

Scotland Excel

To: Joint Committee

On: 18 June 2021

**Report by:
The Treasurer**

Scotland Excel Unaudited Annual Accounts 2020/21

1. Summary

- 1.1. The Annual Accounts for the year ended 31 March 2021 will be submitted to Audit Scotland in advance of the statutory deadline of 30 June 2021 and a copy is attached at Appendix 1 for consideration.
- 1.2. Scotland Excel's Core activities resulted in a surplus of income over expenditure of £14,399 in 2020/21 compared to a budgeted break-even position. Projects returned income of £128,255 over expenditure. After a planned drawdown from Project reserves of £120,000, this results in a combined underspend for the year of £22,654. This underspend is added to Usable Reserves, which are committed as outlined in Note 5 to the Accounts.
- 1.3. The Management Commentary (pages 1-9) within the accounts provides an overview of Scotland Excel's performance during 2020/21, along with risk information and its outlook for the future.

2. Recommendations

- 2.1. The Joint Committee is asked to:
 - (a) Note the Unaudited Annual Accounts for 2020/21; and
 - (b) Approve the Annual Governance Statement (pages 11-12).

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 by this time.

- 3.3. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the Unaudited Annual Accounts will then be 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. Under the Coronavirus Act (Scotland) 2020, this has been extended to 30 November this year. The 2020/21 Audited Annual Accounts are therefore scheduled to be presented to the Executive Sub-Committee on 19 November 2021 for approval and to then be signed by the Convener, the Chief Executive and the Treasurer, in accordance with the regulations.
- 3.5. The Comprehensive Income and Expenditure Statement on page 15 shows an accounting Deficit on the Provision of Services of £525,441.
- 3.6. The Expenditure and Funding Analysis on page 18 shows how this differs from the budgetary surplus of £22,654 due to accounting adjustments for pension costs, capital charges and the statutory employee leave accrual.
- 3.7. The Balance Sheet on page 17 shows a decrease in net worth of £2,671,441, 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 5 on page 20 outlines committed and uncommitted balances on Core Operations (the Revenue Reserve) and Projects at 31 March 2021.



Unaudited
Annual Accounts 2020/21

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Management Commentary

The purpose of the Management Commentary is to present an overview of Scotland Excel’s financial performance during the year 2020/21 and to help readers understand its financial position at 31 March 2021. In addition, it outlines the main risks and uncertainties facing the organisation for the financial year 2020/21 and beyond.

Structure

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

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

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

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

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

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

Strategic Aims

The Scotland Excel 2018-23 Strategy, “Shared Vision, Shared Success”, sets out how we plan to raise our game further, providing even greater support to councils and other public sector stakeholders. The Strategy covers a period of five years to support a longer-term view of the organisation’s goals and objectives and enable it to plan accordingly.

The Strategy can be found at: <http://www.scotland-excel.org.uk>



The current Scotland Excel Strategy Map is detailed below.

Vision

To provide innovative, transformative solutions for local and national public services across Scotland

Mission

To make the most of our strategic **procurement expertise** and our experience of developing **collaborative solutions** which support **better outcomes** for Scotland's people and communities through **early intervention** and the delivery of **sustainable public services**

Values

Professional • Courageous • Respectful • Integrity

Outcomes

Our services shape the effective and efficient delivery of public services	Our services facilitate the delivery of national and local policy priorities	Our insight and knowledge underpins innovative solutions for our customers	Our customers receive a measurable return on investment through savings
Our expertise leads to continuous improvement in commercial performance	Our services enable positive and sustainable outcomes for people and communities	Our activities are recognised as leading the way in public procurement	Our customers are satisfied with our services and how we deliver them

Goals

<p>1: Shaping solutions for innovative public services</p> <p>Strategic objectives:</p> <p>1.1 Deliver a programme of collaborative procurement to support early intervention and the delivery of public services</p> <p>1.2 Deliver programmes which lead and develop professional, organisational and commercial capability</p> <p>1.3 Harness the potential of digital technology and data insight to support the delivery of public services</p> <p>1.4 Use our insight and experience to shape policy and meet the challenges of future public service delivery</p>	<p>2: Being sustainable in everything we do</p> <p>Strategic objectives:</p> <p>2.1 Deliver positive and measurable social value through our contracts</p> <p>2.2 Deliver positive and measurable local impact through SME and third sector participation in our contracts</p> <p>2.3 Deliver positive and measurable environmental benefits through our contracts</p> <p>2.4 Lead and develop sustainable procurement knowledge and practice</p>	<p>3: Placing people at the heart of our business</p> <p>Strategic objectives:</p> <p>3.1 Ensure our customers continue to receive maximum value from our services</p> <p>3.2 Engage stakeholders in the delivery of effective local solutions</p> <p>3.3 Represent the collective views of stakeholders at a national level</p> <p>3.4 Implement policies which develop, empower, value and engage our workforce</p>	<p>4: Driving sustainable and scalable growth</p> <p>Strategic objectives:</p> <p>4.1 Implement a new governance model which supports scalable business growth</p> <p>4.2 Continue to maintain a robust business infrastructure to support our growth ambitions</p> <p>4.3 Use our knowledge and insight to identify new services and/or sectors which provide growth opportunities</p> <p>4.4 Explore opportunities to work with partners on the development and delivery of new business opportunities</p>
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COVID-19 Pandemic

In March 2020, the United Kingdom Government issued detailed guidance in relation to measures that should be taken to restrict the spread of the COVID-19 virus. From this point, Scotland Excel started to deliver a full range of services to its customers via remote working for all employees and in line with government guidance. The initial focus of the organisation was working with its suppliers to do everything possible to ensure that the goods and services required to support essential frontline services, in particular Personal Protective Equipment (PPE), continued to be available to our members. While initially the response to COVID-19 presented significant challenges in operating arrangements for Scotland Excel, within a very short time much of the direct activity and relationship building with our members and suppliers carried out by the organisation was adapted to online platforms and a full range of services still continues to be delivered successfully.

In support of the wider public and third sectors during the pandemic, the organisation made available free temporary associate membership to any public body or third sector organisation that would benefit from access to Scotland Excel frameworks and support. In total, 36 organisations took advantage of this opportunity.

