

## Scotland Excel

To: Joint Committee

On: 21 June 2019

Report  
By:

The Treasurer

**Heading:**

Scotland Excel Unaudited Annual Accounts 2018/19

### 1. Summary

- 1.1. The Annual Accounts for the year ended 31 March 2019 will be submitted to Audit Scotland in advance of the statutory deadline of 30 June 2019 and a copy is attached for consideration.
- 1.2. Scotland Excel's Core activities resulted in a draw on reserves of £93,288 in 2018/19 compared to a budgeted draw on reserves of £90,000. Projects returned income of £422,404 over expenditure. This produces a combined underspend for the year of £329,116. This underspend is added to Usable Reserves, which are committed as outlined in Note 6 to the Accounts.
- 1.3. The Management Commentary (pages 1-10) within the accounts provides an overview of Scotland Excel's performance during 2018/19, along with risk information and its outlook for the future.

### 2. Recommendations

The Joint Committee is asked to:

- 2.1 Note the Unaudited Annual Accounts for 2018/19;
- 2.2 Approve the Annual Governance Statement (pages 12-13); and
- 2.3 Approve the transfer of £55,000 of Project balances to the Revenue Reserve.

### 3. Background

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 require Scotland Excel to prepare and publish a set of accounts, including an Annual Governance Statement, by 30 June each year.

- 3.2 The Unaudited Accounts are then required to be formally considered by the Joint Committee no later than 31 August and the Annual Governance Statement should be formally approved at this time.
- 3.3 In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the Unaudited Annual Accounts have been signed only by the Treasurer as proper officer.
- 3.4. The accounts are then subject to external audit by the appointed auditor, Audit Scotland, by 30 September. The 2018/19 Audited Annual Accounts will be presented to the Executive Sub-Committee on 20 September 2019 for approval and signed by the Convener, the Director and the Treasurer, in accordance with the regulations.
- 3.5. The Comprehensive Income and Expenditure Statement on page 16 shows an accounting Deficit on the Provision of Services of £127,570.
- 3.6. The Expenditure and Funding Analysis on page 19 shows how this differs from the budgetary surplus of £329,116 due to accounting adjustments for pension costs, capital charges and the statutory employee leave accrual.
- 3.7. The Balance Sheet on page 18 shows a decrease in net worth of £1,530,569, which is largely driven by the movement in the pension liability. This is explained further in the Management Commentary within the accounts.
- 3.8. Note 6 on page 22 outlines committed and uncommitted balances on Core Operations (the Revenue Reserve) and Projects at 31 March 2019. Members are asked to approve the transfer of £55,000 of uncommitted Project balances to the Revenue Reserve to fund future activity, including £20,000 for the additional 0.5% pay inflation not included in the budget for 2019/20.



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## Unaudited Annual Accounts 2018/19

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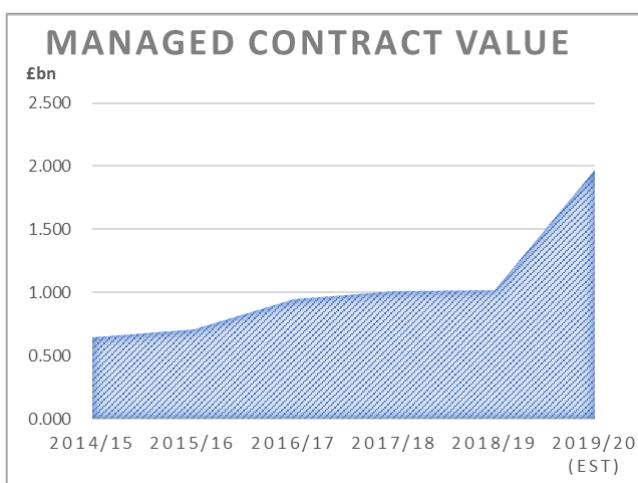
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# Management Commentary

## Introduction

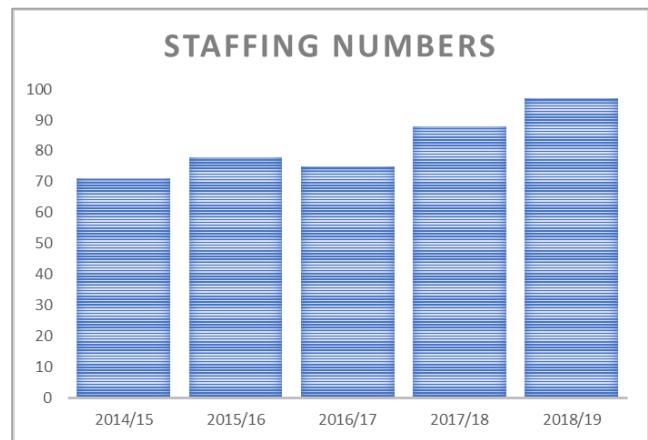
In 2018, Scotland Excel marked ten years as the centre of procurement expertise for local government, making it one of the most successful collaborative ventures undertaken by Scottish local authorities. During that time, Scotland Excel has delivered measurable benefits to councils including an estimated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

