

## **Scotland Excel**

**To: Executive Sub-Committee**

**On: 18 November 2022**

**Report by:  
The Treasurer**

### **Annual Audit Report on the Annual Accounts 2021/22**

#### **1. Summary**

- 1.1 At the Joint Committee meeting on 17 June 2022, a report on the Unaudited Annual Accounts for the year ended 31 March 2022 was noted.
- 1.2 The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts to be approved for signature no later than 30 September each year. For 2021/22, the Local Government Finance Circular 6/2022: Extension to Accounts Approval and Publication Dates for 2021-22 provided flexibility to this deadline, extending it to 30 November.
- 1.3 Section 10 of the Local Authority Accounts (Scotland) Regulations 2014 requires the relevant committee to consider any report made by the appointed auditor before deciding whether to sign the audited accounts.
- 1.4 The findings of the appointed auditor, Audit Scotland, are presented in the Annual Audit Report, which can be found at Appendix 1. It includes 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 2022, as well as details of adjustments made to the accounts during the course of the audit.
- 1.5 Following approval, the audited accounts will be submitted to the Convener, Treasurer and Chief Executive for secure digital signature.

## **2. Background**

- 2.1 The Unaudited Annual Accounts for 2021/22 were submitted to Audit Scotland by the statutory deadline of 30 June 2022. The external auditor is required to provide an opinion about whether the financial statements are free from material misstatement.
- 2.2 The Annual Audit Report (Appendix 1) outlines this opinion, and highlights specific risk areas identified by the auditor during planning, as follows:
- Risk of material misstatement due to fraud caused by management override of controls; and
  - Measurement and judgements applied to the valuation of pension liabilities.
- 2.3 Pages 9 to 10 of the report at Appendix 1 presents how, in each of these areas, the result of audit testing was satisfactory.
- 2.4 In addition to the numerical adjustments noted in paragraph 27 of Appendix 1, there were other minor and presentational changes.
- 2.6 Audit Scotland officers will attend the meeting of the Executive Sub-Committee to present the appended Annual Audit Report 2021/22.
- 2.7 Core reserves ended the year with £0.246m, representing 5.5% of costs; and Projects reserves ended the year with a balance of £1.113m. Project reserves are not used to fund the core activity of Scotland Excel, but rather represent net income carried forward to fund committed project activity that is due to take place in 2023/24 and beyond.

## **3. Recommendations**

The Committee is asked to:

- 3.1 Note the findings of the 2021/22 audit as contained in the external auditor's Annual Audit Report (Appendix 1); and
- 3.2. Approve the Scotland Excel 2021/22 Audited Annual Accounts (Appendix 2) for signature.

102 West Port  
Edinburgh EH3 9DN

8 Nelson Mandela Place  
Glasgow  
G2 1BT

The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

**T:** 0131 625 1500

**E:** [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

**www.audit-scotland.gov.uk**



## **Scotland Excel Executive Sub-Committee**

**18 November 2022**

### **Scotland Excel**

#### **Audit of 2021/22 annual accounts**

##### **Independent auditor's report**

1. Our audit work on the 2021/22 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 18 November 2022 (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 Scotland Excel Executive Sub-Committee's consideration our draft annual report on the 2021/22 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 in 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 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 Treasurer**

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.

# Scotland Excel

2021/22 Annual Audit Report - PROPOSED



 AUDIT SCOTLAND

Prepared for Scotland Excel Executive Sub-Committee and the Controller of Audit  
November 2022

---

# Contents

---

Key messages	3
Introduction	4
Part 1. Audit of 2021/22 annual accounts	7
Part 2. Financial sustainability and Annual Governance Statement	12
Appendix 1. Action plan 2021/22	15
Appendix 2. Summary of 2021/22 national performance reports and briefing papers	16

---

# Key messages

---

## 2021/22 annual accounts

- 1 Scotland Excel's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 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

- 3 A surplus of £0.340 million for the financial year 2021/22 was achieved, compared to a budgeted breakeven position.
- 4 The audited Annual Accounts confirm a useable reserves balance of £1.359 million as at 31 March 2022. Reserves of £1.113 million are ring-fenced for continuing 2022/23 project delivery and £0.246 million are uncommitted.
- 5 The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.
- 6 Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

---

# Introduction

---

1. This report summarises the findings from our 2021/22 audit of Scotland Excel.
2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 22 April 2022 meeting of the Executive Sub-committee. This report comprises the findings from:
  - an audit of the Scotland Excel's annual accounts
  - our consideration of financial sustainability and the 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
  - sharing intelligence from our wider work programme with management and facilitating discussions with Audit Scotland colleagues in areas where Scotland Excel operates
  - sharing learning from our experiences of working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2021/22 accounts
  - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
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. Scotland Excel 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. Scotland Excel 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. Also, local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on Scotland Excel's Best Value arrangements is focussed on their use of resources to secure financial sustainability.



**7.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**8.** The [Code of Audit Practice 2016](#) 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 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the [Code of Audit Practice 2016](#) to the 2021/22 audit.

**9.** This report raises matters from our audit. 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.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

## Auditor Independence

**11.** Auditors appointed by the Accounts Commission or Auditor General must comply with the [Code of Audit Practice 2016](#) and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £6,320 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to both Scotland Excel and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**14.** External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**15.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Azets will be the appointed

auditor for Scotland Excel. We are working closely with the new auditors to ensure a well-managed transition.

**16.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the [Code of Audit Practice 2016](#) issued in May 2016.

**17.** We would like to thank Board members, the Chief Executive, the Treasurer and other staff, particularly those in finance for their co-operation and assistance over the last six years.

---

# Part 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

---

---

## Main judgements

Scotland Excel's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

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.

---

## Our audit opinions on the annual accounts are unmodified

**18.** The Annual Accounts for the year ended 31 March 2022 were approved by the Executive sub-committee on 18 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- 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.

## The annual accounts were signed off in line with the agreed timetable

**19.** The unaudited annual accounts were received in line with our agreed audit timetable on 18 June 2022. There has been limited impact of Covid-19 on the audit process during the continued period of remote / hybrid working.

**20.** 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.

## Overall materiality is £127,000

**21.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual

accounts, and it was concluded no changes were required to our planned levels. Materiality is summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£127,000
Performance materiality	£95,000
Reporting threshold	£6,000

Source: Audit Scotland

## We have one significant finding to report on the accounts

**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. We have one significant finding to report from the audit.

## Exhibit 2

### Significant findings from the audit of the financial statements

Issue	Resolution
<b>1. Guaranteed Minimum Pensions</b>  A contingent liability of £95,000 was originally disclosed in the unaudited financial statements in relation to Guaranteed Minimum Pensions (GMP). This should have been recognised within the overall pension liability. This adjustment also required to be amended in the prior year.	Management amended the 2021/22 financial statements to reflect the GMP liability and removed the contingent liability. The 2020/21 accounts were restated to reflect the prior year adjustment.

Source: Audit Scotland

**23.** There was one other audit finding in relation to related parties. Scotland Excel's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's [Good Practice Note](#). Scotland Excel's process for identifying related parties could be further improved by management:

- conducting a review of the register of interest of each Joint Committee member against a year-end transaction listing to identify any related party disclosures;
- consideration of the interests of close persons or family members of those related to Scotland Excel in the identification of related parties; and

- adding a link in the note to signpost to Joint Committee members Register of Interests.

**24.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> </ul> <p>Focussed testing of accounting accruals and prepayments.</p>	<p><b>Results &amp; Significant Judgements:</b></p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments identified error as detailed at paragraph 27 below.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p><b>Conclusion:</b> No evidence of management override of controls.</p>

#### Other areas of audit focus

**25.** We identified in our 2021/22 Annual Audit Plan one area where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk,

we did not consider these to represent significant risks. The area of specific audit focus was:

- **Measurement and judgements applied to the valuation of pension liabilities:** As at 31 March 2021, Scotland Excel recognised a net liability of £4.673 million relating to its share of the Strathclyde Pension Fund liability. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates.

**26.** We have kept this area under review throughout our audit and one issue has been raised in [Exhibit 2](#).

## **All identified misstatements have been corrected in the audited accounts**

**27.** The cumulative total of misstatements identified was £218,941 made up as follows:

- £95,000 in relation to the GMP issue highlighted in [Exhibit 2](#).
- Total debtors disclosed in the accounts were understated by £32,357.
- Total creditors disclosed in the accounts were understated by £32,357.
- Income/debtors in relation to a new build rebate was overstated by £21,294 due to the actual invoice received post year-end differing to the estimate calculated on preparation of accounts.
- Income/debtors in relation to a groceries and provisions rebate was understated by £10,068 due to the actual invoice received post year-end differing to the estimate calculated on preparation of accounts.
- Income in relation to consultancy services was understated by £27,865 due to the total invoice being incorrectly recognised in the 2022/23 financial year.

