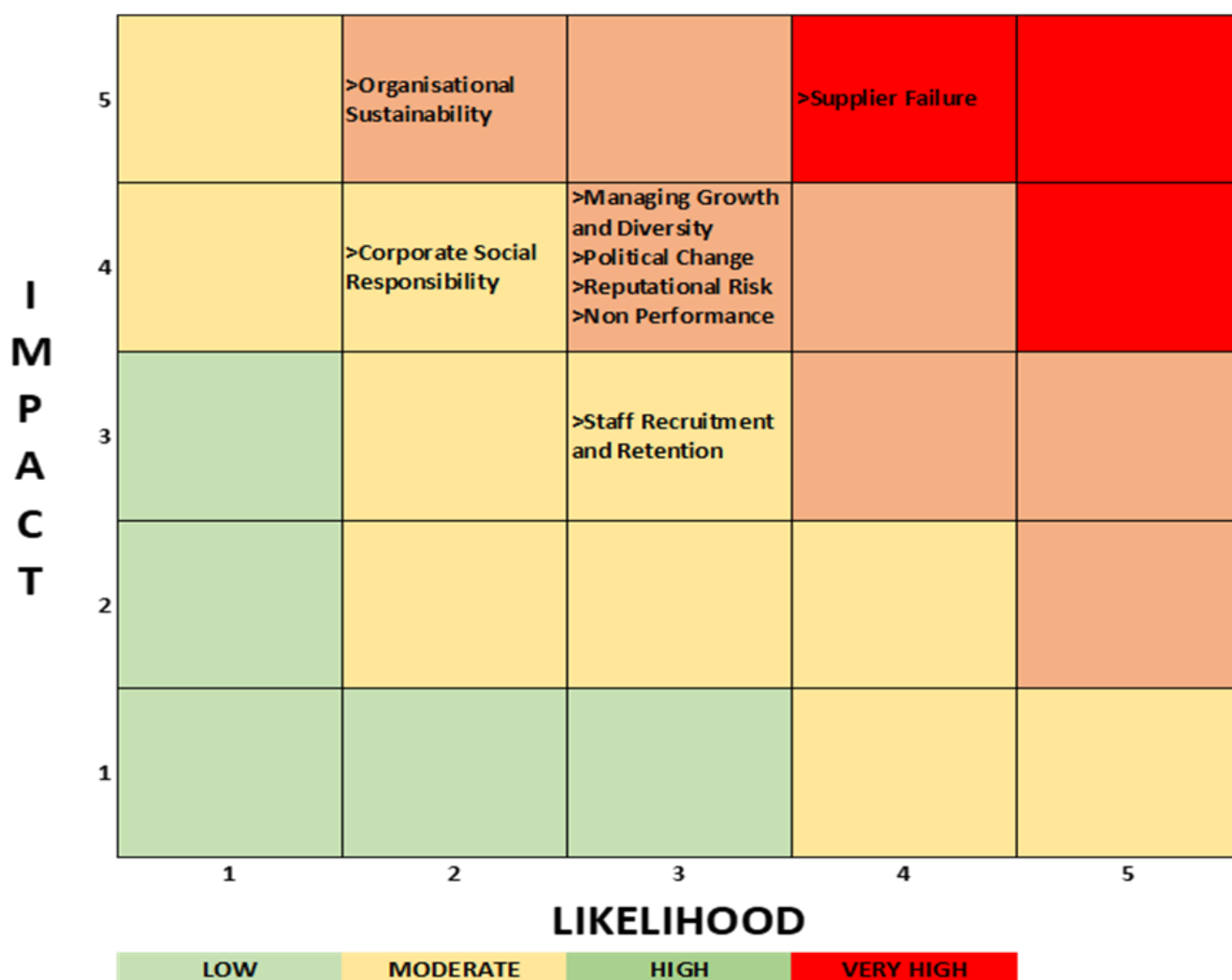
The Risk Register is regularly reviewed by the organisation's Senior Management Team and is now presented quarterly to the Scotland Excel Executive Sub-Committee and annually to the Joint Committee.

There are currently eight risks identified within the Scotland Excel Risk Register including risks in relation to Operational Sustainability, Political Change, Reputational Risk, Organisational Sustainability, Staff Recruitment and Retention, Corporate Social Responsibility and the risk of Non-Performance / Delivery of Service.

Mitigating actions in place within Scotland Excel relating to each of these risks has resulted in reducing risk scores during 2018/19. For example, implementation of regular Horizon Scanning meetings assist in the identification of market development opportunities mitigates strategic risk, including those relating to Organisational Stability and Organisational Growth.

Identified Risks in relation to Managing Growth and Diversity and Supplier Failure have maintained their risk scores over the period reflecting the volatile business environment due to uncertainty surrounding Brexit and the continuing requirement for Scotland Excel to grow and diversify to ensure sustainability.