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



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

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



## Structure

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

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

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

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

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

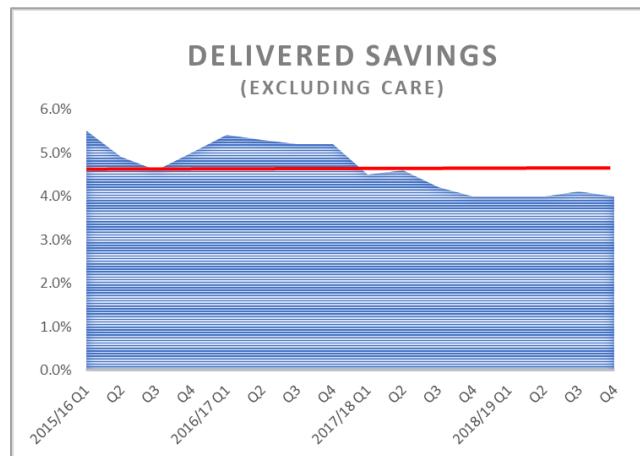
## Strategic Aims

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

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

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

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



Accrued savings in percentage terms across the Scotland Excel portfolio are impacted following the launch of new procurement frameworks and as the overall size of the portfolio increases.

The Scotland Excel 2018-23 Strategy, "Shared Vision, Shared Success", sets out how we plan to raise our

game further, providing even greater support to councils and other public sector stakeholders.

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

The Strategy can be found at the following link:

<http://www.scotland-excel.org.uk/home/Aboutus/Business-Goals.aspx>



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

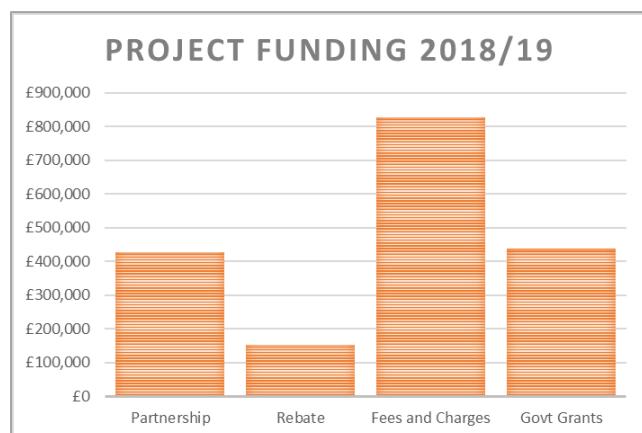
Vision			
To provide innovative, transformative solutions for local and national public services across Scotland			
Mission			
To make the most of our strategic <b>procurement expertise</b> and our experience of developing <b>collaborative solutions</b> which support <b>better outcomes</b> for Scotland's people and communities through <b>early intervention</b> and the delivery of <b>sustainable public services</b>			
Values			
<b>Professional • Courageous • Respectful • Integrity</b>			
Outcomes			
Our services shape the effective and efficient delivery of public services	Our services facilitate the delivery of national and local policy priorities	Our insight and knowledge underpin innovative solutions for our customers	Our customers receive a measurable return on investment through savings
Our expertise leads continuous improvement in commercial performance	Our services enable positive and sustainable outcomes for people and communities	Our activities are recognised as leading the way in public procurement	Our customers are satisfied with our services and how we deliver them
Goals			
<p>1: Shaping solutions for innovative public services</p> <p><b>Strategic objectives:</b></p> <ul style="list-style-type: none"> <li>1.1 Deliver a programme of collaborative procurement to support early intervention and the delivery of public services</li> <li>1.2 Deliver programmes which lead and develop professional, organisational and commercial capability</li> <li>1.3 Harness the potential of digital technology and data insight to support the delivery of public services</li> <li>1.4 Use our insight and experience to shape policy and meet the challenges of future public service delivery</li> </ul>	<p>2: Being sustainable in everything we do</p> <p><b>Strategic objectives:</b></p> <ul style="list-style-type: none"> <li>2.1 Deliver positive and measurable social value through our contracts</li> <li>2.2 Deliver positive and measurable local impact through SME and third sector participation in our contracts</li> <li>2.3 Deliver positive and measurable environmental benefits through our contracts</li> <li>2.4 Lead and develop sustainable procurement knowledge and practice</li> </ul>	<p>3: Placing people at the heart of our business</p> <p><b>Strategic objectives:</b></p> <ul style="list-style-type: none"> <li>3.1 Ensure our customers continue to receive maximum value from our services</li> <li>3.2 Engage stakeholders in the delivery of effective local solutions</li> <li>3.3 Represent the collective views of stakeholders at a national level</li> <li>3.4 Implement policies which develop, empower, value and engage our workforce</li> </ul>	<p>4: Driving sustainable and scalable growth</p> <p><b>Strategic objectives:</b></p> <ul style="list-style-type: none"> <li>4.1 Implement a new governance model which supports scalable business growth</li> <li>4.2 Continue to maintain a robust business infrastructure to support our growth ambitions</li> <li>4.3 Use our knowledge and insight to identify new services and/or sectors which provide growth opportunities</li> <li>4.4 Explore opportunities to work with partners on the development and delivery of new business opportunities</li> </ul>