**28.** We have reviewed the nature and causes of these misstatements and tested all material items within the population. We have concluded that there is no risk of material misstatement within the remaining population. Adjustments made in the audited accounts were as follows:

- A decrease in the pension asset by £95,000 and a decrease in unusable reserves by £95,000.
- An increase in total creditors and debtors of £32,357 (before subsequent adjustment below) resulting in a nil impact on the overall year-end position.
- An increase in income and debtors of £16,639, increasing the net surplus as at 31 March 2022.

**29.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all

identified misstatements above our reporting threshold; there are no unadjusted errors to report.

# Part 2. Financial sustainability and Annual Governance Statement

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

## Main judgements

A surplus of £0.340 million for the financial year 2021/22 was achieved, compared to a budgeted breakeven position.

The audited annual accounts for 2021/22 confirm a useable reserves balance of £1.359 million as at 31 March 2022.

## Audit work has addressed the wider scope risks identified in our Annual Audit Plan

**30.** [Exhibit 4](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

## Exhibit 4

### Risks identified from the auditor's wider responsibility under the [Code of Audit Practice 2016](#)

Audit risk	Assurance procedure	Results and conclusions
<b>Financial Sustainability</b> 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. The audited annual accounts for 2020/21 confirm a useable	Review of Scotland Excel's annual budget setting arrangements. Review and assessment of budget monitoring arrangements on financial position. On-going review of the Scotland Excel's financial position and delivery of planned savings.	<b>Results &amp; Significant Judgements:</b> A review of budget monitoring reports and the financial statements highlight reserves have increased by £0.340 million in year resulting in a year-end balance of £1.359 million. Uncommitted reserves amount to £0.246 million



Audit risk	Assurance procedure	Results and conclusions
<p>reserve balance of £1.019 million. Forecasts up to 2023/24 were included within the 2021/22 budget. The forecasts estimate a breakeven position in 2021/22 through to 2023/24. This position is based on a three per cent increase in requisition income for 2021/22 and two per cent in subsequent years. This position also assumes a project deficit of £0.152 million in 2021/22, with use of project reserves of £0.404 million.</p> <p>It is important that Scotland Excel updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p>		<p>which is in line with the minimum level of uncommitted reserves balance set by the Treasurer of 5%.</p> <p>In December 2021 the Board approved revenue estimates for 2022/23 and noted indicative budgets for 2023/24 and 2024/25. A balanced budget is predicted across the three years.</p> <p><b>Conclusion:</b> Scotland Excel continues to operate in a challenging financial climate, with uncertainty surrounding Covid-19 pandemic, Brexit, and inflation. Management should continue to review options and resources for the delivery of future services.</p>

## Financial performance in 2021/22

**31.** The Joint Committee approved the 2021/22 budget in December 2020. Budgeted income and expenditure for Core services was £4.460 million, resulting in a breakeven position. Budgeted income for Projects includes £0.404 million use of reserves and net expenditure of £0.152 million (i.e., the budgeted deficit from projects). Budgeted income from projects was £1.227 million and budgeted expenditure was £1.379 million, resulting in the project deficit of £0.152 million, with £0.252 million budgeted to be applied to core services.

**32.** Actual outturn for both core services and projects was expenditure of £6.189 million and income of £6.529 million, resulting in a surplus of £0.340 million. The main factors regarding variances are set out in the Management Commentary in the Annual Accounts.

**33.** The overall surplus of £0.340 million resulted in useable reserves increasing from £1.019 million in 2020/21 to £1.359 million as at 31 March 2022. Reserves of £1.113 million are ring-fenced for continuing 2022/23 project delivery and £0.246 million are uncommitted.

## Short term financial planning

**34.** The Joint Committee approved the 2022/23 budget in December 2021. Budgeted income and expenditure for Core services is £4.932 million, resulting in a breakeven position. Budgeted income for Projects is £2.111 million with expenditure of £1.936 million, resulting in a surplus of £0.175

million. A total of £0.286 million is budgeted to be transferred to core services, of which £0.111 million will be from use of project reserves.

**35.** Delivery of plans over the year is forecast to allow Scotland Excel to achieve a breakeven position in 2022/23. However, ongoing uncertainties including Covid-19, Brexit and inflation could have a significant impact on Scotland Excel's ability to achieve planned income and surpluses from projects.

## Medium to long term financial planning

**36.** We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

**37.** 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.

**38.** Forecasts up to 2024/25 were included within the 2022/23 budget. The forecasts estimate a breakeven position in 2022/23 through to 2024/25. This position is based on a three per cent increase in requisition income for 2022/23 and three per cent in subsequent years. This position also assumes a project deficit of £0.175 million in 2022/23.

**39.** From the work carried out, we have concluded that Scotland Excel has adequate financial planning arrangements in place. Cost pressures are expected to arise in the medium term. However, the financial planning arrangements in place have allowed management to plan for these pressures and ensure necessary actions are taken when required.

## Annual Governance Statement

**40.** Our review of the Annual Governance Statement assessed the assurances which are provided to the Executive sub-committee and management regarding the adequacy and effectiveness of the system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's assurance statement concluding that a 'reasonable level of assurance' can be placed upon the adequacy and effectiveness of Scotland Excel's internal control, risk management and governance arrangements.

**41.** 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.

## National performance audit reports

**42.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action / responsible officer / timing
<p><b>1. Related Parties</b></p> <p>Scotland Excel's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's Good Practice Note. Scotland Excel's process for identifying related parties could be improved by management.</p> <p><b>Risk</b> – not all related party transactions are identified and reflected within the financial statements.</p>	<p>The process could be further improved by management:</p> <ul style="list-style-type: none"> <li>conducting a review of the register of interest of each Joint Committee member against a year-end transaction listing to identify any related party disclosures</li> <li>consideration of the interests of close persons or family members of those related to Scotland Excel in the identification of related parties</li> <li>adding a link in the note to signpost to Joint Committee members Register of Interests</li> </ul>	<p>A full review of the Related Parties disclosure will be undertaken in light of good practice note and these recommendations.</p> <p>Responsibility: Treasurer</p> <p>Agreed date: 31 March 2023</p>
	<a href="#">Paragraph 22</a>	

# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

---

## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Scotland Excel

## 2021/22 Annual Audit Report - PROPOSED - PROPOSED

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# APPENDIX A: Proposed Independent Auditor's Report

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

## Reporting 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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including Summary of Significant Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of Scotland Excel as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six years. I am independent of Scotland Excel 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. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Scotland Excel's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on Scotland Excel's current or future financial sustainability. However, I report on Scotland Excel's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## **Responsibilities of the Treasurer and the Scotland Excel 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 there is an intention to discontinue Scotland Excel's operations.

The Scotland Excel 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how Scotland Excel is complying with that framework;
- identifying which laws and regulations are significant in the context of Scotland Excel
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Scotland Excel's controls, and the nature, timing and extent of the audit procedures performed.



Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

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

### **Other information**

The Treasurer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

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, including those in respect of Best Value, 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  
Senior Audit Manager  
Audit Scotland  
4th Floor Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT



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

Dear Mark

## **Scotland Excel**

### **Annual report and accounts 2021/22**

### **Letter of Representation (ISA 580)**

1. This representation letter is provided about your audit of the annual accounts of Scotland Excel for the year ended 31 March 2022 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 Scotland Excel's Chief Executive and the 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 2022.

#### **General**

3. Scotland Excel and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 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.

4. I confirm that there are no unadjusted errors or any uncorrected misstatements other than those reported by you.



Renfrewshire House  
Cotton Street, Paisley PA1 1AR  
**Tel:** 0141-488-8230  
**Email:** [contactus@scotland-excel.org.uk](mailto:contactus@scotland-excel.org.uk)  
**Web:** [www.scotland-excel.org.uk](http://www.scotland-excel.org.uk)

## **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (2021/22 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.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scotland Excel at 31 March 2022 and the transactions for 2021/22.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2021/22 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.

8. 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**

9. 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**

10. All assets at 31 March 2022 of which I am aware have been recognised in the annual accounts.

11. I carried out an assessment at 31 March 2022 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

14. All liabilities at 31 March 2022 of which I am aware have been recognised in the annual accounts.

15. The accrual recognised in the financial statements for holiday untaken by 31 March 2022 has been estimated on a reasonable basis.

16. 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.

17. 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**

18. There are no significant contingent liabilities, other than those disclosed in Note 16 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 2021/22 and IAS 37.

## **Fraud**

19. 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**

20. 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**

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2021/22 accounting code. I have made available to you the identity of all the Scotland Excel's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

22. 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**

23. 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**

24. I confirm that the Scotland Excel has undertaken a review of the system of internal control during 2021/22 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.

25. 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 2022, which require to be reflected.