As a result of the COVID-19 pandemic and the associated impact on local government services and the wider economy, Scotland Excel faced significant financial challenges during 2020/21. However, Scotland Excel continued to monitor expenditure and income across the organisation and targeted a break-even position at year-end. Regular budget monitoring reports were presented to the Executive Sub-Committee, ensuring that members were kept fully aware of the financial position on an ongoing basis.

In order to generate required efficiencies in the operating budget for 2020/21, Scotland Excel implemented a recruitment freeze across the organisation, leaving a number of vacant posts unfilled. Savings accruing from this policy, in addition

to a higher than anticipated recovery of Rebate income, helped to ensure a positive budgetary position by the end of the financial year.

Performance

Review of the Year

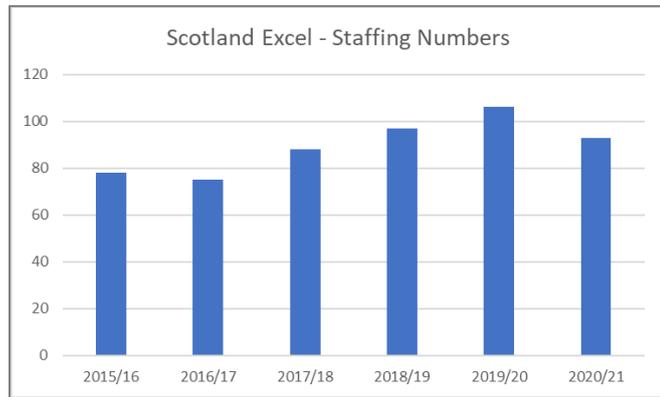
During 2020/21, Scotland Excel continued to deliver against target outcomes detailed within the organisation’s Shared Vision, Shared Success Corporate Strategy 2018-23. The framework portfolio administered by the organisation during 2020/21 expanded through the launch of 7 new product frameworks; however, in the light of the impact on normal business practices resulting from the COVID-19 outbreak, Scotland Excel took advantage of extension options that were available on a further 19 existing frameworks. Work on these frameworks has now been commenced and in some cases completed.

As at March 2021, the estimated value of the contract portfolio managed and administered by Scotland Excel exceeded £2bn. The graph below shows the rise in estimated value of the managed contract portfolio administered by Scotland Excel over the past 6 years.



The expansion of both the contract framework portfolio and the increasing numbers of consultancy and support contracts being delivered by Scotland Excel has necessitated an increasing workforce over the past 6 years; however, as can be seen from the following graph, the staffing complement for 2020/21 showed a small reduction due to the implementation of a recruitment freeze initiated by the organisation at the start of the pandemic. This recruitment freeze

contributed to the better than anticipated financial performance for Scotland Excel during 2020/21.



Income from Contract Rebates was initially budgeted to deliver a contribution of £66k to core operating costs in financial year 2020/21. This figure has been exceeded, however, with £94k accruing. This is primarily due to a higher than anticipated use of the Janitorial Services framework by members during the COVID-19 pandemic.

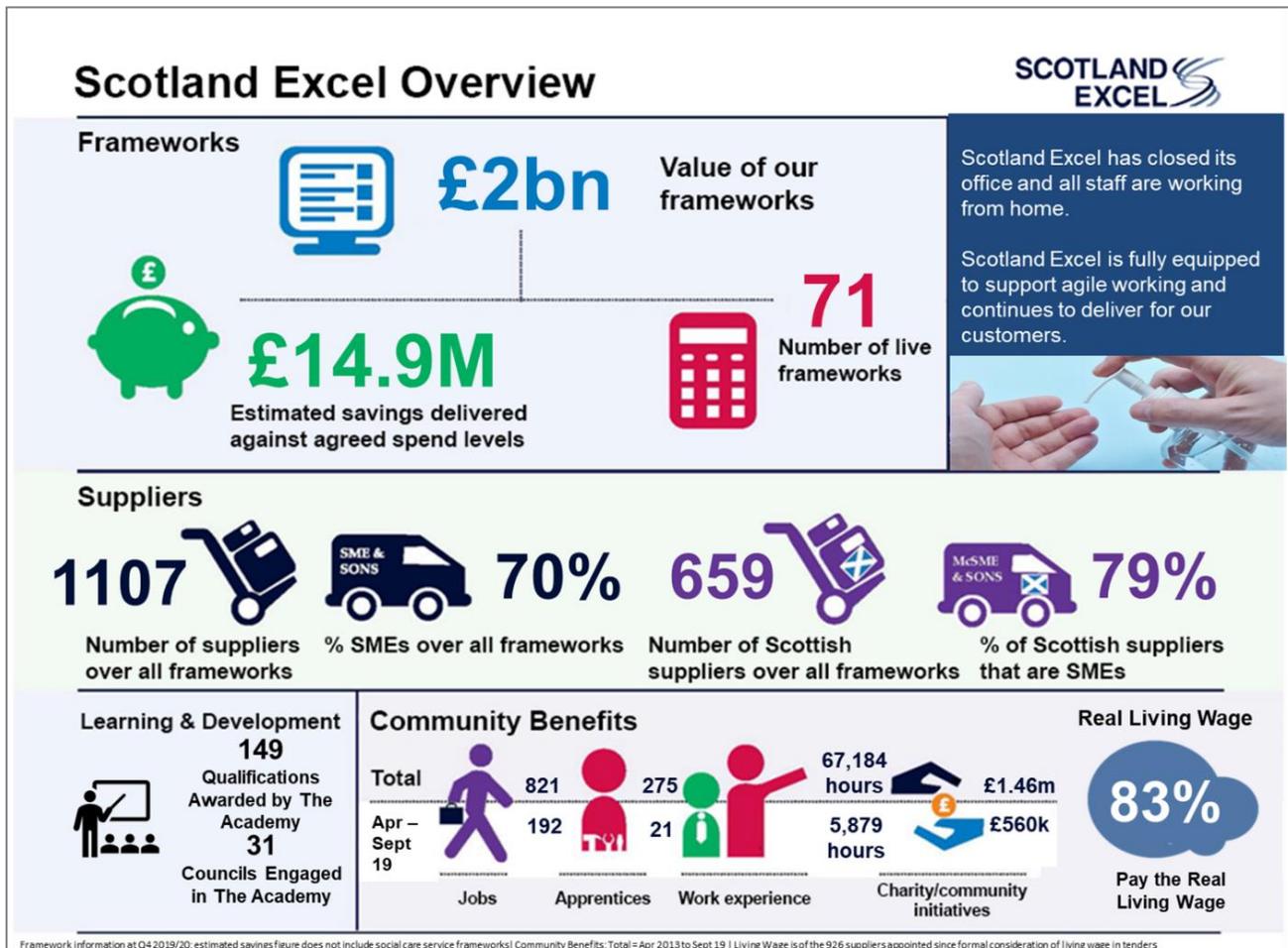
A number of Scotland Excel framework opportunities have been identified and are being considered for future rebates. The contribution from Contract Rebates to core operating costs during 2021/22 is budgeted at £213k.