<p><b>Our services shape the effective and efficient delivery of public services</b></p> <ul style="list-style-type: none"> <li>• Dynamic Purchasing System (DPS) for recyclable and residual waste to support the delivery of environmental services</li> <li>• Engaging with partners and providers to agree a new approach to the procurement of care and support services</li> <li>• Negotiating with providers to complete a care cost model for older people's care home services</li> </ul>	<p><b>Our expertise leads continuous improvement in commercial performance</b></p> <ul style="list-style-type: none"> <li>• Scotland Excel Academy expanded to include advanced procurement practitioner and project management programmes</li> <li>• Business change and transformation projects delivered for Aberdeen City, East Renfrewshire and Fife Councils</li> <li>• Procurement &amp; Commercial Improvement Programme (PCIP) assessments delivered for 53 housing associations over two years</li> </ul>
<p><b>Our services facilitate the implementation of national and local policy priorities</b></p> <ul style="list-style-type: none"> <li>• Funding secured to develop procurement guidance which supports the expansion of early learning and childcare provision</li> <li>• New contract for energy advice services will help councils and housing associations reduce fuel poverty</li> <li>• Tender for new build residential housing framework issued to support the delivery of affordable new homes</li> </ul>	<p><b>Our services enable positive and sustainable outcomes for people and communities</b></p> <ul style="list-style-type: none"> <li>• Community benefits delivered 125 jobs, 22 apprenticeships and 30 work placements in the first six months of 2018/19</li> <li>• £339m spend with Scottish-based suppliers during 2018, 67% of which was with SMEs</li> <li>• Supported business, Scotland's Bravest Manufacturing Company, has achieved over £1m of business from national frameworks</li> </ul>
<p><b>Our insight and knowledge underpin innovative solutions for our customers</b></p> <ul style="list-style-type: none"> <li>• Procurement support provided to SEEMiS to support the delivery of national education software solutions</li> <li>• Partnered with the Digital Office to hold a successful event aiming to accelerate digital transformation in local government</li> <li>• First phase of a new spend data analysis system implemented to improve contract management information and insight</li> </ul>	<p><b>Our activities are recognised as leading the way in public procurement</b></p> <ul style="list-style-type: none"> <li>• Winner of two awards – Scottish Public Service Award for the care cost modelling and GO Award Scotland for the Academy</li> <li>• Scotland Excel staff invited to speak at 17 events and conferences</li> <li>• MSPs and senior stakeholders attended a parliamentary reception celebrating 10 Years of Scotland Excel</li> </ul>
<p><b>Our customers receive a measurable return on investment through savings</b></p> <ul style="list-style-type: none"> <li>• Average savings on contracts delivered, renewed or extended in 2018/19 was 4.2% against a 2.5% target</li> <li>• Estimated savings of £12.4 million delivered in 2018 – more than 3.5 times the investment made by council through membership fees</li> <li>• Indexation modelling is being rolled out to the sector as a tool to support contract management price negotiations</li> </ul>	<p><b>Our customers are satisfied with our services and how we deliver them</b></p> <ul style="list-style-type: none"> <li>• Online resources developed to provide stakeholders with access to a wide range of social care information</li> <li>• Account management services expanded to incorporate the delivery of assessments, business change initiatives and workshops</li> <li>• New 'self-service' management information resource in development in response to requests from council procurement teams</li> </ul>

## Projects

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

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



## Scotland Excel Academy

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

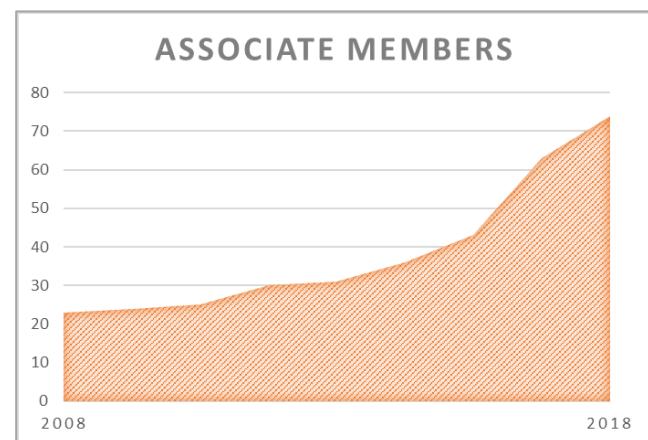
The Academy supports work-based learning through a blend of online learning, face to face workshops and master classes. The knowledge gained through this can then be applied directly in the workplace. The Academy also supports mentoring and practice sharing among the local authority community.

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

## Associate Members

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

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



## Primary Financial Statements

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

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

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

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

## Financial Performance

Excluding Project expenditure and income, the Joint Committee returned a net expenditure in 2018/19 of £93,288, compared to the approved budget of £90,000, resulting in an overspend of £3,288.

There were a number of additional pressures in Core Operations during 2018/19 relating to ICT software and telephony, external recruitment support and costs relating to the local government Supplier Development Programme, which supports local spend initiatives. These can be seen within 'Supplies

and Services' and 'Support Services'. These pressures are offset by a higher than expected underspend in Employee Costs, owing to the prudent management of vacancies. The net result was an underspend in gross expenditure for 2018/19 of £2,922.