## **Events Subsequent to the Date of the Balance Sheet**

26. All events subsequent to 31 March 2022 for which the 2021/22 accounting code requires adjustment or disclosure have been adjusted or disclosed.

This letter was considered at the meeting of the Scotland Excel Executive Sub-Committee held on 18 November 2022.

Yours sincerely

Alastair MacArthur

Treasurer



Annual Accounts  
2021/22

## CONTENTS

Management Commentary.....	1
Statement of Responsibilities .....	10
Annual Governance Statement.....	11
Remuneration Report .....	14
Independent Auditor’s Report .....	16
Comprehensive Income and Expenditure Statement .....	20
Movement in Reserves Statement.....	21
Balance Sheet .....	22
Note 1: Expenditure and Funding Analysis .....	23
Note 2: Prior Year Restatement .....	24
Note 3: Accounting Standards Issued not Adopted .....	24
Note 4: Transfers to / from Earmarked Reserves.....	25
Note 5: Unusable Reserves .....	26
Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations .....	27
Note 7: Intangible Assets .....	28
Note 8: Plant and Equipment.....	28
Note 9: External audit costs .....	28
Note 10: Debtors .....	28
Note 11: Creditors .....	28
Note 12: Operating Leases.....	28
Note 13: Events after the balance sheet date.....	29
Note 14: Related parties .....	29
Note 15: Retirement Benefits .....	29
Note 16: Contingent Liabilities.....	32
Note 17: Summary of Significant Accounting Policies.....	33
Note 18: Critical Judgements in Applying Accounting Policies .....	37
Note 19: Assumptions made about the future .....	38



## Management Commentary

The purpose of the Management Commentary is to present an overview of Scotland Excel's financial performance during the year 2021/22 and to help readers understand its financial position at 31 March 2022. In addition, it outlines the main risks and uncertainties facing the organisation for the financial year 2021/22 and beyond.

## Structure

Scotland Excel is a Joint Committee constituted by Scottish local authorities and formed under Section 57 of the Local Government (Scotland) Act, 1973 for the purpose of regulating the joint discharge of the functions by the Constituent Authorities.

Scotland Excel is governed by three groups of stakeholders drawn 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.

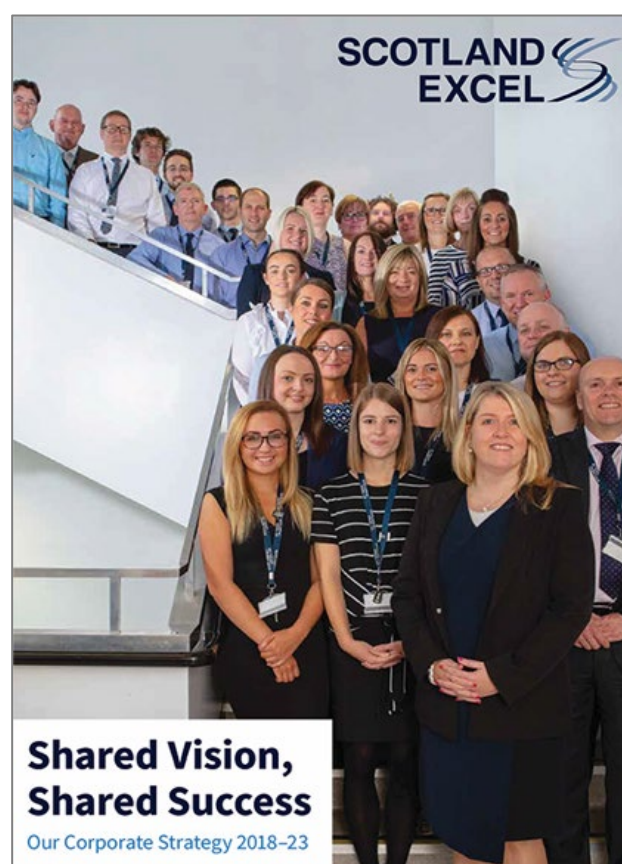
The **Executive Sub-Committee** is a sub-group of Elected Members from the Joint Committee who meet regularly to approve contract awards and other business decisions.

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 Employee Forum that facilitates employee engagement, as well as leading the organisational Healthy Working Lives programme and organising charity and social events.

## Strategic Aims

The Scotland Excel 2018-23 Strategy, "Shared Vision, Shared Success", sets out how we plan to raise our game further, providing even greater support to councils and other public and third 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: <https://home.scotland-excel.org.uk/about-us/our-goals/>



The current Scotland Excel Strategy Map is detailed below.



## 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 underpins innovative solutions for our customers	Our customers receive a measurable return on investment through savings
Our expertise leads to 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	2: Being sustainable in everything we do	3: Placing people at the heart of our business	4: Driving sustainable and scalable growth
<b>Strategic objectives:</b>	<b>Strategic objectives:</b>	<b>Strategic objectives:</b>	<b>Strategic objectives:</b>
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	2.1 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	3.1 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	4.1 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

Scotland Excel has commenced consulting with stakeholder groups on the next 5-year strategy for the organisation which will run from April 2023 to March 2028. The Strategy will be presented to the Joint Committee of Scotland Excel for approval in December 2022.

## COVID-19 Pandemic

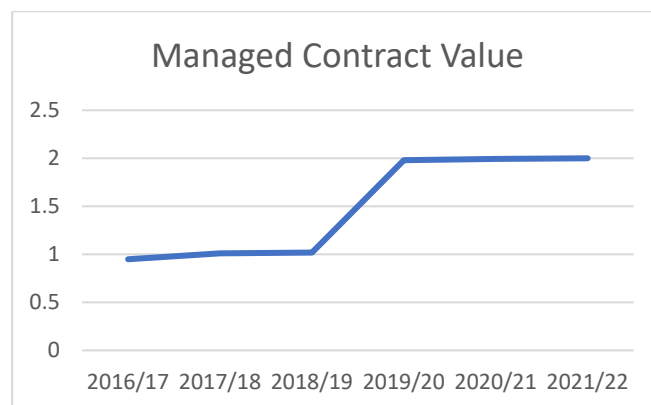
In March 2020, the United Kingdom Government issued detailed guidance in relation to measures that should be undertaken by organisations to restrict the spread of the COVID-19 virus. From that point, Scotland Excel started to deliver a full range of services to its customers via remote working for all employees and in line with government guidelines. While initially, the response to Covid-19 presented significant challenges in operating arrangements for Scotland Excel, within a very short time much of the direct activity and relationship building with our members and suppliers carried out by the organisation was adapted to online platforms. A full range of services continued to be successfully delivered throughout 2021/22.

While the COVID-19 pandemic continues to present significant financial and operational challenges for Scotland Excel and the wider local government sector, continued prudent financial management of income and expenditure has allowed the small deficit of (£3K). Financial governance for Scotland Excel continues to be maintained with regular budget monitoring reports presented to the Executive Sub Committee ensuring members are kept fully aware of the financial position on an on-going basis.

## Performance

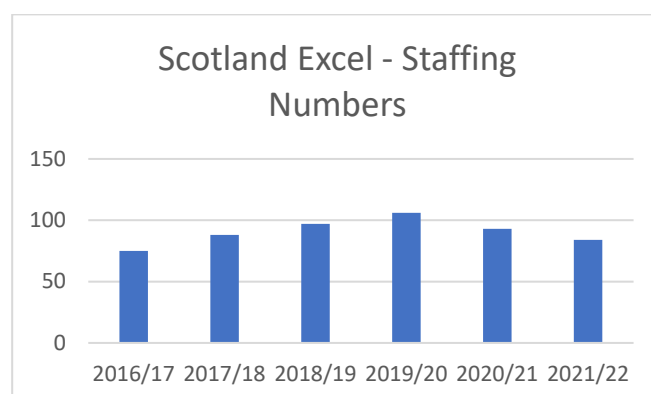
### Review of the Year

During 2021/22, Scotland Excel continued to deliver against target outcomes detailed within the organisation's "Shared Vision, Shared Success Corporate Strategy" document for 2018-23. For financial year 2021/22, Scotland Excel concluded 13 national frameworks with an overall anticipated value of almost £1.4bn bringing the estimated total value of the contract portfolio managed and administered by Scotland Excel to c£2bn. The graph that follows shows the rise in estimated value of the managed contract portfolio administered by Scotland Excel over the past 6 years.



Following the recruitment freeze initiated by Scotland Excel in 2020/21 and 2021/22 in order to manage resources during the pandemic, a comprehensive Workforce Development Plan followed by a multi-media recruitment campaign was undertaken by the organisation which will continue in to 2022/23. It is anticipated that staffing levels will return to pre-pandemic levels by mid-2022.

The graph below tracks Scotland Excel Staffing Numbers over the past 6 years.



### Contract Rebates

The use of volume Contract Rebates within appropriate contracts was approved by Scotland Excel at the June 2018 Joint Committee. As part of the internal contract governance process, the applicability of the inclusion of rebates is now standard practice within the organisation.