Contract Rebates

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

Key Performance Indicators

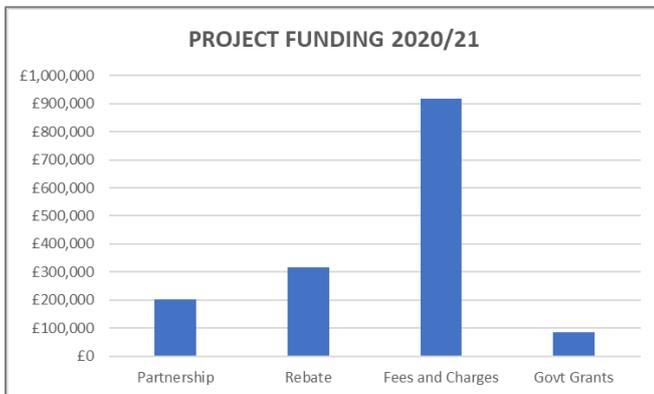
A summary of key performance indicators for Scotland Excel is shown on the infographic below. This represents the full year 2019/20, which is currently the latest available data.



Consultancy

During 2020/21, Scotland Excel worked closely with a range of Public, Higher Education, Third and Government sector organisations delivering procurement-related projects and consultancy services. Projects are resourced through a range of funding models, including Scottish Government grant funding, partnership funding across a group of local authority partners, contractual rebate, and specific project fees for individual projects.

Sources and levels of project funding for 2020/21 are shown in the chart below.



A total of 18 projects were delivered by Scotland Excel during 2020/21, generating income of £1,606k and a contribution to core running costs of £220k.

An exciting development in relation to Consultancy that took place during 2020/21 for Scotland Excel was the introduction of a Hosted Procurement team. This team is available for members to purchase specific procurement activity to be carried out by Scotland Excel. Uptake of this new service has been promising during 2020/21, with a number of projects currently underway.

Projects being delivered for Higher Education, Scottish Government and Third sector organisations include the University of Strathclyde, Zero Waste Scotland, The Digital Office, SEEMiS, Kingdom Housing and Glasgow Life.

Learning and Development

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

COVID-19 had a significant initial impact on the Academy during 2020/21 resulting in the need to switch from a high-quality face to face longer term learning experience to the online environment. Most existing programmes have continued, but there has been a significant impact on new programmes. The Academy is now delivering a growing programme of online learning opportunities for its customers and accordingly, the planned income target within the approved operating budget for 2021/22 has been adjusted to reflect the revised delivery model.

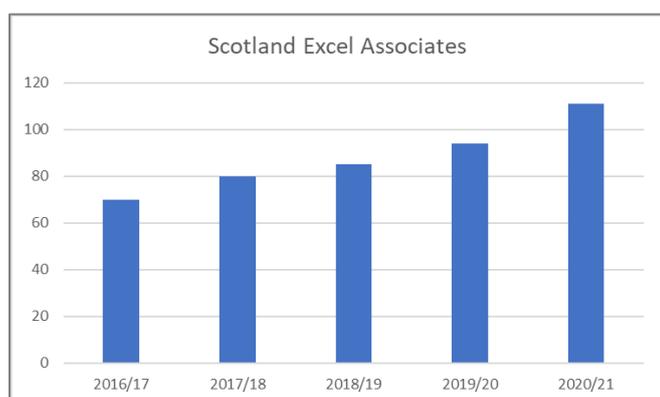
Associate Membership Expansion

Scotland Excel continues to build its portfolio of Associate Members, which currently comprises 111 in total. Associate Members are made up of 21 Arm’s Length External Organisations (ALEOs), who gain associate membership through their host local authority; and a further 90 Associate Members drawn from a range of sectors, including Social Housing, Charitable Trusts and a number of Scottish Government Bodies.

In response to the COVID-19 pandemic in April 2020, Scotland Excel introduced a free temporary associate membership programme to support the efforts of any public body or third sector organisation looking to secure continuity of service, or assisting recovery after lockdown. A total of 36 organisations from all over Scotland took advantage of the offer, including supported businesses, care homes, social enterprises and Scottish Government bodies.

The pandemic and subsequent lockdown restricted opportunities to engage with potential new associates with many businesses closed and no immediate requirement for many Scotland Excel services. This resulted in the budgeted income target for Associates not being achieved during 2020/21 and a revised target included within the approved 2021/22 operating budget.

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



New Build Housing

The uptake of the new build residential construction framework has been severely delayed by COVID-19. Temporary closure of construction sites, staff furlough and reprioritisation of resources within local authorities to tackle the crisis have all contributed to a delay of c.12-15 months on new build projects.

However, the new build residential framework is now actively being used across the public sector as construction sites re-open, with more than 10 projects already awarded and a further 20 expected to be awarded over the course of 2021/22.

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

framework use. Online webinars on the future of housing and the residential construction framework were held in November 2020 and April 2021, which brought together key partners, including the Scottish Government, the Scottish Federation of Housing Associations and Construction Scotland Innovation Centre, in a concerted effort to promote use of the framework.

While the anticipated budgetary contribution from the residential construction framework did not materialise during 2020/21, it is anticipated that the levels of contribution to Scotland Excel running costs will increase in future years, albeit at a slower than projected pace.