Income from requisitions was fully recovered in the year, however a shortfall in income from Crown Commercial Services contributed to an overall under-recovery in gross income of £6,210.

Scotland Excel's Projects ended the year at 31 March 2019 with a surplus of income over expenditure of £422,404. Some of this balance is committed for future Project spend, as outlined in Note 6: Transfers to / from Earmarked Reserves on page 22.

Overall, excluding accounting adjustments relating to pensions and short-term accumulating absences, the Joint Committee returned a surplus of £329,116 for the financial year 2018/19, compared to a budget draw on reserves of £90,000; returning an underspend of £419,116.

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 (£504,000) and accrued employee benefits (£2,122).

The difference between the Income from Projects figure below and the figure reported in the Comprehensive Income and Expenditure report is the re-classification of £437,000 as Government Grants and the Other Income figure here excludes Interest receivable of £4,203 and Pension interest costs of £46,000.

The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 1: Expenditure Funding Analysis on page 19.

	Core			Projects Actual £	Total Actual £
	Budget £	Actual £	Variance £		
Employee Costs	3,032,754	3,006,854	25,900	1,203,847	4,210,701
Property Costs	175,500	175,500	0	0	175,500
Supplies and Services	303,439	316,447	(13,008)	230,406	546,853
Support Services	219,700	226,045	(6,345)	0	226,045
Transfer Payments	13,500	14,079	(579)	2,517	16,596
Transport Costs	0	3,046	(3,046)	6,284	9,330
<b>Total Expenditure</b>	<b>3,744,893</b>	<b>3,741,971</b>	<b>2,922</b>	<b>1,443,054</b>	<b>5,185,025</b>
Requisition Income	(3,484,200)	(3,484,200)	0	0	(3,484,200)
Income from Projects	0	(80,693)	80,693	(1,865,458)	(1,946,151)
Other Income	(170,693)	(83,790)	(86,903)	0	(83,790)
<b>Total Income</b>	<b>(3,654,893)</b>	<b>(3,648,683)</b>	<b>(6,210)</b>	<b>(1,865,458)</b>	<b>(5,514,141)</b>
<b>Net Expenditure / (Income) for Year</b>	<b>90,000</b>	<b>93,288</b>	<b>(3,288)</b>	<b>(422,404)</b>	<b>(329,116)</b>

## The Balance Sheet at 31 March 2019

The Balance Sheet sets out the total net worth of the Joint Committee at a snapshot in time. When comparing the net worth of the Joint Committee at 31 March 2019 to that of the prior year, an overall decrease in net worth of the organisation of £1.531m can be seen. This is primarily due to the increase in pension liability explained later.

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

Non-current assets held by the Joint Committee are IT equipment and software. Two new Notes to the Accounts have been introduced to explain the financial impact of this. They are Note 9: Plant and Equipment and Note 10: Intangible Assets on page 25.

Consequently, the balance sheet has been restated to reflect the impact of this change in accounting treatment, showing the opening position at 1 April 2017 by including a third comparative year. Further detail on the restatement can be found in Note 2: Restatement on page 20.

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

Reserve balances are still ultimately due to constituent authorities, should it be distributed at any point in the future. Further detail on these balances can be found in Note 6: Transfers to / from Earmarked Reserves on page 22.

## Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 16: Retirement Benefits on page 27.

The appointed actuaries have confirmed a net liability position of £3.394m (£1.441m 2017/18), an increase in liabilities of £1.953m in their assessment of the position of the pension fund.

This can be attributed to a reduction in corporate bond yields at 31 March 2019 compared to the previous year, which increases the value of obligations. This is partially offset by investment returns being greater than the 31 March 2018 rate.