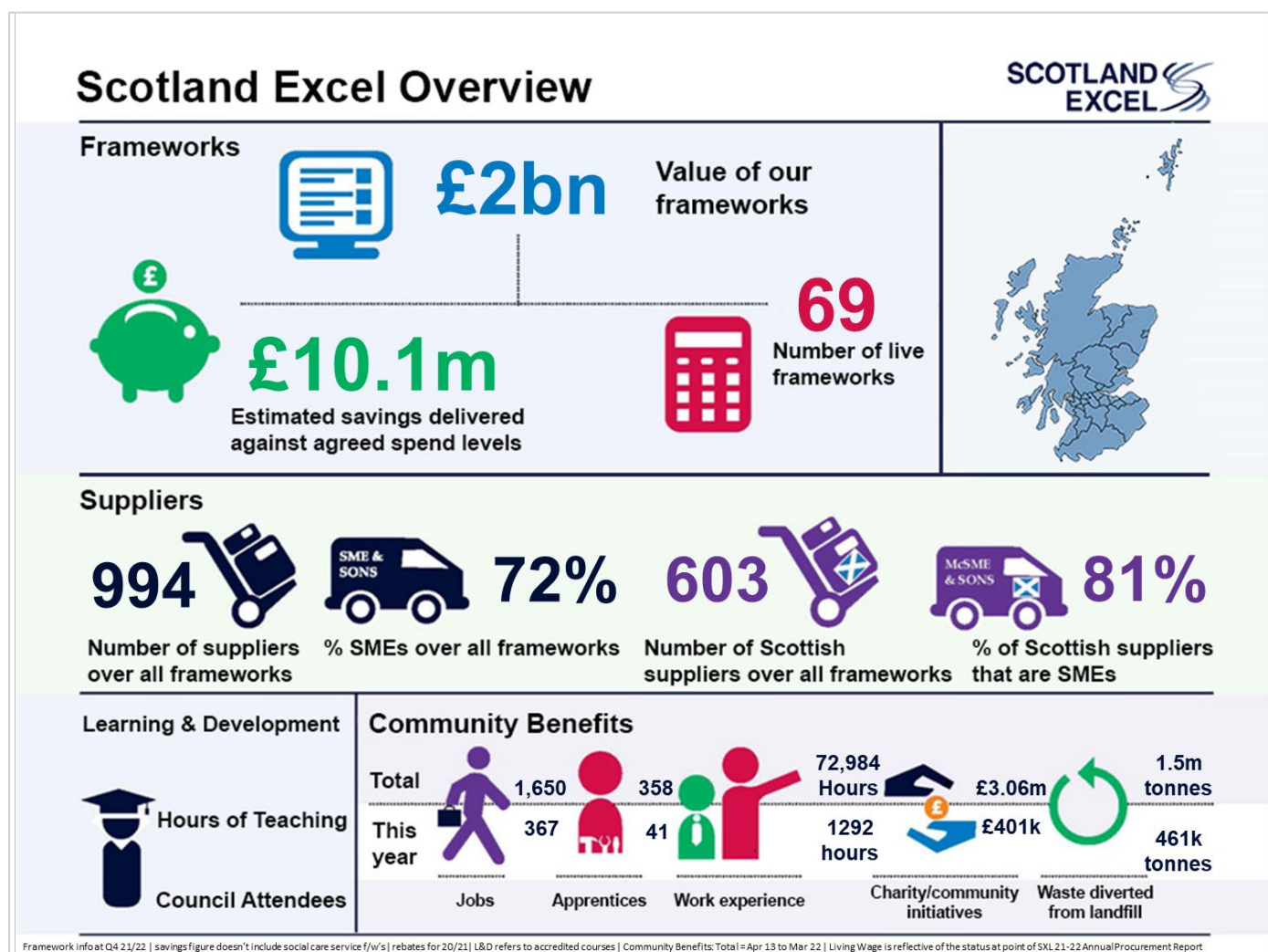
Income from Contract Rebates was budgeted within the core operating budget to deliver a contribution of £213k to core operating costs in financial year 2021/22. This figure has been achieved.

The number of Scotland Excel frameworks with built in rebates increases during financial year 2022/23.

The contribution from Contract Rebates to core operating costs during 2022/23 is budgeted to achieve £543k.

## Key Performance Indicators

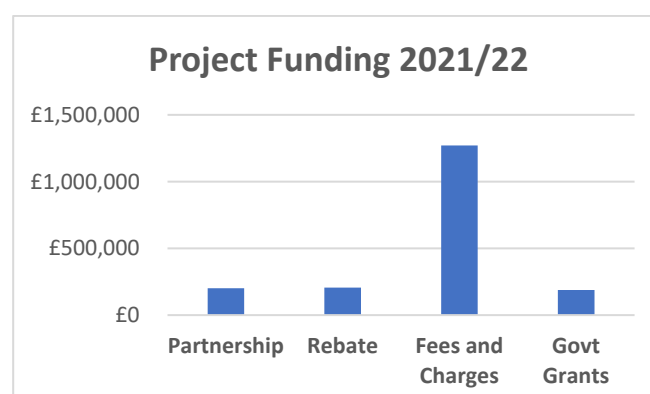
The following Infographic provides an overview of Key Performance Indicators (KPI) for the period 1 April 2020 to 31 March 2021. KPI information for 2021/22 is not yet available at time of writing.



## Consultancy

During 2021/2022, Scotland Excel has been working closely with a range of Public, Higher Education, Third and Government sector organisations delivering procurement related projects 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, contractual rebate, and specific project fees for individual projects.

Sources and levels of project funding for 2021/22 are shown in the chart below.



In total, 16 projects were delivered by Scotland Excel during 2021/22, generating a turnover in excess of £1.8million and achieving a contribution to core running costs of £252,000.

The Flexible Procurement project continued to develop during 2021/22 generating an annual turnover of c£139k. This project team is available for members to purchase specific procurement activity they wish to be carried out by Scotland Excel.

Members who requested additional procurement services from the Flexible Procurement Team during 2021/2022 included a number of local authorities, Glasgow Life, Scottish Enterprise and Cairn Housing association.

## Learning and Development

The Academy is Scotland Excel's award-winning learning and development service. It provides several blended learning programmes in partnership with industry leaders such as Chartered Institute of Procurement & Supply (CIPS), Chartered Management Institute (CMI) and Association of Project Management (APM). The Academy currently has 170 active learners engaged in accredited programmes and nearly 500 have participated in non-accredited one day development workshops.

While the Covid-19 pandemic had a significant initial impact on the Academy during 2020/21, performance during 2021/22 has improved greatly and has bounced back to pre-COVID levels of participation.

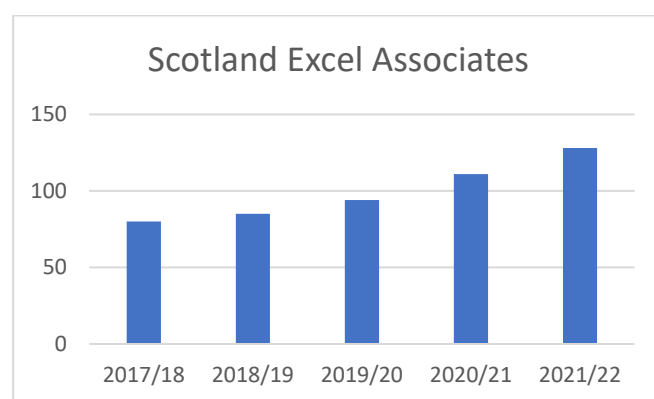
In addition to its on-going range of Procurement, Leadership and Management, and Project Management courses, during 2021/22, the Scotland Excel Academy was successful in being awarded a contract under the Scottish Government Procurement and Commercial Training Framework.

## Associate Membership Expansion

Scotland Excel continues to build its portfolio of Associate Members, which currently number 128 in

total. Associate Members are made up of 25 Arm's Length External Organisations (ALEOs), who gain associate membership through their host local authority. A further 103 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 five years.



The budgeted income target from Associates for 2021/22 was £180k. This figure has been exceeded with the contribution to Core from Associate members totaling £187k in 2021/22.

## New Build Housing

The uptake of the new build residential construction framework continues to be severely impacted by a range of factors including the Covid-19 pandemic, the emerging impact of Brexit and the on-going situation in Ukraine. Temporary closure of construction sites, scarcity, and resultant rising prices of raw materials and, reprioritisation of resources within local authorities have all contributed to a delay of c. 12-15 months on new build projects. However, the new build residential framework is now actively being used across the public sector as construction sites re-open with 18 projects already awarded, and a further 33 expected to be awarded over the course of 2022/23.

Extensive engagement continues to be undertaken with contractors, members, housing associations and other key stakeholders to support effective framework use.