Scotland Excel - Risk Register



Outlook and Future Plans

Looking forward, 2019/20 is set to be a landmark year for Scotland Excel for several reasons including:

- Rollout of a number of Strategic Procurement Frameworks including the 'New Build' framework from Summer 2019 and the new 'Care and Support' framework from January 2020.
- Scotland Excel assumed the lead role under the National Care Homes Contract (NCHC) from COSLA in April 2019.
- The Scotland Excel Academy will continue to scale up during 2019/20 introducing, for the first time, training courses at Masters level. The Academy will also be expanding its portfolio in Leadership

and Management training and delivering a comprehensive and diverse range of non-accredited practice workshops across the year giving partners the opportunity to access a range of topic taster sessions.

- Expansion of Scotland Excel Targeted Project and Consultancy Services providing bespoke procurement solutions to the public and third Sector

Scotland Excel will continue to develop its funding model during 2019/20 and beyond, ensuring long-term sustainability for the organisation, while mitigating, where possible, increases in member requisitions.

Conclusion

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support.

Further information on the Annual Accounts can be obtained from Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR; or by telephone on 0300 300 1200.

Councillor John Shaw

Convenor

20 September 2019

Alan Russell CPFA

Treasurer

20 September 2019

Julie Welsh

Director

20 September 2019

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Joint Committee has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). The Director of Finance and Resources at Renfrewshire Council is the designated Officer and operates as the Treasurer for Scotland Excel;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Executive Sub-Committee at its meeting on the 20 September 2019.

Signed on behalf of Scotland Excel.

Councillor John Shaw
Convenor
20 September 2019

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates which were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);

The Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Joint Committee at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2019.

Alan Russell CPFA
Treasurer
20 September 2019

Annual Governance Statement

Scope of Responsibility

Scotland Excel's Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Joint Committee's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Joint Committee's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee is directed and controlled. It also describes the way it engages with, and accounts to its stakeholders.

The Joint Committee has also put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

- Clearly defined Procedural Standing Orders, Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Application of the Chartered Institute of Purchasing and Supply Code of Professional Ethics;
- Regular performance reporting to the Executive Sub Committee and public performance reporting through the Annual Report;
- A range of policies to regulate employee related matters, including the employee code of conduct, and disciplinary procedures;
- Arrangements to manage risk, including the risk management strategy and Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Comprehensive policies and procedures for information security;
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines.

Within the overall control arrangements, the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. The system is based on a framework of management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability.

The system includes:

- Financial management, supported by comprehensive financial regulations and codes;
- Comprehensive budgeting systems and detailed guidance for budget holders;

- Regular reviews of periodic and annual financial reports, which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- The Chief Finance Officer is the Treasurer who complies with the CIPFA Statement on the Role of The CFO in Public Services.

With Renfrewshire Council being the lead authority, all financial transactions of the Joint Committee are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

Review of Effectiveness

Members and officers of the Joint Committee are committed to the concept of sound governance and the effective delivery of services and take into account comments made by internal and external auditors.

The effectiveness of the governance framework is reviewed annually by the Director, including the use of a self-assessment tool involving completion of a 30-point checklist covering four key areas of governance:

- Service Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity

This self-assessment indicated that the governance framework is being complied with in all material respects.

The Joint Committee's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process. The Chief Auditor provides an annual report to the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control.

The Chief Auditor's annual assurance statement concluded that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control systems.

Assurance

In conclusion, it is our opinion that the annual review of governance, together with the work of internal audit, any comments received from external audit and certification of assurance from the Director, provides sufficient evidence that the principles of good governance operated effectively and the Joint Committee complies with its governance arrangements in all material respects. Systems are in place to continually review and improve the governance and internal control environment. Future actions will be taken as necessary to maintain and further enhance the Joint Committee's governance arrangements.

Councillor John Shaw
Convenor
20 September 2019

Julie Welsh
Director
20 September 2019

Remuneration Report

All information disclosed in the tables in this Remuneration Report will be audited by the appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of elected members

The Joint Committee makes no remuneration payment to any elected member, nor does it pay any expenses, fees or allowances to elected members. Further, no recharges have been made by member authorities in relation to elected member remuneration.

Remuneration of senior employees

2017/18 Total Salary, fees and allowances £	Name	Post Held	2018/19 Total Salary, fees and allowances £
104,831	Julie Welsh	Director	105,714
77,393	Hugh Carr	Head of Strategic Procurement	82,206
75,566	Stephen Brannagan	Head of Customer & Business Services	81,252

Salary, fees and allowances includes any other payments made to or receivable by the person in connection with the termination of their employment, or, in the case of a councillor, the total of any payment made to that person in connection with their ceasing to hold office before the end of a fixed term appointment.