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

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

## Principal Risk and Uncertainty

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

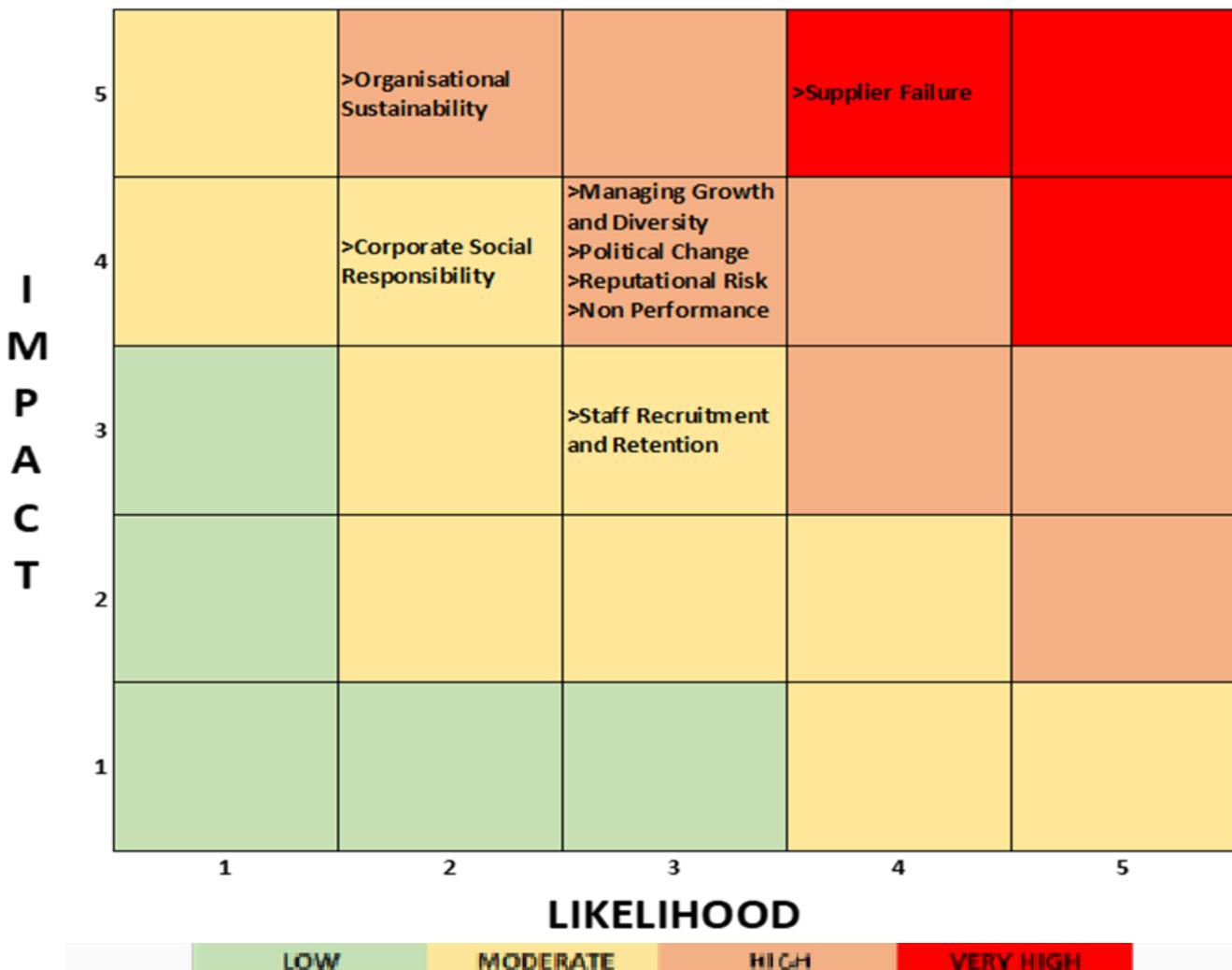
The Risk Register is regularly reviewed by the organisation's Senior Management Team and are now presented quarterly to the Scotland Excel Executive Sub-Committee and annually to the Joint Committee.

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

Mitigating actions in place within Scotland Excel relating to each of these risks has resulted in reducing risk scores during 2018/19.

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

## Scotland Excel - Risk Register



## Outlook and Future Plans

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

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

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

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

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

## Conclusion

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

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

**Councillor John Shaw**

Convenor

21 June 2019

**Alan Russell CPFA**

Treasurer

21 June 2019

**Julie Welsh**

Director

21 June 2019

# Statement of Responsibilities for the Annual Accounts

## The Joint Committee's Responsibilities

The Joint Committee is required to:

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

I confirm that these Annual Accounts were approved for signature by the Joint Committee at its meeting on the 21 June 2019.

Signed on behalf of Scotland Excel.

**Councillor John Shaw**  
Convenor  
21 June 2019

## The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

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



**Alan Russell CPFA**  
Treasurer  
21 June 2019

# Annual Governance Statement

## Scope of Responsibility

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

## The Joint Committee's Governance Framework

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

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

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

The main features of our governance arrangements are summarised below:

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

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

The system includes:

- Financial management, supported by comprehensive financial regulations and codes;

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

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

## Review of Effectiveness

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

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

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

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

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

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

## Assurance

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

**Councillor John Shaw**  
Convenor  
21 June 2019

**Julie Welsh**  
Director  
21 June 2019

## Remuneration Report

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

## Remuneration of elected members

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

## Remuneration of senior employees

2017/18 Total Salary, fees and allowances £	Name	Post Held	2018/19 Total Salary, fees and allowances £
104,831	Julie Welsh	Director	106,215
77,393	Hugh Carr	Head of Strategic Procurement	82,463
75,566	Stephen Brannagan	Head of Customer & Business Services	82,463

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

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

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

## Pension rights

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

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

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

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

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

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<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 2019		Change from 31 March 2018		2018/19	2017/18
		Pension £000	Lump Sum £000	Pension £000	Lump Sum £000		
Julie Welsh	Director	21	2	3	0	20	20
Hugh Carr	Head of Strategic Procurement	13	0	3	0	16	15
Stephen Brannagan	Head of Customer & Business Services	6	0	2	0	16	15

## Remuneration of Employees

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

## Exit packages

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

2017/18 Number of employees	Remuneration Band	2018/19 Number of employees
0	£50,000 - £54,999	1
1	£55,000 - £59,999	0
0	£60,000 - £64,999	0
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
2	£75,000 - £79,999	0
0	£80,000 - £84,999	2
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
4		4