While the anticipated budgetary contribution from the residential construction framework did not fully materialise during 2021/22, a contribution to Core running costs of £2k was achieved in addition to all operating costs for the framework being covered by rebate accrued. It is anticipated that the levels of contribution to Scotland Excel running costs will increase in future years albeit at a slower pace than originally projected.

## 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 2022. 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.

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 2022 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 overspend in 2021/22 of £3k against a budgeted breakeven position.

There was an overspend in Employee Costs (£40k) in the year, due in part to the pay settlement for 2021/22 being backdated to 1 January 2021.

This was offset by underspends in Transport Cost (£20k) and Supplies and Services (£70k), arising principally from staff working from home following lockdown restrictions.

The net result was an underspend in gross expenditure for 2021/22 of £13k.

Income from requisitions was fully recovered in the year, however Income from Projects was slightly under-recovered in Core owing to the postponement of a project in the year.

Scotland Excel's Projects ended the year at 31 March 2022 with a surplus of income over expenditure of £343k. This balance is committed for future Project spend, as outlined in Note 4: Transfers to / from Earmarked Reserves on page 25.

The Comprehensive Income and Expenditure Statement (CIES) on page 16 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 (£1,114k) and accrued employee benefits (£11k).

The difference between the Other Income figure below and the figure reported in the CIES is a Government Grant of £127k and interest receivable of £528.



The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 1: Expenditure and Funding Analysis on page 23.

	Core			Projects	Total
	Budget £	Actual £	Variance £	Actual £	Actual £
Employee Costs	3,652,000	3,691,692	(39,692)	1,331,815	5,023,507
Premises Related Costs	216,490	216,500	(10)	0	216,500
Transport Costs	20,000	208	19,792	29	237
Supplies and Services	291,610	221,827	69,783	405,480	627,307
Transfer Payments	14,000	13,872	128	4,479	18,351
Support Costs	266,100	271,925	(5,825)	0	271,925
Capital Charges	0	31,192	(31,192)	0	31,192
<b>Total Expenditure</b>	<b>4,460,200</b>	<b>4,447,216</b>	<b>12,984</b>	<b>1,741,803</b>	<b>6,189,019</b>
Requisitions from Member Authorities	(3,770,000)	(3,770,000)	0	0	(3,770,000)
Income from Projects	(297,000)	(273,873)	(23,127)	(1,953,428)	(2,227,301)
Other Income	(393,200)	(400,726)	7,526	(131,502)	(532,228)
<b>Total Income</b>	<b>(4,460,200)</b>	<b>(4,444,599)</b>	<b>(15,601)</b>	<b>(2,084,930)</b>	<b>(6,529,529)</b>
<b>Net Expenditure / (Income) for Year</b>	<b>0</b>	<b>2,617</b>	<b>(2,617)</b>	<b>(343,127)</b>	<b>(340,510)</b>

## The Balance Sheet at 31 March 2022

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 2022 to that of the prior year, an overall increase in net worth of the organisation of £2,923k can be seen. This is primarily due to the decrease in pension liability explained later.

Non-current assets held by the Joint Committee include IT equipment and software. Details can be found in Note 7: Intangible Assets and Note 8: Plant and Equipment on page 28.

### Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15: Retirement Benefits on page 29.

The appointed actuaries have confirmed a net liability position of £2,096k (£4,673k 2020/21), a decrease in liabilities of £2,577k, in their assessment of the position of the pension fund. This can be attributed to

market movements prompted by the pandemic and lockdowns, among other factors, which therefore affect the asset share value.

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. There was a triennial valuation of the Strathclyde Pension Fund in March 2020; however, no change to the employer contribution rate was proposed for Scotland Excel.

### Reserves

Scotland Excel holds a Revenue Reserve balance that comprises an uncommitted element to mitigate the impact of future cost pressures, along with balances specifically earmarked for the future delivery of Projects. Further detail on these balances can be

found in Note 4: Transfers to / from Earmarked Reserves on page 25. The closing balance on Usable Reserves at 31 March 2022 was £1,359k.

## Principal Risks and Uncertainty

Scotland Excel maintains a Strategic Risk Register to assess risk that could adversely impact on the delivery of organisational objectives and identifies actions currently being undertaken to control and mitigate the likelihood and impact of these risks. The Strategic Risk Register is reviewed quarterly by the organisation's Senior Management Team; it is presented twice per year to the Scotland Excel Executive Sub-Committee and annually to the Joint Committee.

Currently, there are eleven risks identified within the Scotland Excel Strategic Risk Register including a strategic risk added in April 2020 in relation to the COVID-19 pandemic named "SXL010-21/22 National Emergency including Pandemic". This risk identifies

the organisational risk posed by such events, identifying corporate actions aimed at mitigating the current impact on the organisation in addition to learning from the impact of COVID-19 and putting in place appropriate risk controls for any similar future events. At the Strategic Risk review meeting in April 2021, the residual risk score of this risk was reduced to 15 from 20 in light of mitigating actions put in place by the organisation.

Other factors taken into consideration by Scotland Excel when reviewing the risk register over the year included Brexit; recruitment challenges within the procurement sector; continuing financial uncertainty across local government; the introduction by the Scottish Government of the National Care Service (NCS); the increasing importance of corporate social responsibility including environmental considerations within our contract strategies, and the increasing size of the Scotland Excel contract portfolio.

The table below summarises all Strategic Risk identified during 2021/22 and details the residual risk score allocated to each following quarterly review.

Risk Ref.	Risk Title	Risk Score at 31 March 2022	Risk Score at 31 March 2021
SXL005-21/22	Supplier Failure	20	20
SXL011-21/22	National Care Service	20	n/a
SXL003-21/22	Political Change	16	16
SXL006-21/22	Staff Recruitment and Retention	16	9
SXL010-21/22	National Emergency including Pandemic	15	15
SXL001-21/22	Organisational Sustainability	15	15
SXL009-21/22	Environmental Impact and Climate Change	12	6
SXL002-21/22	Managing Growth and Diversity	12	12
SXL004-21/22	Reputational Risk	12	12
SXL008-21/22	Risk of Not Performing/Delivering	8	8
SXL007-21/22	Corporate Social Responsibility	6	6

## Outlook and Future Plans

While 2021/22 presented a range of continuing challenges for Scotland Excel, the organisation has performed well during the year both financially and operationally. As the country and the economy begin to recover from the pandemic, operations within Scotland Excel continue to be delivered to a high standard. Revised plans have been put in place for income streams adversely affected by COVID-19 and the Consultancy project pipeline is developing positively, supporting financial performance plans for 2022/23. While the sector adapts to operating within a post COVID-19, post Brexit environment, Scotland Excel will continue to work with its partners to ensure that on-going service delivery requirements for public services are met and exceeded and that best value is achieved.

## 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 either by writing to: Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR, by emailing us on: [contactus@scotland-excel.org.uk](mailto:contactus@scotland-excel.org.uk), or by telephoning 0141 488 8230.

**Councillor John Shaw**  
Convener

**Alastair MacArthur**  
Treasurer

**Julie Welsh**  
Chief Executive



# 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 designated officer is Renfrewshire Council's Director of Finance and Resources, who is also the Treasurer of Scotland Excel;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure that 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 18 November 2022.

Signed on behalf of Scotland Excel.

**Councillor John Shaw**  
Convener

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

- kept adequate accounting records that were up to date; and
- 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 2022.

**Alastair MacArthur**  
Treasurer

# 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 Procurement 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 Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Comprehensive policies and procedures for information security;
- Arrangements supported by a range of policies and guidelines in compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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 is 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 Renfrewshire Council's Chief Auditor.

## 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 Chief Executive, including the use of a self-assessment tool covering five key areas of governance:

- Service Planning and Performance Management;
- Internal Control Environment;
- Budgeting, Accounting and Financial Control;
- Risk Management and Business Continuity;
- Impact of coronavirus (COVID-19).

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

The Joint Committee's internal audit service is provided by the Lead Authority's Internal Auditors and operates in accordance with the Public Sector Internal Audit Standards. The Lead Authority conforms to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process.

The Council's 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 Council's 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. The review has not identified any significant governance issues to be reported on for 2021/22 and no actions arising for the 2020/21 governance statement that require to be reported on.

This governance framework has been in place throughout the year and has continued as programmed during the COVID pandemic through remote working. The risk of social distancing continuing and its potential impact on the governance arrangements continues to be reviewed and monitored through robust risk management arrangements.

