

SCOTLAND EXCEL

To: Scotland Excel Joint Committee

On: 12 June 2014

Report by: The Treasurer

Heading: Scotland Excel Unaudited Annual Accounts 2014-15

1. Summary

- 1.1. The attached Annual Accounts for the year ended 31 March 2015 have been completed and forwarded to Audit Scotland for audit.
- 1.2. The Accounts show a deficit for the year of £401,539 against a budgeted deficit of £453,383. Further comments on the Accounts are shown on Pages 4 to 5 of the report.
- 1.3. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, and in a change to previous practice, the unaudited accounts have only been signed by the Treasurer as proper officer. The audited accounts will be signed by the Convener and Director, as well as the Treasurer, in accordance with the new guidelines.

2. Recommendations

- 2.1. The Joint Committee is asked to note the Accounts and that, once the audit has been completed, the audited Accounts will be further presented to the Executive Sub Committee.
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Scotland Excel

Annual Financial Statements 2014/15

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Management Commentary

Introduction

The requirements governing the format and content of local authorities' annual accounts (under s106 of the Local Government (Scotland) Act 1973 joint boards and committees are classed as local authorities) are contained in The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

History and Statutory Background

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland.

Structure

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

The Joint Committee is made up of one or more Elected Members (Councillors) from each of Scotland's 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 Chief Executive Officers' Management Group consists of six local authority Chief Executives responsible for monitoring Scotland Excel's performance against its business plan and objectives.

Values

The following principles, which are shared across Scotland Excel, underpin our approach and are integral to our success.

Excellence: We practice excellence in everything that we do - in our procurement activities and our service to customers.

Innovation: We will be innovative across all areas - in the strategies we develop and how we share best practice.

Commitment: We are committed to our employees and our customers - in working sustainably to deliver best value.

Strategic Aims

Scotland Excel has five strategic aims which shape our business plans, objectives and activities.

Best Value: Develop and implement new collaborative contracts, actively managing supplier relationships, and providing high quality business information and reports which support decision making at a national and local level.

Procurement Capability: Deliver a range of best practise projects, initiatives and activities to raise procurement capability across our sector.

Stakeholder Engagement: Engage with local authority stakeholders across all aspects of our business to ensure that our policies, plans and activities are aligned to the strategic priorities of our sector.

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Corporate Social Responsibility: Adopt a proactive approach to corporate social responsibility and sustainable practices by taking a holistic view of the social, economic and environmental implications of procurement choices.

Organisational Development: Progress the development of Scotland Excel through the continuous improvement of staff skills, systems and internal process.

A copy of the current three year business plan can be found at the address below.

<http://www.scotland-excel.org.uk/home/AboutUs/StrategyAndGovernance/StrategicAims.aspx>

Financial Performance

Revenue

The Comprehensive Income and Expenditure Account on page 15 summarises the total costs of providing services and the income available to fund those services.

Excluding accounting adjustments relating to pensions and short term accumulating absences, the Joint Committee has returned a deficit of £401,539 for the financial year 2014/15, compared to a budgeted deficit of £455,383; returning an underspend of £53,844. In line with the agreed business plan, the deficit incurred was funded from reserves. The difference between the employee costs in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension costs £119,000 and accrued employee benefits £5,100.

	Budget £	Actual £	Variance £
Employee Costs	2,720,600	2,795,687	(75,087)
Property Costs	176,500	177,476	(976)
Supplies and Services	182,500	119,258	63,242
Contractors & Others	249,000	254,008	(5,008)
Administrative Costs	308,000	353,045	(45,045)
Payments to Other Bodies	33,000	122,151	(89,151)
Total Expenditure	3,669,600	3,821,625	(152,025)
Requisition Income	(3,184,217)	(3,184,217)	-
Other Income	(30,000)	(235,869)	205,869
Total Income	(3,214,217)	(3,420,086)	205,869
(Surplus)/Deficit for Year	455,383	401,539	53,844

The overspend in Employee Costs is due to voluntary redundancy/early retirement packages as agreed by the Joint Committee. The recruitment of a temporary employee, whose costs are fully recovered and included in Other Income, has contributed to the overspend. The overspend has been partially offset by vacancies within Procurement.