**Councillor John Shaw**  
Convenor  
21 June 2019

**Julie Welsh**  
Director  
21 June 2019

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

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

2017/18 (restated)		Note	2018/19		
			Gross Expenditure £	Gross Income £	Net Expenditure £
3,972,629	Employee Costs		4,716,823	0	4,716,823
215,961	Premises Related Costs		175,500	0	175,500
492,961	Supplies & Services		554,938	0	554,938
174,425	Support Costs		226,045	0	226,045
0	Transfer Payments*		8,511	0	8,511
0	Transport Costs		9,330	0	9,330
2,841	Capital Charges		2,841	0	2,841
(629,655)	Income from Projects		0	(1,509,051)	(1,509,051)
(118,712)	Other Income		0	(83,790)	(83,790)
<b>4,110,450</b>	<b>Cost of Services</b>		<b>5,693,988</b>	<b>(1,592,841)</b>	<b>4,101,147</b>
	<b>Financing and Investment Income and Expenditure</b>				
(4,093)	Interest receivable		0	(4,203)	(4,203)
127,000	Pension interest cost		46,000	0	46,000
	<b>Taxation and Non-Specific Grant Income</b>				
(3,484,200)	Requisitions from Member Authorities	15	0	(3,484,200)	(3,484,200)
(381,000)	Government Grants		0	(437,100)	(437,100)
0	Capital Grants and Contributions		0	(94,074)	(94,074)
<b>368,157</b>	<b>Deficit on the provision of services</b>		<b>5,739,988</b>	<b>(5,612,418)</b>	<b>127,570</b>
	<b>Other Comprehensive Income and Expenditure</b>				
(3,771,000)	Actuarial (Gains) or losses on pension assets	16			1,403,000
<b>(3,402,843)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>1,530,570</b>

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

## Movement in Reserves Statement for the year ended 31 March 2019

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

Movement in reserves during the year	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
<b>Balance at 1 April 2018</b>		<b>(556,152)</b>	<b>1,504,469</b>	<b>948,317</b>
Total Comprehensive Income and Expenditure		127,570	1,403,000	1,530,570
Adjustments between accounting basis and funding basis under regulations	8	(460,889)	460,889	0
<b>Increase or (decrease) in year</b>		<b>(333,319)</b>	<b>1,863,889</b>	<b>1,530,570</b>
<b>Balance at 31 March 2019 carried forward</b>		<b>(889,471)</b>	<b>3,368,358</b>	<b>2,478,887</b>

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

## Balance Sheet as at 31 March 2019

The balance sheet shows the value as at 31 March 2019 of the assets and liabilities recognised by the Joint Committee. The net 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.

<b>2016/17 (restated) £</b>	<b>2017/18 (restated) £</b>		<b>Note</b>	<b>2018/19 £</b>
11,364	8,523	Plant and Equipment	9	15,456
0	0	Intangible Assets	10	84,300
<b>11,364</b>	<b>8,523</b>	<b>Long-term Assets</b>		<b>99,756</b>
620,120	625,876	Funds held by Renfrewshire Council	12	568,095
19,891	308,545	Short-term Debtors and Prepayments	12	961,993
150	150	Cash in Hand		150
<b>640,161</b>	<b>934,571</b>	<b>Current Assets</b>		<b>1,530,238</b>
(329,685)	(450,411)	Creditors And Accruals	13	(712,127)
<b>(329,685)</b>	<b>(450,411)</b>	<b>Current Liabilities</b>		<b>(712,127)</b>
0	0	Long-term Creditors	13	(2,754)
(4,673,000)	(1,441,000)	Pension (liability)/Asset	16	(3,394,000)
<b>(4,673,000)</b>	<b>(1,441,000)</b>	<b>Long Term Liabilities</b>		<b>(3,396,754)</b>
<b>(4,351,160)</b>	<b>(948,317)</b>	<b>Net Assets / (Liabilities)</b>		<b>(2,478,887)</b>
(385,384)	(556,152)	Usable Reserves	6	(889,471)
4,736,544	1,504,469	Unusable Reserves	7	3,368,358
<b>4,351,160</b>	<b>948,317</b>	<b>Total Reserves</b>		<b>2,478,887</b>

The unaudited accounts were issued on the 21 June 2019.



**Alan Russell CPFA**  
Treasurer  
21 June 2019

## Note 1: Expenditure Funding Analysis

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

2018/19	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,210,701		504,000	2,122	4,716,823
Premises Related Costs	175,500				175,500
Supplies & Services	546,853				546,853
Support Costs	226,045				226,045
Transfer Payments*	16,596				16,596
Transport Costs	9,330				9,330
Capital Charges	0	2,841			2,841
Income from Projects	(1,946,151)			437,100	(1,509,051)
Other Income	(83,790)				(83,790)
<b>Cost of Services</b>	<b>3,155,084</b>	<b>2,841</b>	<b>504,000</b>	<b>439,222</b>	<b>4,101,147</b>
Other income and expenditure	(3,484,200)	(94,074)	46,000	(441,303)	(3,973,577)
<b>(Surplus) or deficit on the provision of service</b>	<b>(329,116)</b>	<b>(91,233)</b>	<b>550,000</b>	<b>(2,081)</b>	<b>127,570</b>