## 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 Chief Executive provide 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**  
Convener

**Julie Welsh**  
Chief Executive

## 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

2020/21 Total Salary, fees and allowances £	Name	Post Held	2021/22 Total Salary, fees and allowances £
114,067	Julie Welsh	Chief Executive	115,377
93,917	Hugh Carr	Head of Strategic Procurement	95,172
93,917	Stephen Brannagan	Head of Customer & Business Services	95,172

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 Chief Executive'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 2022, 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 2021/22		Equivalent bandings for 2020/21
Up to £22,300	5.5%	Up to £22,200
£22,301 to £27,300	7.25%	£22,201 to £27,100
£27,301 to £37,400	8.5%	£27,101 to £37,200
£37,401 to £49,900	9.5%	£37,201 to £49,600
Over £49,901	12%	Over £49,601

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 1/49<sup>th</sup> 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 1/60<sup>th</sup> 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 2022		Change from 31 March 2021		2021/22	2020/21
		Pension	Lump Sum	Pension	Lump Sum		
		£000	£000	£000	£000	£	£
Julie Welsh	Chief Executive	29	2	3	0	22,268	21,662
Hugh Carr	Head of Strategic Procurement	20	0	3	0	18,368	18,173
Stephen Brannagan	Head of Customer & Business Services	13	0	3	0	18,368	18,172

## 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 2021/22, in bands of £5,000.

## Exit packages

The Joint Committee has not agreed any exit packages in 2021/22 or 2022/23.

2020/21 Number of employees	Remuneration Band	2021/22 Number of employees
3	£50,000 - £54,999	7
5	£55,000 - £59,999	1
0	£60,000 - £64,999	1
0	£65,000 - £69,999	1
2	£90,000 - £94,999	0
0	£95,000 - £99,999	2
1	£110,000 - £114,999	0
0	£115,000 - £119,999	1
11		13

**Councillor John Shaw**  
Convener

**Julie Welsh**  
Chief Executive

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

## Reporting 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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including Summary of Significant Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of Scotland Excel as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six years. I am independent of Scotland Excel 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. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Scotland Excel's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.



These conclusions are not intended to, nor do they, provide assurance on Scotland Excel's current or future financial sustainability. However, I report on Scotland Excel's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## **Responsibilities of the Treasurer and the Scotland Excel 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 there is an intention to discontinue Scotland Excel's operations.

The Scotland Excel 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how Scotland Excel is complying with that framework;
- identifying which laws and regulations are significant in the context of Scotland Excel
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Scotland Excel's controls, and the nature, timing and extent of the audit procedures performed.



Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

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

### **Other information**

The Treasurer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

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, including those in respect of Best Value, 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  
Senior Audit Manager  
Audit Scotland  
4th Floor Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

# Comprehensive Income and Expenditure Statement

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.

2020/21 (restated)			Note	2021/22		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
5,388,154	0	5,388,154	Employee Costs	6,148,176	0	6,148,176
216,500	0	216,500	Premises Related Costs	216,500	0	216,500
504,719	0	504,719	Supplies and Services	627,307	0	627,307
265,650	0	265,650	Support Costs	271,925	0	271,925
17,279	0	17,279	Transfer Payments	18,350	0	18,350
591	0	591	Transport Costs	237	0	237
17,762	0	17,762	Capital Charges	14,921	0	14,921
0	(1,858,582)	(1,858,582)	Income from Projects	0	(2,227,301)	(2,227,301)
0	(49,000)	(49,000)	Government Grants	0	(127,547)	(127,547)
0	(269,717)	(269,717)	Other Income	0	(404,154)	(404,154)
<b>6,410,655</b>	<b>(2,177,299)</b>	<b>4,233,356</b>	<b>Cost of Services</b>	<b>7,297,416</b>	<b>(2,759,002)</b>	<b>4,538,414</b>
			<b>Financing and Investment Income and Expenditure</b>			
0	(1,086)	(1,086)	Interest receivable	0	(528)	(528)
51,000	0	51,000	Pension interest cost 15	105,000	0	105,000
			<b>Taxation and Non-Specific Grant Income</b>			
0	(3,660,500)	(3,660,500)	Requisitions from Member Authorities 14	0	(3,770,000)	(3,770,000)
<b>6,461,655</b>	<b>(5,838,885)</b>	<b>622,770</b>	<b>Deficit on the provision of services</b>	<b>7,402,416</b>	<b>(6,529,530)</b>	<b>872,886</b>
			<b>Other Comprehensive Income and Expenditure</b>			
		2,146,000	Actuarial (Gains) or losses on pension assets and liabilities 15			(3,796,000)
		<b>2,768,770</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(2,923,114)</b>

Note that figures in brackets represent income or gains and figures without brackets represent expenditure or losses. For details of the restatement, please refer to Note 2.

## Movement in Reserves Statement

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 2021		(1,018,619)	4,538,240	3,519,621
Total Comprehensive Income and Expenditure		872,886	(3,796,000)	(2,923,114)
Adjustments between accounting basis and funding basis under regulations	6	(1,213,397)	1,213,397	0
<b>Increase or (decrease) in year</b>		<b>(340,511)</b>	<b>(2,582,603)</b>	<b>(2,923,114)</b>
<b>Balance at 31 March 2022</b>		<b>(1,359,130)</b>	<b>1,955,637</b>	<b>596,507</b>

Comparative movements in 2020/21 (restated)	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2020		(998,294)	1,844,145	845,851
Total Comprehensive Income and Expenditure		527,770	2,146,000	2,673,770
Adjustments between accounting basis and funding basis under regulations	6	(548,095)	548,095	0
<b>Increase or (decrease) in year</b>		<b>(20,325)</b>	<b>2,694,095</b>	<b>2,673,770</b>
<b>Balance at 31 March 2021</b>		<b>(1,018,619)</b>	<b>4,538,240</b>	<b>3,519,621</b>

## Balance Sheet

The balance sheet shows the value as at 31 March 2022 of the assets and liabilities recognised by the Joint Committee. The net assets 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.

As at 31 March 2021 (restated) £		Note	As at 31 March 2022 £
108,264	Intangible Assets	7	95,298
5,864	Plant and Equipment	8	35,102
<b>114,128</b>	<b>Long-term Assets</b>		<b>130,400</b>
890,526	Funds held by Renfrewshire Council		873,054
412,266	Short-term Debtors and Prepayments	10	699,708
150	Cash in Hand		150
<b>1,302,942</b>	<b>Current Assets</b>		<b>1,572,912</b>
(358,691)	Creditors And Accruals	11	(298,819)
<b>(358,691)</b>	<b>Current Liabilities</b>		<b>(298,819)</b>
(4,673,000)	Pension (liability)/Asset	15	(2,096,000)
<b>(4,673,000)</b>	<b>Long Term Liabilities</b>		<b>(2,096,000)</b>
<b>(3,614,621)</b>	<b>Net Assets / (Liabilities)</b>		<b>(691,507)</b>
(1,018,619)	Usable Reserves	3	(1,359,130)
4,633,240	Unusable Reserves	4	2,050,637
<b>3,614,621</b>	<b>Total Reserves</b>		<b>691,507</b>

The unaudited accounts were issued on 17 June 2022 and the audited accounts were authorised for issue on 18 November 2022.

**Alastair MacArthur**  
Treasurer

## Note 1: Expenditure and 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.

2021/22	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	5,023,507		1,114,000	10,669	6,148,176
Premises Related Costs	216,500				216,500
Supplies and Services	627,307				627,307
Support Costs	271,925				271,925
Transfer Payments	18,351				18,350
Transport Costs	237				237
Capital Charges	31,192	(16,272)			14,921
Income from Projects	(2,227,301)				(2,227,301)
Government Grants	0			(127,547)	(127,547)
Other Income	(532,228)			128,075	(404,154)
<b>Cost of Services</b>	<b>3,429,490</b>	<b>(16,272)</b>	<b>1,114,000</b>	<b>11,197</b>	<b>4,538,414</b>
Other income and expenditure	(3,770,000)	0	105,000	(528)	(3,665,528)
<b>(Surplus) or deficit on the provision of service</b>	<b>(340,510)</b>	<b>(16,272)</b>	<b>1,219,000</b>	<b>10,669</b>	<b>872,886</b>

2020/21 (restated)	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,813,821		554,000	20,333	5,388,154
Premises Related Costs	216,500				216,500
Supplies & Services	504,719				504,719
Support Costs	265,650				265,650
Transfer Payments	17,279				17,279
Transport Costs	591				591
Capital Charges	0	17,762			17,762
Income from Projects	(1,858,582)				(1,858,582)
Government Grants	0			(49,000)	(49,000)
Other Income	(319,803)			50,086	(269,717)
<b>Cost of Services</b>	<b>3,640,175</b>	<b>17,762</b>	<b>554,000</b>	<b>21,419</b>	<b>4,233,356</b>
Other income and expenditure	(3,660,500)	0	51,000	(1,086)	(3,610,586)
<b>(Surplus) or deficit on the provision of service</b>	<b>(20,325)</b>	<b>17,762</b>	<b>605,000</b>	<b>20,333</b>	<b>622,770</b>