The underspend in Supplies and Services is due to the planned systems development programme not being completed by the end of the financial year.

The overspend in Administrative Costs is a result of recruitment and advertising costs and legal fees associated with a supplier challenge to a contract award.

The overspend in Payments to Other Bodies relates to external training courses arranged by Scotland Excel for Local Authority employees, which is fully recovered within Other income

The over recovery of Other Income is due to the recovery of training fees and reimbursement of the temporary employee costs mentioned above.

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Capital and Reserves

The Joint Committee does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Joint Committee are matched by creditor balances. The largest creditor balance relates to the revenue reserve balance of £733,567.

Provisions, Contingencies and Write-offs

The Joint Committee is not aware of any eventualities which may have a material effect on the financial position and has made no provisions for such eventualities.

The Joint Committee has included a contingent liability and asset (see note 16) within the accounts.

In general, any contingent liabilities known to the Joint Committee are covered by insurance arrangements.

There were no debt write-offs during the year.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15. The appointed actuaries have confirmed a net deficit position of £3.460 million, a deterioration of £1.798 million in their assessment of the position of the pension fund. The net deficit position of the pension reserve impacts on the net asset position of Scotland Excel 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.

Service changes and Future Developments

The overall strategic aim of Scotland Excel is to deliver best value for local authorities through the development and management of collaborative contracts; and to stimulate, facilitate and deliver advanced procurement across local government. Given the financial challenges facing local authorities and the wider public sector however, it is important that Scotland Excel reflects council priorities and ensures the organisation supports and complements the drive for efficiencies and cost reduction.

Events after the Balance Sheet Date

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration

Impact of Economic Climate

Local government is actively managing an ongoing reduction in available resources which is anticipated to continue over at least the medium term. In response to this, Scotland Excel has taken proactive measures to reorganise itself into a more streamlined organisation which has allowed the requisitions from member authorities to be held in 2015-16 at the same level as 2014-15

The balance of Scottish Government grant funding made available to set up Scotland Excel continues to be used to ensure the organisation is fit for purpose; and to fund procurement reform activity.

Conclusion

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record my thanks to both the Director and her staff, and to my staff for their continued hard work and support. Further information on the Annual Accounts can be obtained from Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR; or by telephone on 0300 300 1200.

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 one of its officers has the responsibility for the administration of those affairs. The Director of Finance and Resources at Renfrewshire Council is the designated Officer and operates as the Treasurer for Scotland Excel; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates which were reasonable and prudent and complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- signed and dated the Annual Accounts.

This statement of accounts presents a "true and fair view" of the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31st March 2015.

Alan Russell CPFA
Treasurer
2 June 2015

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 Authority 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 Authorities 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 Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

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

Within the overall control arrangements, the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected in a timely manner. It is based on a framework of regular 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,

Review of Effectiveness

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

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

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

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

The Joint Committee's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process. The Chief Auditor provides an annual report to the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Auditor's annual assurance statement concluded that a satisfactory level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control systems.

Statement on the Role of the Chief Financial Officer

CIPFA published this statement in 2010 and under the Code, the Joint Committee is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Joint Committee complies with the principles set out in CIPFA's Role of the Chief Financial Officer.

Continuous Improvement

The annual review of corporate governance arrangements and their effectiveness has identified the following areas for improvement to be progressed during 2015/16

Scotland Excel will, through the Senior Management Team and the Executive Sub Committee, carry out a review of the management and reporting of risk in the organisation. The resultant risk register will reflect the new business and operating plans for the organisation and new areas of contract development as appropriate.

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Assurance

In conclusion, it is our opinion that the annual review of governance together with the work of internal and external auditors and certification of assurance from the Director 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.

Remuneration report

All information disclosed in sections two to five in this Remuneration Report will be audited by the council's 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.