The Director's salary is matched to the Renfrewshire Council Chief Officer pay scale CO21.

The above tables show the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2019, whether or not those amounts were actually paid to, or received by, those persons within that period.

Pension rights

Pension benefits for Joint Committee employees are provided through the Local Government Pension Scheme (LGPS).

From 1 April 2015 benefits are based on career average pay. Pension benefits are based on the pay

received for each year in the scheme, uplifted by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

Tiered contribution rates on whole time pay:	2018/19
Up to £21,300	5.5%
£21,300 to £26,100	7.25%
£26,100 to £35,700	8.5%
£35,700 to £47,600	9.5%
Over £47,600	12%

If a person works part-time their contribution rate will be based on their part-time pay.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living (prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on

retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government employment, not just that relating to their current post.

Name	Post Held	Accrued Pension Benefits				Pension Contributions made by Scotland Excel	
		As at 31 March 2019		Change from 31 March 2018		2018/19	2017/18
		Pension	Lump Sum	Pension	Lump Sum		
		£000	£000	£000	£000	£000	£000
Julie Welsh	Director	21	2	3	0	20,469	20,142
Hugh Carr	Head of Strategic Procurement	13	0	3	0	15,890	14,869
Stephen Brannagan	Head of Customer & Business Services	6	0	2	0	15,613	14,518

Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2018/19, in bands of £5,000.

Bands with nil employees in both years are not displayed.

2017/18 Number of employees	Remuneration Band	2018/19 Number of employees
0	£50,000 - £54,999	1
1	£55,000 - £59,999	0
2	£75,000 - £79,999	0
0	£80,000 - £84,999	2
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
4		4

Exit packages

There were no exit packages agreed for employees of Scotland Excel during 2018/19 or 2017/18.

Councillor John Shaw
Convenor
20 September 2019

Julie Welsh
Director
20 September 2019

Independent Auditor's Report to the members of Scotland Excel Executive Sub-Committee and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of Scotland Excel as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Risks of material misstatement

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

Responsibilities of the Treasurer and Scotland Excel Executive Sub-Committee for the financial statements

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

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

The Executive Sub-Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mark Ferris
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2019

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This statement shows the accounting cost of providing services and managing the Joint Committee during the year. It includes, on an accruals basis, all of the Joint Committee's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that local authorities need to take into account. The required adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

2017/18 (restated)			2018/19		
Net Expenditure £		Note	Gross Expenditure £	Gross Income £	Net Expenditure £
3,944,337	Employee Costs		4,946,356	0	4,946,356
215,961	Premises Related Costs		180,373	0	180,373
492,961	Supplies & Services		460,864	0	460,864
174,425	Support Costs		226,045	0	226,045
12,124	Transfer Payments*		8,511	0	8,511
16,168	Transport Costs		9,330	0	9,330
2,841	Capital Charges		2,841	0	2,841
(629,655)	Income from Projects		0	(1,509,051)	(1,509,051)
(118,712)	Other Income		0	(83,790)	(83,790)
4,110,450	Cost of Services		5,834,320	(1,592,841)	4,241,479
	Financing and Investment Income and Expenditure				
(4,093)	Interest receivable		0	(4,203)	(4,203)
127,000	Pension interest cost		50,000	0	50,000
	Taxation and Non-Specific Grant Income				
(3,484,200)	Requisitions from Member Authorities	15	0	(3,390,126)	(3,390,126)
(381,000)	Government Grants		0	(437,100)	(437,100)
0	Capital Grants and Contributions	15	0	(94,074)	(94,074)
368,157	Deficit on the provision of services		5,884,320	(5,518,344)	365,976
	Other Comprehensive Income and Expenditure				
(3,771,000)	Actuarial (Gains) or losses on pension assets and liabilities	16			1,403,000
(3,402,843)	Total Comprehensive Income and Expenditure				1,768,976

*Transfer Payments are payments for which no service is received in return, such as the Apprenticeship Levy.

2017/18 figures have been restated for presentation purposes to better align with the CIPFA Service Reporting Code of Practice and with internal management reporting.

Movement in Reserves Statement for the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Movement in reserves during the year	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2018		(556,152)	1,504,469	948,317
Total Comprehensive Income and Expenditure		365,976	1,403,000	1,768,976
Adjustments between accounting basis and funding basis under regulations	8	(687,889)	687,889	0
Increase or (decrease) in year		(321,913)	2,090,889	1,768,976
Balance at 31 March 2019 carried forward		(878,065)	3,595,358	2,717,293

Comparative movements in 2017/18 (restated)	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2017		(385,384)	4,736,544	4,351,160
Total Comprehensive Income and Expenditure		368,157	(3,771,000)	(3,402,843)
Adjustments between accounting basis and funding basis under regulations	8	(538,925)	538,925	0
Increase or (decrease) in year		(170,768)	(3,232,075)	(3,402,843)
Balance at 31 March 2018 carried forward		(556,152)	1,504,469	948,317