## Note 2: Prior Year Restatement

Guaranteed Minimum Pension (GMP) pension costs of £95k were incurred but not included in the prior year Primary Statements. This followed a court judgement relating to a contingent liability disclosed in the Annual Accounts 2020/21. A restatement has now been made in the 2020/21 results. In the CIES, Employee costs now include the additional £95k of past service costs charge. The effect on the CIES, presented on page, 16 is as follows:

CIES	Originally Stated at 31 March 2021 £	Restated as at 31 March 2021 £	Amount of Restatement £
Employee Costs	5,293,154	5,388,154	95,000
<b>Cost of Services</b>	<b>4,138,356</b>	<b>4,233,356</b>	<b>95,000</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>527,770</b>	<b>622,770</b>	<b>95,000</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>2,673,770</b>	<b>2,768,770</b>	<b>95,000</b>

The Code requires that a third Balance Sheet is presented for the beginning of the preceding financial year when a retrospective restatement affects opening balances. There is no impact on 2020/21 opening balances for this restatement. The effect on the 2020/21 Balance Sheet is as follows:

Balance Sheet	Originally Stated at 31 March 2021 £	Restated as at 31 March 2021 £	Amount of Restatement £
Pension (Liability) / Asset	(4,578,000)	(4,673,000)	(95,000)
<b>Net Assets / (Liabilities)</b>	<b>(3,519,621)</b>	<b>(3,614,621)</b>	<b>(95,000)</b>
Usable Reserves	(1,018,619)	(1,018,619)	0
Unusable Reserves	4,538,240	4,633,240	95,000
<b>Total Reserves</b>	<b>3,519,621</b>	<b>3,614,621</b>	<b>95,000</b>
<b>Net Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following restatement was also required for the Movement in Reserves Statement. The restated prior period Movement in Reserves Statement is provided with the current year information on page 21.

Usable Revenue Reserve	Originally Stated at 31 March 2021 £	Restated as at 31 March 2021 £	Amount of Restatement £
<b>Balance at 1 April 2020</b>	<b>(998,294)</b>	<b>(998,294)</b>	<b>0</b>
Total Comprehensive Income and Expenditure	527,770	622,770	95,000
Adjustments between accounting basis and funding basis under regulations	(548,095)	(643,095)	(95,000)
<b>Balance at 1 April 2021</b>	<b>(1,018,619)</b>	<b>(1,018,619)</b>	<b>0</b>

## 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 2022/23 Code: *IFRS 16: Leases*. Implementation has been deferred to 1 April 2024 and there is therefore no impact on the 2021/22 accounts. The impact in future years from the implementation of this standard is that any leased asset, along with the corresponding lease liability, will appear on the balance sheet.

## Note 4: Transfers to / from Earmarked Reserves

This note sets out the amounts transferred to and from Revenue and Project balances to meet expenditure in 2022/23 and beyond.

	Balance at 1 April 2021 £	Transfers out £	Transfers in £	Balance at 31 March 2022 £
Revenue Reserve - uncommitted balance	(249,401)	2,987	0	(246,414)
COSLA Project	0	0	(21,019)	(21,019)
The Academy	(24,746)	0	(67,575)	(92,321)
Affordable Housing Supply Programme	0	0	0	0
Community Wealth Building Project	0	0	0	0
Digital Transformation	(39,346)	19,822	0	(19,524)
Dumfries & Galloway Project	0	0	(82,081)	(82,081)
Early Learning and Childcare	0	0	(17,100)	(17,100)
East Lothian Project	(81,429)	54,062	0	(27,367)
East Renfrewshire Project	(39,965)	23,313	0	(16,652)
Hosted Procurement	(52,694)	0	(106,225)	(158,919)
Midlothian Project	(18,000)	18,000	0	0
National Care Home Contract	(104,166)	41,547	0	(62,619)
New Build Project	140,975	0	(52,902)	88,073
South Lanarkshire	0	0	(44,727)	(44,727)
Small Value Procurement	(428,578)	0	(216,272)	(644,850)
Stirling Council	(7,971)	0	(5,638)	(13,609)
Tayside Project	(113,298)	113,668	(370)	(0)
<b>Total Usable Reserves</b>	<b>(1,018,619)</b>	<b>273,399</b>	<b>(613,910)</b>	<b>(1,359,130)</b>

	Balance at 31 March 2022 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(246,414)	0	(246,414)	(a)
COSLA Project	(21,019)	(21,019)	0	(b)
The Academy	(92,321)	(92,321)	0	(b)
Digital Transformation	(19,524)	(19,524)	0	(b)
Dumfries & Galloway Project	(82,081)	(82,081)	0	(b)
Early Learning and Childcare	(17,100)	(17,100)	0	(b)
East Lothian Project	(27,367)	(27,367)	0	(b)
East Renfrewshire Project	(16,652)	(16,652)	0	(b)
Hosted Procurement	(158,919)	(158,919)	0	(b)
National Care Home Contract	(62,619)	(62,619)	0	(b)
New Build Project	88,073	88,073	0	(b)
South Lanarkshire	(44,727)	(44,727)	0	(b)
Small Value Procurement	(644,850)	(644,850)	0	(b)
Stirling Council	(13,609)	(13,609)	0	(b)
<b>Total Usable Reserves</b>	<b>(1,359,130)</b>	<b>(1,112,716)</b>	<b>(246,414)</b>	

## Notes

- a) The balance on the Revenue Reserve represents 5.5% of the Cost of Services in 2021/22 (6% in 2020/21);  
b) Balances are ring-fenced for continuing 2021/22 Project delivery.



## Note 5: 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.

2020/21 (restated) £	Pension Reserve	2021/22 £
1,922,000	Balance as at 1 April	4,673,000
2,146,000	Actuarial (gains) and losses on pension assets and liabilities	(3,796,000)
605,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,219,000
4,673,000	Balance as at 31 March	2,096,000

### 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.

2020/21 £	Employee Statutory Adjustment Account	2021/22 £
54,035	Balance as at 1 April	74,368
(54,035)	Reversal of prior year accrual for short-term accumulating compensated absences	(74,368)
74,368	Accrual for short-term accumulating compensating absences at 31 March	85,037
74,368	Balance as at 31 March	85,037

### Capital Adjustment Account

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.

2020/21 £	Capital Adjustment Account	2021/22 £
(131,890)	Balance as at 1 April	(114,128)
17,762	Charges for depreciation of non-current assets	14,920
0	Capital expenditure charged against Revenue balances	(31,192)
(114,128)	Balance as at 31 March	(130,400)

## Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserve was £1,213,397 more than the deficit shown in the Comprehensive Income and Expenditure Statement. The table below gives a breakdown of the differences between the income and expenditure included in the 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.

2021/22	Usable Reserves £	Unusable Reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Charges for depreciation of non-current assets	(14,920)	14,920
Capital expenditure charged against Revenue balances	31,192	(31,192)
<b>Adjustments primarily involving the Pension Reserve:</b>		
Net charges made for retirement benefits in accordance with IAS19	(1,855,000)	1,855,000
Employers contributions payable to the Strathclyde Pension Fund	636,000	(636,000)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>		
Net charges for employment short-term accumulating absences	(10,669)	10,669
<b>Total adjustments</b>	<b>(1,213,397)</b>	<b>1,213,397</b>

2020/21 (restated)	Usable Reserves £	Unusable Reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Charges for depreciation of non-current assets	(17,762)	17,762
<b>Adjustments primarily involving the Pension Reserve:</b>		
Net charges made for retirement benefits in accordance with IAS19	(1,211,000)	1,116,000
Employers contributions payable to the Strathclyde Pension Fund	606,000	(606,000)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>		
Net charges for employment short-term accumulating absences	(20,333)	20,333
<b>Total adjustments</b>	<b>(643,095)</b>	<b>548,095</b>

## Note 7: Intangible Assets

2020/21 £	Software	2021/22 £
	<b>Opening balance</b>	
129,660	Gross carrying amounts	129,660
(8,430)	Accumulated amortisation	(21,396)
<b>121,230</b>	<b>Net carrying amount at 1 April</b>	<b>108,264</b>
0	Additions	0
(12,966)	Amortisation for the year	(12,966)
<b>(12,966)</b>	<b>Net carrying amount at 31 March</b>	<b>(12,966)</b>
	<b>Comprising:</b>	
129,660	Gross carrying amounts	129,660
(21,396)	Accumulated amortisation	(34,362)
<b>108,264</b>		<b>95,298</b>

## Note 8: Plant and Equipment

2020/21 £	Plant and Equipment	2021/22 £
	<b>Cost or Valuation</b>	
<b>23,979</b>	<b>Opening balance at 1 April</b>	<b>23,979</b>
0	Additions	31,192
<b>23,979</b>	<b>Gross Book Value at 31 March</b>	<b>55,171</b>
	<b>Depreciation and Impairment</b>	
<b>(13,319)</b>	<b>Accumulated depreciation at 1 April</b>	<b>(18,115)</b>
(4,796)	Depreciation charge for year	(1,954)
<b>(18,115)</b>	<b>Accumulated depreciation at 31 March</b>	<b>(20,069)</b>
<b>10,660</b>	<b>Opening Net Book Value</b>	<b>5,864</b>
<b>5,864</b>	<b>Closing Net Book Value</b>	<b>35,102</b>

## Note 9: External audit costs

2020/21 £		2021/22 £
6,150	Fees payable to Audit Scotland in respect of external audit services	6,320

## Note 10: Debtors

As at 31 March 2021 £	Short-term debtors	As at 31 March 2022 £
48,785	Prepayments	86,234
363,481	Other receivable amounts	613,474
<b>412,266</b>	<b>Total</b>	<b>699,708</b>

## Note 11: Creditors

As at 31 March 2021 £	Short-term creditors	As at 31 March 2022 £
(97,525)	Trade payables	(37,960)
(261,166)	Other payables	(260,859)
<b>(358,691)</b>	<b>Total</b>	<b>(298,819)</b>

## Note 12: Operating Leases

The operating lease for accommodation at Renfrewshire House has been extended until 2029, with a five-year break point in 2024.