1. Remuneration policy for 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.

2. Remuneration policy for senior employees

The Remuneration Policy of the Joint Committee is based on that agreed as part of the establishment of the Authorities Buying Consortium by Strathclyde Regional Council in 1996/7. It was agreed that the Director of the Authorities Buying Consortium receive a fixed salary set at SCP 35 (Grade CO8) of the Scottish Joint Negotiating Committee for Chief Officials pay scales, equivalent to 68.72% of the salary of the Chief Executive of Renfrewshire Council. At the Authorities Buying Consortium Joint Committee meeting of 25th October 2002 it was agreed to continue the existing percentage salary relationship. Following the retirement of the existing Director, from 1 September 2014, the date of the appointment of the new Director, the Director's salary was revised to match the Renfrewshire Council Chief Officer pay scale CO21.

2013/14	Senior Employees		2014/15			
Total	Name	Post Held	Salary, fees and allowances (i)	Expenses allowance chargeable to UK income tax	Other (ii)	Total
£			£	£	£	£
95,290	Dorothy Cowie	Director (until 31/08/14)	40,343	-	-	40,343
-	Julie Welsh	Director (from 01/09/14)	54,253	-	-	54,253
59,188	Irene McCulloch	Head of Professional Services (until 30/01/15)	57,367	-	32,488	89,855
72,732	Hugh Carr	Head of Strategic Procurement	73,459	-	-	73,459
227,211	Total		225,422	-	32,488	257,910

(i) 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;

(ii) "other" includes any payments made by Scotland Excel by way of remuneration to, or in respect of, the person that do not otherwise fall within this paragraph, other than payments relating to pensions.

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 2015, whether or not those amounts were actually paid to, or received by, those persons within that period.

3. Pension rights

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

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For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age is 65.

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.

2013/14	Member contribution rates on earnings in the bands below	2014/15
Up to £19,800	5.5%	Up to £20,335
£19,801 to £24,200	7.25%	£20,336 to £24,853
£24,201 to £33,200	8.5%	£24,854 to £34,096
£33,201 to £44,200	9.5%	£34,097 to £45,393
Over £44,201	12%	Over £45,394

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

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 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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.

Senior Employees						
Name	Post Held	Accrued Pension benefits as at 31 March 2015		Change in accrued pension benefits since 31 March 2014		Pension contributions made by Scotland Excel during 2014-2015
		Pension	Lump Sum	Pension	Lump Sum	(i)
		£m	£m	£m	£m	£
Dorothy Cowie	Director (until 31/08/14)	0.044	0.107	+0.001	+0.001	7,383
Julie Welsh	Director (from 01/09/14)	0.008	0.001	+0.002	+0.000	10,517
Irene McCulloch	Head of Professional Services (until 30/01/15)	0.018	0.109	-0.001	+0.067	9,392
Hugh Carr	Head of Strategic Procurement	0.004	0.000	+0.000	+0.000	14,178
Total		0.074	0.217	+0.002	+0.068	41,470

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4. 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 2014/15, in bands of £5,000.

2013/14 Number of employees	Remuneration Band	2014/15 Number of employees
-	£50,000 - £54,999	2
1	£55,000 - 59,999	
-	£60,000 - £64,999	-
-	£65,000 - 69,999	-
1	£70,000 - £74,999	1
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	1
1	£90,000 - £94,999	-
-	£95,000 - £99,999	-
3		4

5. Exit Packages

Scotland Excel has agreed four exit packages in 2014-15 as detailed in the table below. The exit packages agreed were all on a voluntary basis with no compulsory redundancies.

2013/14		Exit package cost	2014/15	
Number of departures agreed	Total cost of exit packages in each band £m		Number of departures agreed	Total cost of exit packages in each band £m
-	-	£0 - £20,000	2	0.027
-	-	£20,001 - £40,000	1	0.032
-	-	£40,001 - £60,000	1	0.042
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
-	-	£100,001 - £150,000	-	-
-	-	£150,001 - £200,000	-	-
-	-	£200,001 - £250,000	-	-
-	-	£250,001 - £300,000	-	-
-	-	£300,001 - £350,000	-	-
-	-		4	0.101

Independent Auditors Report

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Under audit arrangements approved by the Accounts Commission, the auditor with responsibility for the audit of the accounts for Scotland Excel for the year ended 31 March 2015 is:

Anne McGregor
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT

Statement

The Audit of the accounts is not yet complete ie the figures are subject to audit. The certified accounts will be presented to the Joint Committee for approval after the audit is complete.