Balance Sheet as at 31 March 2019

The balance sheet shows the value as at 31 March 2019 of the assets and liabilities recognised by the Joint Committee. The net liabilities of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

2016/17 (restated) £	2017/18 (restated) £		Note	2018/19 £
11,364	8,523	Plant and Equipment	9	15,456
0	0	Intangible Assets	10	84,300
11,364	8,523	Long-term Assets		99,756
620,120	625,876	Funds held by Renfrewshire Council		1,187,725
19,891	308,545	Short-term Debtors and Prepayments	12	254,852
150	150	Cash in Hand		150
640,161	934,571	Current Assets		1,442,727
(329,685)	(450,411)	Creditors And Accruals	13	(636,022)
(329,685)	(450,411)	Current Liabilities		(636,022)
0	0	Long-term Creditors	13	(2,754)
(4,673,000)	(1,441,000)	Pension (liability)/Asset	16	(3,621,000)
(4,673,000)	(1,441,000)	Long Term Liabilities		(3,623,754)
(4,351,160)	(948,317)	Net Liabilities		(2,717,293)
(385,384)	(556,152)	Usable Reserves	6	(878,065)
4,736,544	1,504,469	Unusable Reserves	7	3,595,358
4,351,160	948,317	Total Reserves		2,717,293

The unaudited accounts were issued on the 21 June 2019 and the audited accounts were authorised for issue on 20 September 2019.

Alan Russell CPFA

Treasurer

20 September 2019

Note 1: Expenditure Funding Analysis

This statement shows how annual expenditure is used and funded from resources and provides a reconciliation of the statutory adjustments between the Joint Committee's financial performance on a funding basis and the (surplus) or deficit on the provision of service in the Comprehensive Income and Expenditure Statement.

2018/19	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,217,234		727,000	2,122	4,946,356
Premises Related Costs	180,373				180,373
Supplies & Services	460,864				460,864
Support Costs	226,045				226,045
Transfer Payments	8,511				8,511
Transport Costs	9,330				9,330
Capital Charges	0	2,841			2,841
Income from Projects	(1,946,151)			437,100	(1,509,051)
Other Income	(83,790)				(83,790)
Cost of Services	3,072,416	2,841	727,000	439,222	4,241,479
Other income and expenditure	(3,390,126)	(94,074)	50,000	(441,303)	(3,875,503)
(Surplus) or deficit on the provision of service	(317,710)	(91,233)	777,000	(2,081)	365,976

2017/18 (restated)	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	3,535,253		412,000	(2,916)	3,944,337
Premises Related Costs	215,961				215,961
Supplies & Services	492,961				492,961
Support Costs	174,425				174,425
Transfer Payments	12,124				12,124
Transport Costs	16,168				16,168
Capital Charges	0	2,841			2,841
Income from Projects	(629,655)				(629,655)
Other Income	(118,712)				(118,712)
Cost of Services	3,698,525	2,841	412,000	(2,916)	4,110,450
Other income and expenditure	(3,869,293)	0	127,000		(3,742,293)
(Surplus) or deficit on the provision of service	(170,768)	2,841	539,000	(2,916)	368,157

Note 2: Restatement

For 2018/19, Scotland Excel has introduced new accounting policies on Plant and Equipment, Intangible Assets and Reserves. The Joint Committee has introduced these policies because it believes that they better represent the substance of transactions, the operation of assets and use of resources.

The Code requires that Scotland Excel presents a third Balance Sheet, at the beginning of the preceding financial year when it makes a retrospective restatement. The additional balance sheet is presented on page 23 and shows opening balances at 1 April 2017.

The following table shows the relevant extracted lines from the CIES that have been affected by the restatement. The CIES with appropriate restatement for 2017/18 can be found on page 21.

Effect on CIES 2017/18

	Originally Stated 2017/18 Net Expenditure £	Restated 2017/18 Net Expenditure £	Amount of Restatement £
Capital Charges	0	2,841	2,841
Cost of Services	0	2,841	2,841
Deficit on Provision of Services	0	2,841	2,841

The following restatement was also required for the Movement in Reserves Statement. The restated prior period Movement in Reserves Statement is provided along with the current year information on page 22.