Lease expenditure charged in year to the CIES was £97,000 (2020/21 £97,000).

2020/21 £	Future Minimum Lease Payments	2021/22 £
97,000	Not later than one year	97,000
388,000	Between one and five years	388,000
291,000	Later than five years	194,000
<b>776,000</b>	<b>Total</b>	<b>679,000</b>

## Note 13: Events after the balance sheet date

The audited accounts are issued to the Executive Sub-Committee on 18 November 2022. Where events taking place before this date provided information about conditions existing at 31 March 2022, 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.

## Note 14: 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 Joint Committee pays Renfrewshire Council for support services. For 2021/22 the amount paid, excluding insurance, was £159,250 (2020/21 £159,250).

The member authorities of the Joint Committee contribute 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.

2020/21 £	Council	%	2021/22 £
146,388	Aberdeen City	4.0%	149,800
164,202	Aberdeenshire	4.4%	167,763
85,648	Angus	2.3%	87,710
69,740	Argyll and Bute	1.9%	70,967
50,652	Clackmannanshire	1.4%	52,013
103,419	Dumfries and Galloway	2.8%	105,741
103,154	Dundee City	2.8%	105,993
88,703	East Ayrshire	2.4%	90,918
81,249	East Dunbartonshire	2.2%	83,537
79,473	East Lothian	2.2%	82,681
74,031	East Renfrewshire	2.0%	76,300
299,918	City of Edinburgh	8.3%	313,348
37,426	Eilean Siar	1.0%	38,313
109,319	Falkirk	3.0%	112,382
223,372	Fife	6.1%	229,780
358,116	Glasgow City	9.9%	373,073
149,832	Highland	4.1%	153,752
65,394	Inverclyde	1.8%	66,512
71,510	Midlothian	2.0%	74,603
74,582	Moray	2.0%	76,460
96,180	North Ayrshire	2.6%	97,946
206,394	North Lanarkshire	5.6%	212,013
34,754	Orkney Islands	1.0%	35,857
104,444	Perth and Kinross	2.9%	107,447
118,334	Renfrewshire	3.2%	122,434
84,968	Scottish Borders	2.3%	87,330
35,337	Shetland Islands	1.0%	36,216
83,705	South Ayrshire	2.3%	85,729
194,632	South Lanarkshire	5.3%	200,511
73,621	Stirling	2.0%	75,571
71,251	West Dunbartonshire	1.9%	72,657
120,752	West Lothian	3.3%	124,643
<b>3,660,500</b>	<b>Total</b>	<b>100%</b>	<b>3,770,000</b>

## Note 15: 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 final salary 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.

## 15a: 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 2021/22:

2020/21 (restated) £		2021/22 £
	<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	
1,065,000	Current service cost	1,750,000
95,000	Past service cost/(gain)	0
<b>1,160,000</b>		<b>1,750,000</b>
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	
51,000	Net Interest	105,000
<b>1,211,000</b>	<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,855,000</b>
	<b>Other post employment benefit charged to the CIES</b>	
(4,226,000)	Return on assets excluding amounts included in net interest	(1,241,000)
6,372,000	Actuarial (gains) and losses arising on changes in financial assumptions	(2,555,000)
<b>2,146,000</b>	<b>Total Actuarial (gains) and losses</b>	<b>(3,796,000)</b>
<b>3,357,000</b>	<b>Total post employment benefit charged to the CIES</b>	<b>(1,941,000)</b>
	<b>Movement in Reserves Statement</b>	
(2,751,000)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	2,577,000
<b>606,000</b>	<b>Employers Contributions paid to Strathclyde Pension Fund</b>	<b>636,000</b>

**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.

**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 2021/22 these amounted to £22,661 (2020/21 £22,001).

## 15b: 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:

2020/21 (restated) £000		2021/22 £000
18,074	Opening present value	25,995
1,065	Current service cost	1,750
95	Past service cost	0
429	Interest Cost	537
219	Contributions from employees	231
(259)	Benefits Paid	(270)
	<b>Remeasurement (gains)/losses:</b>	
6,372	Actuarial (gains)/losses arising from changes in financial assumptions	(2,555)
<b>25,995</b>	<b>Balance as at 31 March</b>	<b>25,688</b>

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

2020/21 £000		2021/22 £000
16,152	Opening Fair Value	21,322
378	Interest Income	432
606	Contributions from employer	636
219	Contributions from employees	231
(259)	Benefits Paid	(270)
	<b>Remeasurement gain/(loss):</b>	
4,226	Return on assets excluding amounts included in net interest	1,241
<b>21,322</b>	<b>Closing fair value of scheme assets</b>	<b>23,592</b>

## 15c: Fund history

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 (restated) £000	2021/22 £000
Present Value of Liabilities	(16,187)	(19,788)	(18,074)	(25,995)	(25,688)
Fair value of assets	14,746	16,167	16,152	21,322	23,592
<b>Surplus/(deficit) in the Fund</b>	<b>(1,441)</b>	<b>(3,621)</b>	<b>(1,922)</b>	<b>(4,673)</b>	<b>(2,096)</b>

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy. The total liability of £2,096k 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.

## 15d: 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 is set at 19.3% for 2020/21 and 2021/22.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2023 is £636k.

## 15e: 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 2022. The principal assumptions used by the actuary have been:

2020/21	Mortality assumptions	2021/22
<b>Longevity at 65 for current pensioners (years)</b>		
19.8	Men	19.6
22.6	Women	22.4
<b>Longevity at 65 for Future pensioners (years)</b>		
21.2	Men	21.0
24.7	Women	24.5
<b>Other assumptions</b>		
3.6%	Rate of increase in salaries	3.9%
2.9%	Rate of increase in pensions	3.2%
2.0%	Rate for discounting scheme liabilities	2.7%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
50.0%	Pre-April 2009 service	50.0%
75.0%	Post-April 2009 service	75.0%

The value of the pension fund liability is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Impact on Pension Scheme Liability	%	£000
0.1% decrease in Real Discount Rate	3.0%	657
1 Yr increase in member life expectancy	4.0%	1,028
0.1% increase in Salary Increase Rate	0.0%	86
0.1% increase in Pension Increase Rate	2.0%	565

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

2020/21 £000		%	2021/22 £000
8,788	Equity instruments	41.6%	9,817
1,735	Real Estate	8.4%	1,990
10,401	Investment Funds and Unit Trusts	47.4%	11,185
(2)	Derivatives	0.0%	0
400	Cash and Cash Equivalents	2.5%	600
<b>21,322</b>	<b>Total</b>	<b>100.0%</b>	<b>23,592</b>

## Note 16: Contingent Liabilities

Following two court cases, including Mrs Goodwin v Department for Education, it is expected that proposed changes to public service pension schemes will be required, to ensure that surviving same-sex spouses and civil partners receive benefits equivalent to those received by the surviving spouses of opposite-sex marriages. Strathclyde Pension Fund's actuary estimates that the potential impact may be in the range of 0.1%-0.2% of gross obligations, which equates to between £25.9k and £51.8k 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 17: Summary of Significant Accounting Policies

## A General Principles

The Annual Accounts summarise the Joint Committee's transactions for the 2021/22 financial year and its financial position as at 31 March 2022. 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.

## 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 revenue 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 historical 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 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. Amortisation is not charged until the year following the purchase of an asset.

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 is applied to the CIES in the year of spend and removed from affecting 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 held 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.

## Note 18: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 17, 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, any item 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. Details can be found in Note 12: Operating Leases.

## Note 19: 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table below.

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 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £0.657m, equating to a 3% increase. The carrying value of the pension liability was £2.096m as at 31 March 2022. For further details see Note 15: Retirement Benefits.