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Movement in Reserves Statement for the year ended 31 March 2015

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**.

		Usable reserves		Unusable reserves	
		Revenue Reserve	Pension Reserve	Employee Statutory Adjustment Account	Total Reserves
	Note	£	£	£	£
Balance at 31 March 2013 carried forward		-	(1,226,000)	(56,518)	(1,282,518)
<i>Movement in reserves during 2013-14</i>					
Surplus or (deficit) on the provision of services		(158,360)			(158,360)
Other comprehensive income and expenditure	15a	-	(317,000)		(317,000)
Total comprehensive income and expenditure		(158,360)	(317,000)	-	(475,360)
Adjustments between accounting basis and funding basis under regulations	6b & 6c	120,602	(119,000)	(1,602)	0
Transfer from Creditors	6a	1,172,864			1,172,864
Net increase or (decrease) before transfers to other statutory reserves		1,135,106	(436,000)	(1,602)	697,504
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	6a	(1,135,106)	-	-	(1,135,106)
Increase or (decrease) in 2013-14		-	(436,000)	(1,602)	(437,602)
Balance at 31 March 2014 carried forward		-	(1,662,000)	(58,120)	(1,720,120)
<i>Movement in reserves during 2014-15</i>					
Surplus or (deficit) on the provision of services		(599,639)			(599,639)
Other comprehensive income and expenditure	15a		(1,605,000)		(1,605,000)
Total comprehensive income and expenditure		(599,639)	(1,605,000)	-	(2,204,639)
Adjustments between accounting basis and funding basis under regulations	6b & 6c	198,100	(193,000)	(5,100)	-
Transfer from Creditors	6a	1,135,106			1,135,106
Net increase or (decrease) before transfers to other statutory reserves		733,567	(1,798,000)	(5,100)	(1,069,533)
Transfers to or (from) other statutory reserves					-
Transfer to creditors	6a	(733,567)			(733,567)
Increase or (decrease) in 2014-15		-	(1,798,000)	(5,100)	(1,803,100)
Balance at 31 March 2015 carried forward		-	(3,460,000)	(63,220)	(3,523,220)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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**.

2013/14			2014/15	
£		Note	£	
2,662,994	Employee Costs		2,919,787	
170,738	Property Costs		177,476	
67,693	Supplies & Services		119,258	
299,099	Contractors		254,008	
234,575	Administration Costs		353,045	
102,733	Payments to Other Bodies		122,151	
3,537,832	Cost of Services		3,945,725	
(237,317)	Sales, Fees & Charges		(226,270)	
42,062	Financing & Investment Income and Expenditure	8	64,401	
(3,184,217)	Requisitions from Members Authorities	13	(3,184,217)	
158,360	(Surplus) or deficit on the provision of services		599,639	
317,000	Actuarial (Gains) or losses on pension assets and liabilities	15a	1,605,000	
317,000	Other Comprehensive Income & Expenditure		1,605,000	
475,360	Total Comprehensive Income & Expenditure		2,204,639	

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Balance Sheet as at 31 March 2015

The **balance sheet** shows the value as at 31 March 2015 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.