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 2021. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet. These statements are accompanied by Notes to the Accounts, which provide more details on the figures shown in the statements and set out the Accounting Policies adopted by the Joint Committee.

The Joint Committee does not have a bank account. Apart from petty cash, all transactions are accounted for through Renfrewshire Council as the administering authority. The cash balance at 31 March 2021 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 underspend in 2020/21 of £14k against a budgeted breakeven position.

There has been a freeze on recruitment on all vacant posts during 2021/21 due to COVID-19 which resulted in a £46k underspend in Employee Costs.

There was an overspend in Support Costs (£42k) for the increased costs in organisational insurances, reflecting the growing framework portfolio. This was offset by underspends in Transport Cost (£29k) and Supplies and Services (£80k), arising from staff working from home following lockdown restrictions.

The net result was an underspend in gross expenditure for 2020/21 of £114k.

Income from requisitions was fully recovered in the year, however Associate Income (£34k) and Income from Projects (£95k) were under-recovered due to the impact of COVID-19. There was an over-recovery in Rebates (£29k) from an unplanned impact of COVID-19 relating to the Janitorial Supplies framework. The net result was an under-recovery in gross income for 2020/21 of £100k. A budgeted drawdown from

Project reserves of £120k took the final position for Core to a £14k underspend.

Scotland Excel's Projects ended the year at 31 March 2021 with a surplus of income over expenditure of £128k. This balance is committed for future Project spend, as outlined in Note 5: Transfers to / from Earmarked Reserves on page 20.

The Comprehensive Income and Expenditure Statement (CIES) on page 15 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 (£459k) and accrued employee benefits (£20k).

The difference between the Other Income figure below and the figure reported in the CIES is a Government Grant of £84k and interest receivable of £1k.

The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 1: Expenditure and Funding Analysis on page 18.

	Core			Projects	Total
	Budget £	Actual £	Variance £	Actual £	Actual £
Employee Costs	3,591,300	3,544,991	46,309	1,268,830	4,813,821
Premises Related Costs	216,500	216,500	0	0	216,500
Supplies and Services	296,200	216,118	80,082	288,601	504,719
Support Costs	224,000	265,650	(41,650)	0	265,650
Transfer Payments	13,500	13,154	346	4,125	17,279
Transport Costs	30,000	551	29,449	40	591
Total Expenditure	4,371,500	4,256,964	114,536	1,561,596	5,818,560
Requisitions from Member Authorities	(3,660,500)	(3,660,500)	0	0	(3,660,500)
Income from Projects	(315,000)	(220,060)	(94,940)	(1,605,922)	(1,825,982)
Other Income	(276,000)	(270,803)	(5,197)	(83,929)	(354,732)
Total Income	(4,251,500)	(4,151,363)	(100,137)	(1,689,851)	(5,841,214)
Net Expenditure / (Income) for Year	120,000	105,601	14,399	(128,255)	(22,654)
Temporary Use of Project Balances	(120,000)	(120,000)	0	120,000	0
Net Draw on/(Contribution to) Reserves	0	(14,399)	14,399	(8,255)	(22,654)

The Balance Sheet at 31 March 2021

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 2021 to that of the prior year, an overall decrease in net worth of the organisation of £2,671k can be seen. This is primarily due to the increase in pension liability explained later.

Non-current assets held by the Joint Committee include IT equipment and software. Details can be found in Note 8: Intangible Assets and Note 9: Plant and Equipment on page 23.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15: Retirement Benefits on page 25.

The appointed actuaries have confirmed a net liability position of £4,578k (£1,922k 2019/20), an increase in liabilities of £2,656k, in their assessment of the position of the pension fund. This can be attributed to market movements prompted by the pandemic and lockdowns, among other factors, which therefore affect the asset share value.

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

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

A further potential change to pension rules is outlined in Note 16: Contingent Liabilities on page 27;

however, this has not been reflected in the pension liability reported in the Balance Sheet.

Reserves

Scotland Excel holds a Revenue Reserve balance that comprises an uncommitted element to mitigate the impact of future cost pressures, along with balances specifically earmarked for the future delivery of Projects. Further detail on these balances can be found in Note 5: Transfers to / from Earmarked Reserves on page 20. The closing balance on Usable Reserves at 31 March 2021 was £1,021k.

Principal Risks and Uncertainty

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

Currently, there are ten risks identified within the Scotland Excel Strategic Risk Register, including a strategic risk added in April 2020 in relation to the COVID-19 pandemic named "SXL010-21/22 National Emergency including Pandemic". This risk identifies the organisational risk posed by such events, identifying corporate actions aimed at mitigating the current impact on the organisation in addition to learning from the impact of COVID-19 and putting in place appropriate risk controls for any similar future events. At the Strategic Risk review meeting in April 2021, the residual risk score of this risk was reduced to 15 from 20 in light of mitigating actions taken by the organisation.

Other factors taken into consideration by Scotland Excel when reviewing the risk register over the year included: Brexit, recruitment challenges within the procurement sector, continuing financial uncertainty

across local government, the increasing importance of corporate social responsibility including environmental considerations within our contract strategies, and the increasing size of the Scotland Excel contract portfolio.

The table below summarises all Strategic Risk identified during 2020/21 and details the residual risk score allocated to each, along with the same score for last year.

Risk Ref.	Risk Title	Risk Score at 31 March 2021	Risk Score at 31 March 2020
SXL005-21/22	Supplier Failure	20	20
SXL003-21/22	Political Change	16	16
SXL010-21/22	National Emergency including Pandemic	15	25
SXL001-21/22	Organisational Sustainability	15	16
SXL002-21/22	Managing Growth and Diversity	12	16
SXL004-21/22	Reputational Risk	12	12
SXL006-21/22	Staff Recruitment and Retention	9	12
SXL008-21/22	Risk of Not Performing/Delivering	8	16
SXL007-21/22	Corporate Social Responsibility	6	6
SXL009-21/22	Environmental Impact and Climate Change	6	6

Outlook and Future Plans

While 2020/21 presented a range of unprecedented challenges for Scotland Excel, the organisation has performed well during the year both financially and operationally. As the country and the economy begin to recover from the pandemic, operations within Scotland Excel continue to be delivered to a high standard.