2017/18 (restated)	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	3,563,545		412,000	(2,916)	3,972,629
Premises Related Costs	215,961				215,961
Supplies & Services	492,961				492,961
Support Costs	174,425				174,425
Transfer Payments	0				0
Capital Charges	0	2,841			2,841
Income from Projects	(629,655)				(629,655)
Other Income	(118,712)				(118,712)
<b>Cost of Services</b>	<b>3,698,525</b>	<b>2,841</b>	<b>412,000</b>	<b>(2,916)</b>	<b>4,110,450</b>
Other income and expenditure	(3,869,293)	0	127,000		(3,742,293)
<b>(Surplus) or deficit on the provision of service</b>	<b>(170,768)</b>	<b>2,841</b>	<b>539,000</b>	<b>(2,916)</b>	<b>368,157</b>

## Note 2: Restatement

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

The Code requires that Scotland Excel presents a third Balance Sheet, at the beginning of the preceding

financial year when it makes a retrospective restatement. The additional balance sheet is presented on page 18 and shows opening balances at 1 April 2017.

The following table shows the relevant extracted lines from the CIES that have been affected by the restatement. The CIES with appropriate restatement for 2017/18 can be found on page 16.

## Effect on CIES 2017/18

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

The following restatement was also required for the Movement in Reserves Statement. The restated prior period Movement in Reserves Statement is provided along with the current year information on page 17.

## Effect on Movement in Reserves Statement at 31 March 2018

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

Unusable Reserves	Originally Stated at 31 March 2018 £	Restated as at 31 March 2018 £	Amount of Restatement £
<b>Balance at 1 April 2017</b>	<b>4,747,908</b>	<b>4,736,544</b>	<b>(11,364)</b>
Total comprehensive income and expenditure	(3,771,000)	(3,771,000)	0
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>536,084</b>	<b>536,084</b>	<b>0</b>
Charges for depreciation of non-current assets	0	2,841	2,841
<b>Balance at 1 April 2018</b>	<b>1,512,992</b>	<b>1,504,469</b>	<b>(8,523)</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 2019/20 Code:

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

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

## Note 4: Assumptions made about the future

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

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

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £2.608m, equating to a 13% increase.

## Note 5: Events after the balance sheet date

The unaudited accounts are issued to the Joint Committee on 21 June 2019. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this

information. Events taking place after this date are not reflected in the financial statements or notes.

## Note 6: Transfers to / from Earmarked Reserves

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

	Balance at 1 April 2018 £	Transfers out £	Transfers in £	Balance at 31 March 2019 £
Revenue Reserve - uncommitted balance	(291,663)	100,649	0	(191,014)
Aberdeen Project	0	0	(62,158)	(62,158)
Adult Supported Living / Care at Home	(1,395)	12,958	(11,563)	0
Affordable Housing Supply Programme	(47,966)	0	(93,337)	(141,303)
The Academy	0	0	(32,623)	(32,623)
Digital Transformation	(122)	0	0	(122)
Early Learning and Childcare	0	0	(13,017)	(13,017)
Fife Project	0	0	(105,498)	(105,498)
National Care Home Contract	(68,193)	0	(25,097)	(93,290)
New Build Project	0	0	(53,707)	(53,707)
SEEMiS	(209)	0	(8,874)	(9,083)
Small Value Procurement	(146,604)	0	(41,052)	(187,656)
<b>Total Usable Reserves</b>	<b>(556,152)</b>	<b>113,607</b>	<b>(446,926)</b>	<b>(889,471)</b>

	Balance at 31 March 2019 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(191,014)	0	(191,014)	(a)
Aberdeen Project	(62,158)	37,158	(25,000)	(b)
Adult Supported Living / Care at Home	0	0	0	(c)
Affordable Housing Supply Programme	(141,303)	141,303	0	(d)
The Academy	(32,623)	32,623	0	(e)
Digital Transformation	(122)	122	0	(c)
Early Learning and Childcare	(13,017)	13,017	0	(c)
Fife Project	(105,498)	75,498	(30,000)	(b)
National Care Home Contract	(93,290)	93,290	0	(c)
New Build Project	(53,707)	53,707	0	(c)
SEEMiS	(9,083)	9,083	0	(c)
Small Value Procurement	(187,656)	187,656	0	(c)
<b>Total Usable Reserves</b>	<b>(889,471)</b>	<b>643,457</b>	<b>(246,014)</b>	

## Notes

- (a) The balance on the Revenue Reserve represents 5% of the Cost of Services in 2018/19;

- (b) It is proposed that £55k uncommitted project balance is transferred to the Revenue Reserves. Of this, £20k will be used to fund the additional 0.5% pay inflation in 2019/20.

- (c) Balances are ring-fenced for continuing 2019/20 Project delivery;
- (d) The 2019/20 Budget approved £80k of this balance to be transferred to Core and £61k to Associates cost centre for ongoing activity;
- (e) Committed for continued investment and development of the SXL Academy during 2019/20.

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.