31st March 2014 £		Note	31st March 2015 £
	<u>Current Assets</u>		
1,233,271	Funds held by Renfrewshire Council		958,439
70,108	Debtors and Prepayments	10	34,700
150	Cash in Hand		150
<hr/> 1,303,529			<hr/> 993,289
	<u>less Current Liabilities</u>		
(1,361,649)	Creditors And Accruals	11	(1,056,509)
<hr/> (58,120)	Net Assets Excluding Pension (Liability)/Asset		<hr/> (63,220)
	<u>Long Term Liabilities</u>		
(1,662,000)	Pension (liability)/Asset	15c	(3,460,000)
<hr/> (1,720,120)	Net (Liabilities)/Asset Including Pension		<hr/> (3,523,220)
	<u>Represented by:</u>		
	Usable Reserves - Revenue		
1,135,106	Balance due to Scottish Government and related parties		733,567
(1,135,106)	Transfer to Creditors		(733,567)
	Unusable Reserves		
(58,120)	Employee Statutory Adjustment Account	6c	(63,220)
(1,662,000)	Pension Reserve	6b	(3,460,000)
<hr/> (1,720,120)			<hr/> (3,523,220)

The unaudited accounts were issued on the 2 June 2015, Balance Sheet signed by:

Alan Russell CPFA
Treasurer
2 June 2015

Cash flow Statement for the year ended 31 March 2015

This statement shows the changes in cash and cash equivalents during the year. It shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of requisition income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Joint Committee.

2013/14		2014/15
£		£
	Operating Activities	
	Cash Inflows	
(3,391,132)	Sale of goods and rendering of services	(3,435,027)
(14,938)	Interest received	(9,599)
(3,406,070)	Cash inflows generated from operating activities	(3,444,626)
	Cash Outflows	
2,217,646	Cash paid to and on behalf of employees	2,342,746
963,510	Cash paid to suppliers of goods and services	1,013,720
352,751	Other payments for operating activities	362,992
3,533,907	Cash outflows generated from operating activities	3,719,458
127,837	Net (increase)/decrease in cash and cash equivalents	274,832
1,361,258	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	1,233,421
1,233,421	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	958,589
127,837	Net cash outflow in cash and cash equivalents in year	274,832

Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2015 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Best Value Accounting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Committee and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

Accruals basis - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received

Going concern - the going concern concept assumes that the Joint Committee will continue in existence for the foreseeable future.

Understandability – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government

Relevance – the information in the financial statements is useful for assessing Joint Committee's stewardship of public funds and for making economic decisions

Materiality - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information

Reliability – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.

Primacy of legislative requirements - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The accounts have been prepared under the historic cost convention. The following accounting policies used in the preparation of the statements have been reviewed in line with changes made to the Accounting Code following the introduction of International Financial Reporting Standards.

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:

- i. 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.
- ii. Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- iii. 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.

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- iv. 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.
- v. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by the Balance Sheet date.

Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

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 and flexi-leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance. They are charged on an accruals basis to the Employee Costs line in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary severance. The Joint Committee is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the Executive Sub-Committee.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Revenue balances to be charged with the amount payable by the Joint Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to 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.

Post employment benefits

The Joint Committee participates in the Local Government Pension Scheme which is administered by Strathclyde Pension Fund. The Local Government Pension Scheme 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. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving 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 Comprehensive Income and

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Expenditure Statement 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 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.

Note 15 to the Core Financial Statements provides further information.

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 Statements 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 Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements 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 Statements. Note 5 provides further information.

Prior Period Adjustments

Where there has been a change in accounting policy, that change will be applied retrospectively, that is, prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimate, that change will be applied prospectively, that is, prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

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 Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are

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classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Joint Committee is not party to any finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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.

Property, Plant and Equipment

Scotland Excel is a Joint Committee as constituted under s106(1) of the Local Government (Scotland) Act 1973. The Joint Committee has no legal power to hold assets. Any cash assets held are matched by an equivalent creditor balance.

Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Scotland Excel becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Committee settles the obligation.

Reserves

The Joint Committee has three reserve funds. The Revenue Reserve contains the balance of start-up funding made available to the Joint Committee through a Scottish Government grant and any balance of requisition income from members of the Joint Committee.

The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Joint Committee share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Joint Committee's share of the Pension Fund net liability chargeable to the Income and Expenditure Account.

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the Revenue Reserve from accruing for short term accumulating absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of such accrued expenditure on the Revenue Reserve is neutralised by transfers to or from the Employee Statutory Adjustment Account.

VAT

Income and Expenditure excludes any amount relating to Value Added Tax (VAT), as all VAT is payable to HM Revenue & Customs and all VAT is recoverable from them.