Revised plans have been put in place for income streams adversely affected by COVID-19 and the Consultancy project pipeline is developing positively, supporting financial performance plans for 2021/22.

While the sector adapts to operating within a post COVID-19 environment, Scotland Excel will continue to work with its partners to ensure that ongoing service delivery requirements for public services are met and exceeded and that best value is achieved.

Conclusion

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support. Further information on the Annual Accounts can be obtained either by writing to: Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR, by emailing us on: contactus@scotland-excel.org.uk, or by telephoning 0300 300 1200.

Councillor John Shaw

Convener

18 June 2021

Alan Russell CPFA

Treasurer

18 June 2021

Julie Welsh

Chief Executive

18 June 2021

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

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

I confirm that these Annual Accounts were approved for signature by the Joint Committee at its meeting on 18 June 2021.

Signed on behalf of Scotland Excel.

Councillor John Shaw

Convener

18 June 2021

The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Joint Committee at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2021.

Alan Russell CPFA

Treasurer

18 June 2021

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 is supported by comprehensive financial regulations and codes,
- Comprehensive budgeting systems, and detailed guidance for budget holders,
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts,
- Setting targets to measure financial and other performance,

- The preparation of regular financial reports that indicate actual expenditure against the forecasts,
- The Chief Finance Officer is the Treasurer who complies with the CIPFA Statement on the Role of The CFO in Public Services.

With Renfrewshire Council being the lead authority, all financial transactions of the Joint Committee are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of as those of Renfrewshire Council. This includes regular reviews by the Council’s 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 Chief Executive, including the use of a self-assessment tool covering five key areas of governance:

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

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

The Joint Committee’s internal audit service 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 Council’s Chief Auditor provides an annual report to

the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Auditor’s annual assurance statement concluded that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee’s internal control systems. The review has not identified any significant governance issues to be reported on for 2020/2021 and no actions arising for the 2019/20 governance statement that require to be reported on.

This governance framework has been in place throughout the year. The outbreak of COVID-19 did not result in any changes to the governance arrangements for Scotland Excel. The risk of social distancing continuing and its potential impact on the governance arrangements continues to be reviewed and monitored through robust risk management arrangements.

In June 2020 there was a change to governance unrelated to COVID-19. The Joint Committee agreed that the approval of Internal Audit Annual Report and any other scheduled annual Internal Audit report be delegated to the Executive Sub-Committee.

Assurance

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

Councillor John Shaw

Convener
18 June 2021

Julie Welsh

Chief Executive
18 June 2021

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

2019/20 Total Salary, fees and allowances £	Name	Post Held	2020/21 Total Salary, fees and allowances £
109,332	Julie Welsh	Chief Executive	114,067
88,766	Hugh Carr	Head of Strategic Procurement	93,917
87,189	Stephen Brannagan	Head of Customer & Business Services	93,917

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

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

The above tables show the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2021, 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 2020/21		Equivalent bandings for 2019/20
Up to £22,200	5.5%	Up to £21,800
£22,201 to £27,100	7.25%	£21,801 to £26,700
£27,101 to £37,200	8.5%	£26,701 to £36,600
£37,201 to £49,600	9.5%	£36,601 to £48,800
Over £49,601	12%	Over £48,801

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

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

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

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

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

Name	Post Held	Accrued Pension Benefits				Pension Contributions made by Scotland Excel	
		As at 31 March 2021		Change from 31 March 2020		2020/21	2019/20
		Pension	Lump Sum	Pension	Lump Sum	2020/21	2019/20
		£000	£000	£000	£000	£	£
Julie Welsh	Chief Executive	26	2	3	0	21,662	21,072
Hugh Carr	Head of Strategic Procurement	17	0	0	0	18,173	17,114
Stephen Brannagan	Head of Customer & Business Services	10	0	0	0	18,172	16,810

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 2020/21, in bands of £5,000.

2019/20 Number of employees	Remuneration Band	2020/21 Number of employees
3	£50,000 - £54,999	3
3	£55,000 - £59,999	5
2	£85,000 - £89,999	0
0	£90,000 - £94,999	2
0	£110,000 - £114,999	1
9		11

lump sum payments; and also, the notional capitalised costs of compensatory added years. These notional costs are not based on actual costs, but are the estimated present value of projected costs over the lifetime of the individuals in receipt of the exit package.

Councillor John Shaw

Convener
18 June 2021

Exit packages

There was one exit package agreed during 2020/21, the total cost of which fell into the £80,000-£100,000 reporting band (nil 2019/20). Note that this includes any redundancy, pension strain and compensatory

Julie Welsh
Chief Executive
18 June 2021

Comprehensive Income and Expenditure Statement

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

2019/20			Note	2020/21		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
5,373,640	0	5,373,640	Employee Costs	5,293,154	0	5,293,154
219,244	0	219,244	Premises Related Costs	216,500	0	216,500
608,452	0	608,452	Supplies and Services	504,719	0	504,719
223,849	0	223,849	Support Costs	265,650	0	265,650
17,128	0	17,128	Transfer Payments	17,279	0	17,279
44,891	0	44,891	Transport Costs	591	0	591
13,226	0	13,226	Capital Charges	17,762	0	17,762
0	(2,011,784)	(2,011,784)	Income from Projects	0	(1,825,982)	(1,825,982)
0	(243,349)	(243,349)	Government Grants	0	(83,929)	(83,929)
0	(179,636)	(179,636)	Other Income	0	(269,717)	(269,717)
6,500,430	(2,434,769)	4,065,661	Cost of Services	6,315,655	(2,179,628)	4,136,027
			Financing and Investment Income and Expenditure			
0	(4,203)	(4,203)	Interest receivable	0	(1,086)	(1,086)
99,000	0	99,000	Pension interest cost 15	51,000	0	51,000
			Taxation and Non-Specific Grant Income			
0	(3,553,900)	(3,553,900)	Requisitions from Member Authorities 14	0	(3,660,500)	(3,660,500)
6,599,430	(5,992,872)	606,558	Deficit on the provision of services	6,366,655	(5,841,214)	525,441
			Other Comprehensive Income and Expenditure			
		(2,478,000)	Actuarial (Gains) or losses on pension assets and liabilities 15			2,146,000
		(1,871,442)	Total Comprehensive Income and Expenditure			2,671,441

Note that figures in brackets represent income or gains and figures without brackets represent expenditure or losses.