Effect on Movement in Reserves Statement at 31 March 2018

Usable Revenue Reserve	Originally Stated at 31 March 2018 £	Restated as at 31 March 2018 £	Amount of Restatement £
Balance at 1 April 2017	0	(385,384)	(385,384)
Total comprehensive income and expenditure	365,316	368,157	2,841
Adjustments between accounting basis and funding basis under regulations	(536,084)	(536,084)	0
Charges for depreciation of non-current assets	0	(2,841)	(2,841)
Transfer from Creditors	(385,384)	0	385,384
Transfer to Creditors	556,152	0	(556,152)
Balance at 1 April 2018	0	(556,152)	(556,152)

Unusable Reserves	Originally Stated at 31 March 2018 £	Restated as at 31 March 2018 £	Amount of Restatement £
Balance at 1 April 2017	4,747,908	4,736,544	(11,364)
Total comprehensive income and expenditure	(3,771,000)	(3,771,000)	0
Adjustments between accounting basis and funding basis under regulations	536,084	536,084	0
Charges for depreciation of non-current assets	0	2,841	2,841
Balance at 1 April 2018	1,512,992	1,504,469	(8,523)

Note 3: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards are adopted within the 2019/20 Code:

- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 accounts. There is no material impact anticipated from the implementation of these standards.

Note 4: Assumptions made about the future

The Annual Accounts contain estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £2.631m, equating to a 13% increase.

Note 5: Events after the balance sheet date

The audited accounts are issued to the Executive Sub-Committee on 20 September 2019. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the financial statements or notes.

The audited accounts have been updated to reflect an estimate of additional pension costs following a Court of Appeal ruling (McCloud/Sargeant).

Note 6: Transfers to / from Earmarked Reserves

This note sets out the amounts transferred to and from Revenue and Projects balances to meet expenditure in 2018/19 and beyond.

	Balance at 1 April 2018 £	Transfers out £	Transfers in £	Balance at 31 March 2019 £
Revenue Reserve - uncommitted balance	(291,663)	105,522	(55,000)	(241,141)
Aberdeen Project	0	25,000	(62,158)	(37,158)
Adult Supported Living / Care at Home	(1,395)	12,958	(11,563)	0
Affordable Housing Supply Programme	(47,966)	0	(93,337)	(141,303)
The Academy	0	0	(32,623)	(32,623)
Digital Transformation	(122)	0	0	(122)
Early Learning and Childcare	0	0	(13,017)	(13,017)
Fife Project	0	30,000	(105,498)	(75,498)
National Care Home Contract	(68,193)	0	(25,097)	(93,290)
New Build Project	0	0	(53,707)	(53,707)
SEEMiS	(209)	0	(8,874)	(9,083)
Small Value Procurement	(146,604)	0	(41,052)	(187,656)
Tayside Project	0	6,533	0	6,533
Total Usable Reserves	(556,152)	180,013	(501,926)	(878,065)

	Balance at 31 March 2019 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(241,141)	0	(241,141)	(a)
Aberdeen Project	(37,158)	(37,158)	0	(b)
Adult Supported Living / Care at Home	0	0	0	(b)
Affordable Housing Supply Programme	(141,303)	(141,303)	0	(c)
The Academy	(32,623)	(32,623)	0	(d)
Digital Transformation	(122)	(122)	0	(b)
Early Learning and Childcare	(13,017)	(13,017)	0	(b)
Fife Project	(75,498)	(75,498)	0	(b)
National Care Home Contract	(93,290)	(93,290)	0	(b)
New Build Project	(53,707)	(53,707)	0	(b)
SEEMiS	(9,083)	(9,083)	0	(b)
Small Value Procurement	(187,656)	(187,656)	0	(b)
Tayside Project	6,533	6,533	0	(b)
Total Usable Reserves	(878,065)	(636,924)	(241,141)	

Notes

- (a) The balance on the Revenue Reserve represents 6% of the Cost of Services in 2018/19;
- (b) Balances are ring-fenced for continuing 2019/20 Project delivery;
- (c) The 2019/20 Budget approved £80k of this balance to be transferred to Core and £61k to Associates cost centre for ongoing activity;
- (d) Committed for continued investment and development of the SXL Academy during 2019/20.

Note 7: Unusable Reserves

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Joint Committee accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed, as the Joint Committee makes employer's contributions to pension funds. The debit balance on the Pension Reserve shows a shortfall in the Joint Committee's share of Strathclyde Pension Fund resources available to meet the cost of benefits earned by past and current employees.

Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £	Pension Reserve	2018/19 £
4,673,000	Balance as at 1 April	1,441,000
(3,771,000)	Actuarial (gains) and losses on pension assets and liabilities	1,403,000
539,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	777,000
1,441,000	Balance as at 31 March	3,621,000

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for compensated absences earned, but not taken at the end of the financial year.

However, statutory arrangements, or regulations, require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from this Account.