Note 2 Accounting Standards Issued not Adopted

There are no accounting standards relevant to the financial statements of the Joint Committee which have not been adopted.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below.

Government Grant	The Joint Committee received Scottish Government grant support to fund set-up costs in 2007. The grant has been used according to the grant conditions, and the remaining balance will continue to be used to ensure that Scotland Excel provides appropriate procurement reform support to local authorities in Scotland.
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Note 4 Assumptions made about the future

The Statement of Accounts contains 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 the assumptions and estimates.

The items in the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an decrease in the pension liability of £1.784 million. However, the assumptions interact in complex ways. During 2014/15, the appointed actuaries advised that the net pension liability had decreased by £1.605 million as a result of estimates being corrected.

Note 5 Events after the balance sheet date

Events taking place after the authorised issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.

Note 6 Details of Movement in Reserves

a. Revenue Reserve

2013/14		2014/15
£		£
(1,172,864)	Balance as at 1 April	(1,135,106)
(119,000)	Transfer to pension reserve	(193,000)
(1,602)	Transfer to employee statutory adjustment account	(5,100)
158,360	(Surplus) or Deficit on the provision of services (from the Comprehensive Income & Expenditure Account)	599,639
(1,135,106)	Balance as at 31 March	(733,567)

This represents the excess of member authority requisitions over expenditure in any one year and is shown as payable to the member authorities

b. Pension Reserve

2013/14		2014/15
£		£
(1,226,000)	Balance as at 1 April	(1,662,000)
(317,000)	Actuarial Gains and Losses (see note 15)	(1,605,000)
(119,000)	Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year	(193,000)
(1,662,000)	Balance as at 31 March	(3,460,000)

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 credit balance on the Pension Reserve shows a surplus in the benefits earned by past and current employees and the Joint Committee's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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c. Employee Statutory Adjustment Account

2013/14		2014/15
£		£
56,518	Balance as at 1 April	58,120
(56,518)	Reversal of prior year accrual for short-term accumulating compensated absences	(58,120)
58,120	Recognition of the accrual for short-term accumulating compensating absences at 31 March	63,220
58,120	Balance as at 31 March	63,220

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for short-term accumulating compensated absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements [or regulations] require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from the Employee Statutory Adjustment Account.

Note 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement

The deficit for the year on the Revenue Reserves was £198,100 less than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Joint Committee's Comprehensive Income and Expenditure Statement 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.

2013/14		2014/15
£		£
	Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement	
(463,000)	Net charges made for retirement benefits in accordance with IAS19	(535,000)
(1,602)	Net charges for employment short-term accumulating absences	(5,100)
(464,602)		(540,100)
	Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement	
344,000	Employers contributions payable to the Strathclyde Pension Fund	342,000
(120,602)	Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(198,100)

Note 8 Financing & Investment Income

2013/14		2014/15
£		£
(14,938)	Interest on Balances	(9,599)
57,000	Pension Interest Cost	74,000
<u>42,062</u>	Total Financing and Investment (Income)/Cost	<u>64,401</u>

Note 9 Operating Leases

Scotland Excel acquired an operating lease for accommodation at Renfrewshire House effective from February 2013 until February 2018. The annual rental charge is £87,320. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £87,320 (2013/14 £87,320).

2013/14		2014/15
£		£
	Future Minimum Lease Payments	
87,320	- not later than one year	87,320
250,716	- later than one year and not later than five years	163,396
-	- later than five years	-
<u>338,036</u>	Total	<u>250,716</u>

Note 10 Debtors

31st March 2014		31st March 2015
£		£
-	Central government bodies	-
-	Other local authorities	-
70,108	Other Entities and Individuals	34,700
<u>70,108</u>	Total short term debtors	<u>34,700</u>

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Note 11 Creditors

31st March 2014		31st March 2015
£		£
589,490	Central government bodies	288,091
561,277	Other local authorities	464,780
58,120	Short Term Accumulating Absences	63,220
125,850	Accrued Payrolls	140,945
26,913	Other entities and individuals	99,473
<u>1,361,649</u>	Total short term creditors	<u>1,056,509</u>