Movement in Reserves Statement

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

Movement in reserves during the year	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2020		(998,294)	1,844,145	845,851
Total Comprehensive Income and Expenditure		525,441	2,146,000	2,671,441
Adjustments between accounting basis and funding basis under regulations	7	(548,095)	548,095	0
Increase or (decrease) in year		(22,654)	2,694,095	2,671,441
Balance at 31 March 2021		(1,020,948)	4,538,240	3,517,292

Comparative movements in 2019/20	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2019		(915,982)	3,595,358	2,679,376
Total Comprehensive Income and Expenditure		644,475	(2,478,000)	(1,833,525)
Adjustments between accounting basis and funding basis under regulations	7	(726,787)	726,787	0
Increase or (decrease) in year		(82,312)	(1,751,213)	(1,833,525)
Balance at 31 March 2020		(998,294)	1,844,145	845,851

Balance Sheet

The balance sheet shows the value as at 31 March 2021 of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

As at 31 March 2020 £		Note	As at 31 March 2021 £
121,230	Intangible Assets	8	108,264
10,660	Plant and Equipment	9	5,864
131,890	Long-term Assets		114,128
1,195,994	Funds held by Renfrewshire Council		890,526
328,602	Short-term Debtors and Prepayments	11	414,595
150	Cash in Hand		150
1,524,746	Current Assets		1,305,271
(580,487)	Creditors And Accruals	12	(358,691)
(580,487)	Current Liabilities		(358,691)
(1,922,000)	Pension (liability)/Asset	15	(4,578,000)
(1,922,000)	Long Term Liabilities		(4,578,000)
(845,851)	Net Assets / (Liabilities)		(3,517,292)
(998,294)	Usable Reserves	5	(1,020,948)
1,844,145	Unusable Reserves	6	4,538,240
845,851	Total Reserves		3,517,292

The unaudited accounts were authorised for issue on the signature date shown below.

Alan Russell CPFA

Treasurer

18 June 2021

Note 1: Expenditure and Funding Analysis

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

2020/21	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,813,821		459,000	20,333	5,293,154
Premises Related Costs	216,500				216,500
Supplies and Services	504,719				504,719
Support Costs	265,650				265,650
Transfer Payments	17,279				17,279
Transport Costs	591				591
Capital Charges	0	17,762			17,762
Income from Projects	(1,825,982)				(1,825,982)
Government Grants	0			(83,929)	(83,929)
Other Income	(354,732)			85,015	(269,717)
Cost of Services	3,637,846	17,762	459,000	21,419	4,136,027
Other income and expenditure	(3,660,500)	0	51,000	(1,086)	(3,610,586)
(Surplus) or deficit on the provision of service	(22,654)	17,762	510,000	20,333	525,441

2019/20	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,556,042		680,000	137,598	5,373,640
Premises Related Costs	219,244				219,244
Supplies & Services	647,630	(45,360)		6,182	608,452
Support Costs	223,849				223,849
Supported Living /Care at Home	165,872			(165,872)	0
Transfer Payments	16,515			613	17,128
Transport Costs	43,491			1,400	44,891
Capital Charges		13,226			13,226
Income from Projects	(2,011,784)				(2,011,784)
Government Grants	0			(243,349)	(243,349)
Other Income	(427,188)			247,552	(179,636)
Cost of Services	3,433,671	(32,134)	680,000	(15,876)	4,065,661
Other income and expenditure	(3,553,900)	0	99,000	(4,203)	(3,459,103)
(Surplus) or deficit on the provision of service	(120,229)	(32,134)	779,000	(20,079)	606,558

Note 2: 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 2021/22 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Code requires implementation from 1 April 2021 and there is therefore no impact on the 2020/21

accounts. There is no material impact anticipated in future years from the implementation of these standards.

Note 3: 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 2021 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 real discount rate assumption would result in an increase in the pension liability of £3.462m, equating to a 13% increase.

Note 4: Events after the balance sheet date

The unaudited accounts are issued to the Executive Sub-Committee on 18 June 2021. Where events taking place before this date provided information about conditions existing at 31 March 2021, 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 5: Transfers to / from Earmarked Reserves

This note sets out the amounts transferred to and from Revenue and Project balances to meet expenditure in 2021/22 and beyond.

	Balance at 1 April 2020 £	Transfers out £	Transfers in £	Balance at 31 March 2021 £
Revenue Reserve - uncommitted balance	(235,002)	105,601	(120,000)	(249,401)
Aberdeen Project	(4,938)	4,938	0	0
The Academy	(9,849)	0	(14,897)	(24,746)
Affordable Housing Supply Programme	(2,894)	0	(62,035)	(64,929)
Digital Transformation	(18,942)	0	(20,404)	(39,346)
Early Learning and Childcare	(33,259)	33,259	0	0
East Lothian Project	(26,188)	0	(55,241)	(81,429)
East Renfrewshire Project	(26,349)	0	(13,616)	(39,965)
Fife Project	(257,470)	257,470	0	0
Hosted Procurement	0	0	(52,694)	(52,694)
Midlothian Project	0	0	(18,000)	(18,000)
National Care Home Contract	(105,606)	1,440	0	(104,166)
New Build Project	(748)	141,723	0	140,975
SEEMiS	(1,654)	1,671	(17)	0
Small Value Procurement	(235,228)	39,290	(170,040)	(365,978)
Stirling Council	0	0	(7,971)	(7,971)
Tayside Project	(40,167)	0	(73,131)	(113,298)
Total Usable Reserves	(998,294)	585,392	(608,046)	(1,020,948)