2017/18 £	Employee Statutory Adjustment Account	2018/19 £
74,908	Balance as at 1 April	71,992
(74,908)	Reversal of prior year accrual for short-term accumulating compensated absences	(71,992)
71,992	Accrual for short-term accumulating compensating absences at 31 March	74,114
71,992	Balance as at 31 March	74,114

Capital Adjustment Account

2017/18 £	Capital Adjustment Account	2018/19 £
(11,364)	Balance as at 1 April	(8,523)
2,841	Charges for depreciation of non-current assets	2,841
0	Capital grants credited to the CIES that have been applied to capital financing	(94,074)
(8,523)	Balance as at 31 March	(99,756)

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. It is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES and credited with the amounts set aside as finance for these costs.

Note 8: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserve was £687,889 more than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Joint Committee's CIES in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2018/19	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(2,841)	2,841
Capital grants and contributions applied	94,074	(94,074)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(1,323,000)	1,323,000
Employers contributions payable to the Strathclyde Pension Fund	546,000	(546,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	(2,122)	2,122
Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(687,889)	687,889

2017/18 (restated)	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(2,841)	2,841
Capital grants and contributions applied	0	0
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(1,027,000)	1,027,000
Employers contributions payable to the Strathclyde Pension Fund	488,000	(488,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	2,916	(2,916)
Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(538,925)	538,925

Note 9: Plant and Equipment

2017/18 £	Plant and Equipment	2018/19 £
	Cost or Valuation	
14,205	Opening balance at 1 April	14,205
0	Additions	9,774
14,205	Gross Book Value at 31 March	23,979
	Depreciation and Impairment	
(2,841)	Accumulated depreciation at 1 April	(5,682)
(2,841)	Depreciation charge for year	(2,841)
(5,682)	Accumulated depreciation at 31	(8,523)
11,364	Opening Net Book Value	8,523
8,523	Closing Net Book Value	15,456

Note 10: Intangible Assets

2017/18 £		2018/19 £
0	Net carrying amount at 1 April	0
0	Additions	84,300
0	Amortisation for the year	0
0	Net carrying amount at 31 March	84,300
	Comprising:	
0	Gross carrying amounts	84,300
0	Accumulated amortisation	0
0		84,300

Note 11: Operating Leases

Scotland Excel has extended the operating lease for accommodation at Renfrewshire House until 2024. The new lease includes a three-year break point in 2022. The expenditure charged in year to the CIES was £72,562 (2017/18 £85,131).

2017/18 £	Future Minimum Lease Payments	2018/19 £
101,575	Not later than one year	97,007
387,984	Between one and five years	379,699
84,506	Later than five years	0
574,065	Total	476,706

Note 12: Debtors

2017/18 £	Short-term debtors	2018/19 £
65,287	Prepayments	35,633
243,258	Other receivable amounts	219,219
308,545	Total	254,852

‘Other receivable amounts’ comprises amounts due, but not yet received, as at 31 March. The majority of the balance is due from other public sector partners and not considered to be doubtful debt.

Note 13: Creditors

2017/18 £	Short-term creditors	2018/19 £
0	Trade payables	0
(450,411)	Other payables	(636,022)
(450,411)	Total	(636,022)

2017/18 £	Long-term creditors	2018/19 £
0	Income received in advance	(2,754)
0	Other receivable amounts	0
0	Total	(2,754)

Note 14: External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's Code of Audit Practice in 2018/19 amounted to £5,880 (2017/18 £5,700). There were no fees paid to Audit Scotland in respect of any other services.

Note 15: Related parties

Related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Committee, or to be controlled or significantly influenced by the Joint Committee.

The Joint Committee is required to disclose the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The member authorities of the Joint Committee have contributed requisitions to enable it to carry out its objectives in the following proportions. In accordance with Scotland Excel's terms and conditions, member requisitions are adjusted to reflect any changes in population numbers within member authority areas.

The Joint Committee pays Renfrewshire Council for support services. For 2018/19 the amount paid, excluding insurance, was £165,005 (2017/18 £173,750).

2017/18 £	Council	%	2018/19 £
140,607	Aberdeen City	4.0%	140,311
156,621	Aberdeenshire	4.5%	156,995
82,591	Angus	2.3%	81,869
67,842	Argyll and Bute	1.9%	66,712
48,605	Clackmannanshire	1.4%	48,259
100,395	Dumfries and Galloway	2.8%	98,888
99,296	Dundee City	2.8%	98,243
85,835	East Ayrshire	2.4%	84,798
77,160	East Dunbartonshire	2.2%	77,238
74,806	East Lothian	2.2%	75,458
69,647	East Renfrewshire	2.0%	70,157
276,829	Edinburgh City	8.1%	283,339
36,111	Eilean Siar	1.0%	35,649
103,989	Falkirk	3.0%	103,973
213,737	Fife	6.1%	212,766
333,882	Glasgow City	9.7%	338,987
143,652	Highland	4.1%	142,854
63,793	Inverclyde	1.8%	62,600
66,090	Midlothian	1.9%	67,475
71,138	Moray	2.0%	71,322
93,410	North Ayrshire	2.6%	91,859
198,471	North Lanarkshire	5.6%	196,810
33,061	Orkney Islands	0.9%	33,045
99,076	Perth and Kinross	2.9%	99,486
112,758	Renfrewshire	3.2%	112,508
81,351	Scottish Borders	2.3%	80,843
33,914	Shetland Islands	1.0%	33,741
80,817	South Ayrshire	2.3%	79,780
186,501	South Lanarkshire	5.3%	185,314
69,522	Stirling	2.0%	70,126
68,763	West Dunbartonshire	2.0%	68,120
113,930	West Lothian	3.3%	114,675
3,484,200	Total	100%	3,484,200