Note 12 Transfer to Creditors

2013/14		2014/15
£		£
<u>1,135,106</u>	Grant has been provided by the Scottish Government to fund the initial start up of the Joint Committee. £286,563 of the £4,500,000 advanced remains unused at 31 st March 2015, with the balance owed to related parties – see note 13.	<u>733,567</u>

Note 13 Related parties

The Joint Committee's 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 material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The member authorities of the Joint Committee have contributed requisitions in the following proportions to enable the Joint Committee to carry out its objectives. The Joint Committee in turn pays Renfrewshire Council for support services.

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The amount paid in respect of these services for the year ended 31 March 2015 was £185,000 (2013/14 £174,500).

2013/14		Percentage	2014/15
£	Council		£
124,108	Aberdeen City	3.9%	124,108
135,624	Aberdeenshire	4.3%	135,624
73,910	Angus	2.3%	73,910
65,691	Argyll & Bute	2.1%	65,691
43,592	Clackmannanshire	1.4%	43,592
94,018	Dumfries & Galloway	3.0%	94,018
91,930	Dundee City	2.9%	91,930
79,994	East Ayrshire	2.5%	79,994
73,631	East Dunbartonshire	2.3%	73,631
65,585	East Lothian	2.1%	65,585
64,871	East Renfrewshire	2.0%	64,871
246,599	Edinburgh (City of)	7.7%	246,599
32,658	Eilean Siar	1.0%	32,658
93,365	Falkirk	2.9%	93,365
197,793	Fife	6.2%	197,793
311,813	Glasgow City	9.8%	311,813
125,364	Highland	3.9%	125,364
61,512	Inverclyde	1.9%	61,512
59,820	Midlothian	1.9%	59,820
63,746	Moray	2.0%	63,746
88,354	North Ayrshire	2.8%	88,354
182,483	North Lanarkshire	5.7%	182,483
29,218	Orkney	0.9%	29,218
88,333	Perth & Kinross	2.8%	88,333
106,061	Renfrewshire	3.3%	106,061
74,295	Scottish Borders	2.3%	74,295
30,515	Shetlands Council	1.0%	30,515
75,966	South Ayrshire	2.4%	75,966
172,952	South Lanarkshire	5.4%	172,952
63,194	Stirling	2.0%	63,194
66,208	West Dunbartonshire	2.1%	66,208
101,014	West Lothian	3.2%	101,014
3,184,217	Total	100%	3,184,217

Note 14 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2014/15 were £5,720 (£5,660 in 2013/14). There were no fees paid to Audit Scotland in respect of any other services.

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 pensions 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 2014/15:

2013/14 £		Note	2014/15 £
	Comprehensive Income & Expenditure Statement		
	Cost of Services		
406,000	Current service cost	(i)	461,000
-	Past service cost/(gain)	(ii)	-
-	Settlements & curtailments	(iii)	-
<u>406,000</u>			<u>461,000</u>
	Financing & Investment Income & Expenditure		
57,000	Net Interest	(iv)	74,000
<u>463,000</u>	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services		<u>535,000</u>
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
(175,000)	Return on assets excluding amounts included in net interest		(792,000)
492,000	Actuarial (gains) and losses arising on changes in financial assumptions		2,397,000
<u>317,000</u>	Total Actuarial (gains) and losses		<u>1,605,000</u>
<u>780,000</u>	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		<u>2,140,000</u>
	Movement in Reserves Statement	(v)	
	Reversal of net charges made to the Surplus or Deficit for the		
(436,000)	Provision of Services for post employment benefits according with the Code		(1,798,000)
<u>344,000</u>	Employers Contributions paid to Strathclyde Pension Fund		<u>342,000</u>

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Past service cost is the cost of discretionary pension benefits to former employees who retired on the grounds of efficiency etc or savings made for commuting part of the pension for additional cash.
- iii. Curtailments are the pension costs to employees retired under redundancy terms.