## Note 7: Unusable Reserves

### Pension Reserve

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

2017/18	Pension Reserve	2018/19
£		£
4,673,000	Balance as at 1 April	1,441,000
(3,771,000)	Actuarial (gains) and losses on pension assets and liabilities	1,403,000
539,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	550,000
1,441,000	Balance as at 31 March	3,394,000

### Employee Statutory Adjustment Account

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

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

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

## Capital Adjustment Account

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

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

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

The surplus for the year on the Revenue Reserve was £460,889 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 CIES in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2018/19	Usable Reserves £	Unusable Reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Charges for depreciation of non-current assets	(2,841)	2,841
Capital grants and contributions applied	94,074	(94,074)
<b>Adjustments primarily involving the Pension Reserve:</b>		
Net charges made for retirement benefits in accordance with IAS19	(1,096,000)	1,096,000
Employers contributions payable to the Strathclyde Pension Fund	546,000	(546,000)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>		
Net charges for employment short-term accumulating absences	(2,122)	2,122
<b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>	<b>(460,889)</b>	<b>460,889</b>

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

## Note 9: Plant and Equipment

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

## Note 10: Intangible Assets

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

## Note 11: Operating Leases

Scotland Excel has extended the operating lease for accommodation at Renfrewshire House until 2024. The new lease includes a three-year break point in 2022. The expenditure charged in year to the CIES was £70,320 (2017/18 £85,131).

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

## Note 12: Debtors

2017/18 £	Short-term debtors	2018/19 £
625,876	Funds held by Renfrewshire Council	568,095
65,287	Prepayments	42,166
243,258	Other receivable amounts	919,827
<b>934,421</b>	<b>Total</b>	<b>1,530,088</b>

'Other receivable amounts' comprises amounts due, but not yet received, as at 31 March. Of this, £798k was due to be paid within 30 days. The remaining balance is due from other public sector partners and not considered to be doubtful debt.

## Note 13: Creditors

2017/18 £	Short-term creditors	2018/19 £
0 (450,411)	Trade payables Other payables	0 (712,127)
<b>(450,411)</b>	<b>Total</b>	<b>(712,127)</b>

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

## Note 14: External audit costs

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

## Note 15: Related parties

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

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

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

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

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

## Note 16: Retirement Benefits

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

### 16a: Transactions relating to retirement benefits

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

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

2017/18 £		2018/19 £
	<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	
900,000	Current service cost	1,050,000
<b>900,000</b>		<b>1,050,000</b>
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	
127,000	Net Interest	46,000
<b>1,027,000</b>	<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,096,000</b>
	<b>Other post employment benefit charged to the CIES</b>	
(84,000)	Return on assets excluding amounts included in net interest	(486,000)
(3,687,000)	Actuarial (gains) and losses arising on changes in financial assumptions	1,889,000
<b>(3,771,000)</b>	<b>Total Actuarial (gains) and losses</b>	<b>1,403,000</b>
<b>(2,744,000)</b>	<b>Total post employment benefit charged to the CIES</b>	<b>2,499,000</b>
	<b>Movement in Reserves Statement</b>	
3,232,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(1,953,000)
<b>488,000</b>	<b>Employers Contributions paid to Strathclyde Pension Fund</b>	<b>546,000</b>

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

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.

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

## 16b: Assets and liabilities in relation to retirement benefits

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

2017/18 £000		2018/19 £000
18,493	Opening present value	16,187
900	Current service cost	1,050
492	Interest Cost	451
173	Contributions from employees	194
	<b>Remeasurement (gains)/losses:</b>	
(3,687)	Actuarial (gains)/losses arising from changes in financial assumptions	1,889
(184)	Benefits Paid	(210)
<b>16,187</b>	<b>Balance as at 31 March</b>	<b>19,561</b>

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

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

## 16c: Fund history

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present Value of Liabilities	(13,549)	(12,980)	(18,493)	(16,187)	(19,561)
Fair value of assets	10,089	10,785	13,820	14,746	16,167
<b>Surplus/(deficit) in the Fund</b>	<b>(3,460)</b>	<b>(2,195)</b>	<b>(4,673)</b>	<b>(1,441)</b>	<b>(3,394)</b>

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

Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

The total liability of £3.394m has a significant impact on the net worth of the Joint Committee, as recorded in the Balance Sheet. However, any deficit on

## 16d: Impact on cashflows

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

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

## 16e: Basis for estimating assets and liabilities

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

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

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

The principal assumptions used by the actuary have been:

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

## Note 17: Critical Judgements in Applying Accounting Policies

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

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

<b>Leases</b>	An analysis of the terms of the lease for the office accommodation at Renfrewshire House has concluded that it is an operating lease.
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## Note 18: Summary of Significant Accounting Policies

### A General Principles

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

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

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

### 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 can reliably measure 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;
- 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 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.

## E 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.

## F 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.

## G 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.

## H Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

### Impairment

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

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

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

### Disposals

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

### Depreciation

Depreciation is provided for on all Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. For ICT equipment, this is calculated on a straight-line basis over 5 years.

## I Intangible Assets

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

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

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

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

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

## J Reserves

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

### Usable Reserves

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

### Unusable Reserves

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

## K 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.