Note that in the CIES this value is split between revenue (£3.390m) and capital grant (£0.094m) income.

Note 16: Retirement Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The scheme for employees is Strathclyde Pension Fund, which is administered by Glasgow City Council. This is a funded defined benefit scheme, meaning that the Joint Committee and its employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

16a: Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Joint Committee in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions.

The following transactions have been made in the accounting statements in 2018/19:

2017/18 £		2018/19 £
	Comprehensive Income & Expenditure Statement (CIES)	
900,000	Current service cost	1,050,000
0	Past service cost/(gain)	223,000
900,000		1,273,000
	Financing & Investment Income & Expenditure	
127,000	Net Interest	50,000
1,027,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	1,323,000
	Other post employment benefit charged to the CIES	
(84,000)	Return on assets excluding amounts included in net interest	(486,000)
(3,687,000)	Actuarial (gains) and losses arising on changes in financial assumptions	1,889,000
(3,771,000)	Total Actuarial (gains) and losses	1,403,000
(2,744,000)	Total post employment benefit charged to the CIES	2,726,000
	Movement in Reserves Statement	
3,232,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(2,180,000)
488,000	Employers Contributions paid to Strathclyde Pension Fund	546,000

Current service cost is the cost of future entitlements to pension payments to current employees.

Past service cost is the estimated increase in liabilities arising from current year decisions that relates to years of service earned prior to this year. For 2018/19 this includes an estimate for the impact of potential removal of transitional arrangements (McCloud/Sargeant) amounting to £0.223m.

Net Interest is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

The net change in the pension liability is recognised in the Movement in Reserves Statement for pension payments made by the Joint Committee to the Strathclyde Pension Fund during the year.

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2018/19 these amounted to £21,202 (2017/18 £20,620).

16b: Assets and liabilities in relation to retirement benefits

A reconciliation of the Joint Committee's share of the present value of Strathclyde Pension Fund's liabilities is as follows:

2017/18 £000		2018/19 £000
18,493	Opening present value	16,187
900	Current service cost	1,050
0	Past service cost	223
492	Interest cost	455
173	Contributions from employees	194
	Remeasurement (gains)/losses:	
(3,687)	Actuarial (gains)/losses arising from changes in financial assumptions	1,889
(184)	Benefits Paid	(210)
16,187	Balance as at 31 March	19,788

A reconciliation of the Joint Committee's share of the fair value of Strathclyde Pension Fund's assets is as follows:

2017/18 £000		2018/19 £000
13,820	Opening Fair Value	14,746
365	Interest Income	405
	Remeasurement gain/(loss):	
84	Return on assets excluding amounts included in net interest	486
488	Contributions from employer	546
173	Contributions from employees	194
(184)	Benefits Paid	(210)
14,746	Closing fair value of scheme assets	16,167

16c: Fund history

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present Value of Liabilities	(13,549)	(12,980)	(18,493)	(16,187)	(19,788)
Fair value of assets	10,089	10,785	13,820	14,746	16,167
Surplus/(deficit) in the Fund	(3,460)	(2,195)	(4,673)	(1,441)	(3,621)

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

The total liability of £3.621m has a significant impact on the net worth of the Joint Committee, as recorded in the Balance Sheet. However, any deficit on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

16d: Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2017/18 and 2018/19.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2019 is £0.546m.

16e: Basis for estimating assets and liabilities

The Joint Committee's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, which estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2017.

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

2017/18 £000		%	2018/19 £000
5,172	Equity instruments	35.1%	5,671
463	Debt instruments (bonds)	3.1%	507
1,335	Real Estate	9.1%	1,464
6,284	Investment Funds and Unit Trusts	42.6%	6,891
1,491	Cash and Cash Equivalents	10.1%	1,634
14,746	Total	100.0%	16,167

The principal assumptions used by the actuary have been:

2017/18	Mortality assumptions	2018/19
	Longevity at 65 for current pensioners	
21.4 years	Men	21.4 years
23.7 years	Women	23.7 years
	Longevity at 65 for Future pensioners	
23.4 years	Men	23.4 years
25.8 years	Women	25.8 years
	Other assumptions	
3.6%	Rate of increase in salaries	3.7%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%
	Take-up of option to convert annual pension into	
50.0%	Pre April 2009 service	50.0%
75.0%	Post April 2009 service	75.0%

Note 17: Contingent Liabilities

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster

rate for women; however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

Strathclyde Pension Fund's actuary has carried out calculations and estimates that the potential impact of GMP indexation would be an increase in the pension liability of approximately £0.095m for Scotland Excel. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

Note 18: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 18, the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however, a summary of those with the most significant effect is detailed below.