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- iv. The Interest Cost 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.
- v. The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Joint Committee to the Strathclyde Pension Fund during the year (£193,000).

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2014/15 these amounted to £17,648 (2013/14 £16,107).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, losses of £1.605 million are included in the Movement in Reserves Statement (2013/14 £0.317 million loss). The cumulative amount of actuarial losses is £(4.012) million (2013/14 £(2.407) million).

15b. Assets and liabilities in relation to retirement benefits

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

2013/14		2014/15
£000		£000
8,873	Opening present value	10,210
406	Current service cost	461
409	Interest Cost	449
125	Employee Contributions	124
	Remeasurement (gains)/losses:	
492	Actuarial (gains)/losses arising from changes in financial assumptions	2,397
(95)	Benefits Paid	(92)
10,210	Balance as at 31 March	13,549

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

2013/14		2014/15
£000		£000
7,647	Opening Fair Value	8,548
352	Interest Income	375
	Remeasurement gain/(loss):	
175	Return on assets excluding amounts included in net interest	792
344	Contributions from employer	342
125	Contributions from employee	124
(95)	Benefits Paid	(92)
8,548	Closing fair value of scheme assets	10,089

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15c. Fund history

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present Value of Liabilities	(7,685)	(6,881)	(8,873)	(10,210)	(13,549)
Fair value of assets	7,704	6,243	7,647	8,548	10,089
Surplus/(deficit) in the Fund	19	(638)	(1,226)	(1,662)	(3,460)

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

The total liability of £3.460 million 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. 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, that 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 2011.

The principal assumptions used by the actuary have been:

31st March 2014	Year Ended:	31st March 2015
Mortality assumptions		
	Longevity at 65 for current pensioners	
21.0 years	• Men	22.1 years
23.4 years	• Women	23.6 years
	Longevity at 65 for Future pensioners	
23.3 years	• Men	24.8 years
25.3 years	• Women	26.2 years
5.1%	Rate of increase in salaries*	4.3%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%
	Take-up of option to convert annual pension into retirement lump sum:	
50.0%	Pre April 2009 service	50.0%
75.0%	Post April 2009 service	75.0%

* Salary increases are assumed at 1% p.a. until 31 March 2015 and reverting to the long term assumption thereafter

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

31st March 2014			31st March 2015
£000		Percentage	£000
	Equity Securities		
787	Consumer	9.4%	953
692	Manufacturing	7.5%	761
313	Energy and Utilities	3.0%	300
572	Financial Institutions	6.9%	701
293	Health and Care	4.1%	410
466	Information Technology	5.7%	580
3,123	Total Equity	36.7%	3,705
	Private Equity		
806	All	9.7%	982
806	Total Private Equity	9.7%	982
	Real Estate		
599	UK Property	9.1%	922
-	Overseas Property	0.0%	-
599	Total Real Estate	9.1%	922
	Investment Funds & Unit Trusts		
2,602	Equities	28.7%	2,895
992	Bonds	12.7%	1,278
3	Commodities	0.0%	4
12	Infrastructure	0.3%	34
-	Other	0.2%	18
3,609	Total Investment Funds & Unit Trusts	41.9%	4,229
	Derivatives		
2	Other	0.0%	3
2	Total Derivatives	0.0%	3
	Cash & Cash Equivalents		
409	All	2.5%	248
409	Total Cash & Cash Equivalents	2.5%	248
8,548	Total	100%	10,089

15e. Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2015-16 and 2016-17. This rate may vary thereafter following triennial valuation carried out as at 31 March 2014.

The fund will require to assess the impact for future accruals and contributions from impending changes to the LGPS such as the move from 1 April 2015 to a career average revalued earning (CARE) scheme.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2016 is £0.370 million.

Note 16 Contingent Liabilities and Assets

Following the awarding of a new Framework contract, a legal challenge has been notified. Scotland Excel has recognised a contingent liability for potential costs and damages should the court rule in favour of the pursuer.

Similarly, a contingent asset has been recognised for the recovery of costs relating to defending the action should court rule in favour of Scotland Excel.