	Balance at 31 March 2021 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(249,401)	0	(249,401)	(a)
The Academy	(24,746)	(24,746)	0	(b)
Affordable Housing Supply Programme	(64,929)	(64,929)	0	(b)
Digital Transformation	(39,346)	(39,346)	0	(b)
East Lothian Project	(81,429)	(81,429)	0	(b)
East Renfrewshire Project	(39,965)	(39,965)	0	(b)
Hosted Procurement	(52,694)	(52,694)	0	(b)
Midlothian Project	(18,000)	(18,000)	0	(b)
National Care Home Contract	(104,166)	(104,166)	0	(b)
New Build Project	140,975	140,975	0	(b)
Small Value Procurement	(365,978)	(365,978)	0	(b)
Stirling Council	(7,971)	(7,971)	0	(b)
Tayside Project	(113,298)	(113,298)	0	(b)
Total Usable Reserves	(1,020,948)	(771,547)	(249,401)	

Notes

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

Note 6: Unusable Reserves

Pension Reserve

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

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

However, statutory arrangements require benefits earned to be financed, as the Joint Committee makes employer's contributions to pension funds. The debit balance on the Pension Reserve shows a shortfall in the Joint Committee's share of Strathclyde Pension Fund resources available to meet the cost of benefits earned by past and current employees. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £	Pension Reserve	2020/21 £
3,621,000	Balance as at 1 April	1,922,000
(2,478,000)	Actuarial (gains) and losses on pension assets and liabilities	2,146,000
779,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	510,000
1,922,000	Balance as at 31 March	4,578,000

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.

2019/20 £	Employee Statutory Adjustment Account	2020/21 £
74,114	Balance as at 1 April	54,035
(74,114)	Reversal of prior year accrual for short-term accumulating compensated absences	(54,035)
54,035	Accrual for short-term accumulating compensating absences at 31 March	74,368
54,035	Balance as at 31 March	74,368

Capital Adjustment Account

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

2019/20 £	Capital Adjustment Account	2020/21 £
(99,756)	Balance as at 1 April	(131,890)
13,226	Charges for depreciation of non-current assets	17,762
(45,360)	Capital expenditure charged against Revenue balances	0
(131,890)	Balance as at 31 March	(114,128)

Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserve was £548,095 more than the deficit shown in the Comprehensive Income and Expenditure Statement. The table below gives a breakdown of the differences between the income and expenditure included in the CIES in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

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

2019/20	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(13,226)	13,226
Capital expenditure charged against Revenue balances	45,360	(45,360)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(1,437,000)	1,437,000
Employers contributions payable to the Strathclyde Pension Fund	658,000	(658,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	20,079	(20,079)
Total adjustments	(726,787)	726,787

Note 8: Intangible Assets

2019/20 £	Software	2020/21 £
	Opening balance	
84,300	Gross carrying amounts	129,660
0	Accumulated amortisation	(8,430)
84,300	Net carrying amount at 1 April	121,230
45,360	Additions	0
(8,430)	Amortisation for the year	(12,966)
36,930	Net carrying amount at 31 March	(12,966)
	Comprising:	
129,660	Gross carrying amounts	129,660
(8,430)	Accumulated amortisation	(21,396)
121,230		108,264

Note 9: Plant and Equipment

2019/20 £	Plant and Equipment	2020/21 £
	Cost or Valuation	
23,979	Opening balance at 1 April	23,979
0	Additions	0
23,979	Gross Book Value at 31 March	23,979
	Depreciation and Impairment	
(8,523)	Accumulated depreciation at 1 April	(13,319)
(4,796)	Depreciation charge for year	(4,796)
(13,319)	Accumulated depreciation at 31 March	(18,115)
15,456	Opening Net Book Value	10,660
10,660	Closing Net Book Value	5,864

Note 10: External audit costs

2019/20 £		2020/21 £
6,010	Fees payable to Audit Scotland in respect of external audit services	6,150

Note 11: Debtors

As at 31 March 2020 £	Short-term debtors	As at 31 March 2021 £
82,559	Prepayments	48,785
246,043	Other receivable amounts	365,810
328,602	Total	414,595

'Other receivable amounts' comprises amounts due, but not yet received, as at 31 March. of this, only £3,202 is considered to be doubtful debt and a payment plan is in place for its recovery.

Note 12: Creditors

As at 31 March 2020 £	Short-term creditors	As at 31 March 2021 £
(47,093)	Trade payables	(97,525)
(533,394)	Other payables	(261,166)
(580,487)	Total	(358,691)

Note 13: Operating Leases

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

Lease expenditure charged in year to the CIES was £97,000 (2019/20 £97,007).

2019/20 (restated) £	Future Minimum Lease Payments	2020/21 £
97,000	Not later than one year	97,000
485,000	Between one and five years	485,000
388,000	Later than five years	291,000
970,000	Total	873,000

2019/20 figures have been restated due to a new Lease agreement effective from 13 February 2019.

Note 14: Related parties

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

The Joint Committee is required to disclose the amount of any material sums due to or from related parties.

Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The Joint Committee pays Renfrewshire Council for support services. For 2020/21 the amount paid, excluding insurance, was £159,250 (2019/20 £159,250).

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

2019/20 £	Council	%	2020/21 £
142,125	Aberdeen City	4.0%	146,388
159,420	Aberdeenshire	4.5%	164,202
83,153	Angus	2.3%	85,648
67,709	Argyll and Bute	1.9%	69,740
49,176	Clackmannanshire	1.4%	50,652
100,407	Dumfries and Galloway	2.8%	103,419
100,150	Dundee City	2.8%	103,154
86,120	East Ayrshire	2.4%	88,703
78,882	East Dunbartonshire	2.2%	81,249
77,158	East Lothian	2.2%	79,473
71,874	East Renfrewshire	2.0%	74,031
291,182	City of Edinburgh	8.2%	299,918
36,335	Eilean Siar	1.0%	37,426
106,135	Falkirk	3.0%	109,319
216,865	Fife	6.1%	223,372
347,684	Glasgow City	9.8%	358,116
145,468	Highland	4.1%	149,832
63,489	Inverclyde	1.8%	65,394
69,427	Midlothian	2.0%	71,510
72,409	Moray	2.0%	74,582
93,378	North Ayrshire	2.6%	96,180
200,383	North Lanarkshire	5.6%	206,394
33,742	Orkney Islands	0.9%	34,754
101,402	Perth and Kinross	2.9%	104,444
114,911	Renfrewshire	3.2%	118,334
82,493	Scottish Borders	2.3%	84,968
34,308	Shetland Islands	1.0%	35,337
81,266	South Ayrshire	2.3%	83,705
188,962	South Lanarkshire	5.3%	194,632
71,477	Stirling	2.0%	73,621
69,175	West Dunbartonshire	1.9%	71,251
117,235	West Lothian	3.3%	120,752
3,553,900	Total	100%	3,660,500