Leases	An analysis of the terms of the lease for the office accommodation at Renfrewshire House has concluded that it is an operating lease.
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Note 19: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the Joint Committee's transactions for the 2018/19 financial year and its financial position as at 31 March 2019. The Joint Committee is required to prepare Annual Accounts by the Local Authority (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires these accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Code is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and is designed to give a true and fair view of the financial performance of the Joint Committee.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the valuation of pension assets and liabilities where appropriate. The Annual Accounts have been prepared on a going concern basis.

Materiality refers to a level of information or value of such significance that it could influence the decisions or assessments of users of the Annual Accounts by its presence or omission.

B Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- revenue from the provision of services is recognised when the Joint Committee has satisfied the performance obligation and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- expenditure in relation to services received (including services provided by employees) is recorded when the service is received rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to the CIES for the income that might not be collected.

C Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material misstatement or omission discovered in prior period figures are corrected retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

D Contingent Liabilities

Contingent liabilities are disclosed in the accounts, but not recognised in the Balance Sheet, in circumstances where:

- an event has taken place that gives Scotland Excel a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Joint Committee; or
- a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

E Employee Benefits

Benefits payable during employment

All salaries and wages earned up to the Balance Sheet date are included in the accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned, but not taken before the year end that employees may carry forward into the next financial year.

Post-employment benefits

The Joint Committee participates in the Local Government Pension Scheme (LGPS), administered by Strathclyde Pension Fund. The LGPS is accounted for as a defined benefit scheme and in accordance with International Accounting Standard 19 (IAS19) the Joint Committee has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the payment will be many years into the future.

This involves the recognition in the Balance Sheet of the Joint Committee's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve.

The liabilities of the Strathclyde Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the Strathclyde Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

The Comprehensive Income and Expenditure Statement (CIES) also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The change in the net pension liability is analysed into the following components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the amount payable by the Joint Committee to be amount paid directly to pensioners in the year,

not the amount calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

F Events after the Balance Sheet date

Events after the balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the accounts are authorised for issue.

There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period and the accounts are adjusted to reflect such events; and
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period and the accounts are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the accounts.

G Government Grants and other Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Joint Committee when there is reasonable assurance that:

- the Joint Committee will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Joint Committee are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the CIES.

H Leases

Operating Leases: Joint Committee as Lessee

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease). The risks and rewards of ownership remain with the lessors along with the title of the property.

I Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Plant, furniture and computer equipment costing less than £9,000 are not treated as fixed assets. This de minimis level does not apply where certain categories of these assets are grouped together and form part of an approved capital programme.

Assets are then carried in the Balance Sheet using the depreciated replacement cost.

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated, an impairment loss is recognised for the shortfall and the carrying amount of the asset is written down in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the CIES, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Depreciation

Depreciation is provided for on all Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. For ICT and office equipment, this is calculated on a straight-line basis over 5 years. Depreciation is not charged until the year following the purchase of an asset.

J Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Joint Committee as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Joint Committee.

Intangible assets are measured initially at cost.

Amounts are revalued where the fair value of the assets held can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Revenue Reserve. The gains and losses are therefore reversed out of the Revenue Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and a Capital Receipts Reserve.

All capital expenditure is charged to the constituent authorities, meaning that the Joint Committee has no requirement to borrow. A notional capital grant

(allocated from requisition income) is applied to the CIES in the year of spend and removed from any impact on the Revenue Reserve through the Movement in Reserves Statement.

Software costing less than £9,000 is not treated as an intangible asset and is charged to the CIES. This de minimis does not apply where certain categories of assets are grouped together.

K Reserves

Reserves are classified under accounting regulations into two categories: usable reserves, which are available to spend; and unusable reserves, which are unrealised net gains or losses that have a deferred impact on the Joint Committee.

Usable Reserves

The Revenue Reserve represents surplus funds held by the Joint Committee, which are ultimately repayable to the member authorities in the same allocation proportions as the requisitions. Balances accumulated from Project activity are distributable only to participating authorities.

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council; these reserves are explained in the Unusable Reserves note.

L Value Added Tax (VAT)

Income and expenditure exclude any amount relating to VAT, as all VAT collected is payable to HM Revenue & Customs (HMRC) and all VAT paid is recoverable from them.