Note 15: Retirement Benefits

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

15a: Transactions relating to retirement benefits

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

The following transactions have been made in the accounting statements in 2020/21:

2019/20 £		2020/21 £
	Comprehensive Income & Expenditure Statement (CIES)	
1,467,000	Current service cost	1,065,000
(129,000)	Past service cost/(gain)	0
1,338,000		1,065,000
	Financing & Investment Income & Expenditure	
99,000	Net Interest	51,000
1,437,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	1,116,000
	Other post employment benefit charged to the CIES	
1,097,000	Return on assets excluding amounts included in net interest	(4,226,000)
(3,575,000)	Actuarial (gains) and losses arising on changes in financial assumptions	6,372,000
(2,478,000)	Total Actuarial (gains) and losses	2,146,000
(1,041,000)	Total post employment benefit charged to the CIES	3,262,000
	Movement in Reserves Statement	
1,699,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(2,656,000)
658,000	Employers Contributions paid to Strathclyde Pension Fund	606,000

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

Past service cost is the estimated increase in liabilities arising from current year decisions that relates to years of service earned prior to this year.

Net Interest is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase

during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

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

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases.

In 2020/21 these amounted to £22,001 (2019/20 £21,711).

15b: Assets and liabilities in relation to retirement benefits

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

2019/20 £000		2020/21 £000
19,788	Opening present value	18,074
1,467	Current service cost	1,065
(129)	Past service cost	0
495	Interest Cost	429
236	Contributions from employees	219
(208)	Benefits Paid	(259)
	Remeasurement (gains)/losses:	
(3,575)	Actuarial (gains)/losses arising from changes in financial assumptions	6,372
18,074	Balance as at 31 March	25,900

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

2019/20 £000		2020/21 £000
16,167	Opening Fair Value	16,152
396	Interest Income	378
658	Contributions from employer	606
236	Contributions from employees	219
(208)	Benefits Paid	(259)
	Remeasurement gain/(loss):	
(1,097)	Return on assets excluding amounts included in net interest	4,226
16,152	Closing fair value of scheme assets	21,322

15c: Fund history

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Present Value of Liabilities	(18,493)	(16,187)	(19,788)	(18,074)	(25,900)
Fair value of assets	13,820	14,746	16,167	16,152	21,322
Surplus/(deficit) in the Fund	(4,673)	(1,441)	(3,621)	(1,922)	(4,578)

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

The total liability of £4,578k has a significant impact on the net worth of the Joint Committee, as recorded in the Balance Sheet.

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

15d: Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions is set at 19.3% for 2019/20 and 2020/21.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2022 is £606k.

15e: Basis for estimating assets and liabilities

The Joint Committee's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, which estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2020. The principal assumptions used by the actuary have been:

2019/20	Mortality assumptions	2020/21
Longevity at 65 for current pensioners (years)		
20.7	Men	19.8
22.9	Women	22.6
Longevity at 65 for Future pensioners (years)		
22.2	Men	21.2
24.6	Women	24.7
Other assumptions		
3.0%	Rate of increase in salaries	3.6%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%
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%

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

2019/20 £000		%	2020/21 £000
5,666	Equity instruments	41.2%	8,788
507	Debt instruments (bonds)	0.0%	0
1,462	Real Estate	8.1%	1,735
6,884	Investment Funds and Unit Trusts	48.8%	10,401
0	Derivatives	0.0%	(2)
1,633	Cash and Cash Equivalents	1.9%	400
16,152	Total	100.0%	21,322

Note 16: Contingent Liabilities

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women; however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension.

The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men’s and women’s benefits.

Strathclyde Pension Fund’s actuary has carried out calculations and estimates that the potential impact of GMP indexation would be an increase in the pension liability of approximately £95k for Scotland Excel. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

Note 17: Critical Judgements in Applying Accounting Policies

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

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

Leases	An analysis of the terms of the lease for the office accommodation at Renfrewshire House has concluded that it is an operating lease. Details can be found in Note 13.
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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 2020/21 financial year and its financial position as at 31 March 2021. The Joint Committee is required to prepare Annual Accounts by the Local Authority (Scotland) Regulations 2014 and section 12 of the Local

Government in Scotland Act 2003 requires these accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Code is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and is designed to give a true and fair view of the financial performance of the Joint Committee. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the valuation of pension assets and liabilities where appropriate. The Annual Accounts have been prepared on a going concern basis.

B Accruals of Expenditure and Income

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

- revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- revenue from the provision of services is recognised when the Joint Committee has satisfied the performance obligation and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- expenditure in relation to services received (including services provided by employees) is recorded when the service is received rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the

date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

D Contingent Liabilities

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

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

E Employee Benefits

Benefits payable during employment

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

Post-employment benefits

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

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

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

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

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

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

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

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined

benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the amount payable by the Joint Committee to be amount paid directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the CIES.

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

F Events after the Balance Sheet date

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

There are two types of events:

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

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

G Government Grants and other Contributions

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

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

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

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

H Leases

Operating Leases: Joint Committee as Lessee

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

I Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Plant, furniture and computer equipment costing less than £9,000 are not treated as fixed assets. This de minimis level does not apply where certain categories

of these assets are grouped together and form part of an approved capital programme.

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

Impairment

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

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

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

Disposals

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

Depreciation

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

J Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are revalued where the fair value of the assets held can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis in the CIES. Amortisation is not charged until the year following the purchase of an asset.

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

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

All capital expenditure is charged to the constituent authorities, meaning that the Joint Committee has no requirement to borrow. A notional capital grant is applied to the CIES in the year of spend and removed from affecting the Revenue Reserve through the Movement in Reserves Statement.

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

K Reserves

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

Usable Reserves

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

Unusable Reserves

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

L Value Added Tax (VAT)

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