

Scotland Excel

To: Executive Sub-Committee

On: 27 November 2020

**Report by:
The Treasurer**

Annual Audit Report on the Annual Accounts 2019/20

1. Summary

- 1.1 At the Joint Committee meeting on 19 June 2020, a report on the Unaudited Annual Accounts for the year ended 31 March 2020 was noted.
- 1.2 The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts to be approved for signature no later than 30 September each year. This year, however, owing to the COVID-19 pandemic, this date was extended to 30 November 2020.
- 1.3 Section 10 of these Regulations requires the relevant committee to consider any report made by the appointed auditor before deciding whether to sign the audited accounts.
- 1.4 The findings of the appointed auditor, Audit Scotland, are presented in the Annual Audit Report, which can be found at Appendix 1. It includes their opinion that the annual accounts are free from material misstatement and present a true and fair view of Scotland Excel's financial position at 31 March 2020, as well as details of one adjustment made to the accounts during the course of the audit.
- 1.5 Following approval, the audited accounts will be submitted to the Convenor, Treasurer and Chief Executive for secure digital signature.

2. Background

- 2.1 The Unaudited Annual Accounts for 2019/20 were submitted to Audit Scotland by the statutory deadline of 30 June 2019. The external auditor was required this year to complete the audit by 30 November 2020 and provide an opinion about whether the financial statements are free from material misstatement.

- 2.2 The Annual Audit Report (Appendix 1) highlights significant risk areas identified by the auditor during planning, as follows:
- Risk of material misstatement caused by management override of controls;
 - Risk of material misstatement caused by fraud over income;
 - Risk of material misstatement caused by fraud over expenditure;
 - Risk of material misstatement caused by accounting for pensions
 - Financial sustainability.
- 2.3 Pages 15 to 18 of the report at Appendix 1 presents how, in each of these areas, the result of audit testing was satisfactory.
- 2.4 Information relating to the pension liability has been revised in the Audited Annual Accounts. The McCloud/Sargeant case noted in last year's accounts, whereby transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age are argued to be unlawful on the grounds of age discrimination, added £0.223m of past service costs to the overall pension liability.

Following the court ruling and subsequent announcement of proposed remedies by the UK Government, the appointed actuaries have now reduced the estimated past service costs figure by £0.129m in 2019/20 and this has been reflected in the Management Commentary, financial statements and notes.

- 2.5 There were two further, minor changes to the audited accounts, as explained on page 9 of Appendix 1 (paragraphs 25 and 26).
- 2.6 Audit Scotland will be present at the meeting of the Executive Sub-Committee to speak to the appended Annual Audit Report 2019/20.

3. **Recommendations**

The Committee is asked to:

- 3.1 Note the findings of the 2019/20 audit as contained in the external auditor's Annual Audit Report (Appendix 1); and
- 3.2. Approve the Scotland Excel 2019/20 Audited Annual Accounts (Appendix 2) for signature.

Scotland Excel

2019/20 Annual Audit Report – Proposed



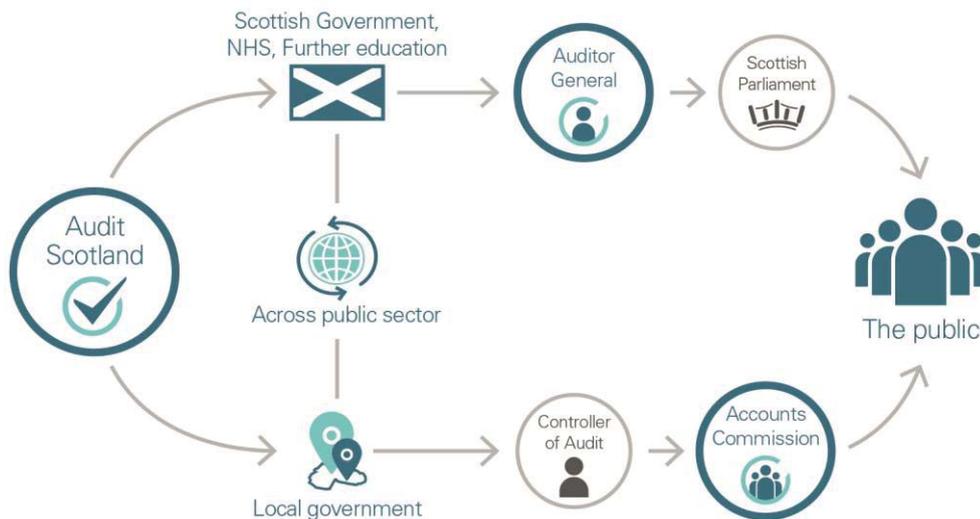
Prepared for Scotland Excel Executive Sub-Committee and the Controller of Audit

November 2020

Who we are

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

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



About us

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

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

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

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2019/20 annual accounts	7
Part 2 Financial sustainability and Annual Governance Statement	11
Appendix 1 Action plan 2019/20	15
Appendix 2 Significant audit risks identified during planning	16

Key messages

2019/20 annual accounts

- 1** Our audit opinions on the annual accounts are unqualified and report that the accounts present a true and fair view of the financial position of Scotland Excel.
- 2** The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. Scotland Excel has included an adjustment of £0.129 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.
- 4** Covid-19 created additional challenges for both Scotland Excel and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Financial sustainability

- 5** Scotland Excel achieved an overall surplus of £0.120 million in 2019/20. This comprised a deficit of £0.006 million for core services and a surplus of £0.126 million for projects. The deficit for core services included the planned application of £0.173 million of project surpluses.
- 6** The audited annual accounts for 2019/20 confirm a useable reserves balance of £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific uses or projects and the remaining £0.235 million is uncommitted.
- 7** Future planning estimates a breakeven position in 2021/22 and 2022/23. Scotland Excel is sustainable into the foreseeable future, although it should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

Introduction

1. This report summarises the findings from our 2019/20 audit of Scotland Excel. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 27 March 2020 meeting of the Executive Sub-Committee. This report comprises the findings from:

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

2. After the publication of the Annual Audit Plan, in common with all public bodies, Scotland Excel has had to respond to the global coronavirus pandemic. The impact of the global coronavirus pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

3. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

Adding value through the audit

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

- having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Executive Sub-Committee on key challenges in the Covid-19 environment
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised annual accounts and audit timetable
- making use of remote working to meet the revised 27 November 2020 audited annual accounts deadline ahead of the new statutory deadline of 30 November 2020
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence from our wider work programme with management and facilitating discussions with Audit Scotland colleagues in areas where Scotland Excel operates.

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

Responsibilities and reporting

- 6.** Scotland Excel has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Scotland Excel is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 7.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on Scotland Excel's' Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.
- 8.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.
- 9.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2019/20 audit.
- 10.** This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
- 11.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation.

Auditor Independence

- 12.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £6,010 as set out in our Annual Audit Plan, remains unchanged.
- 13.** We are not aware of any relationships that could compromise our objectivity and independence.
- 14.** This report is addressed to both Scotland Excel and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
- 15.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of Scotland Excel are unqualified and report that the accounts present a true and fair view of the financial position of Scotland Excel.

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

On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. Scotland Excel has included an adjustment of £0.129 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.

Covid-19 created additional challenges for both Scotland Excel and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts are the principal means of accounting for the stewardship of Scotland Excel's resources and its performance in the use of those resources.

17. The annual accounts for the year ended 31 March 2020 were approved by the Executive Sub-Committee on 27 November 2020. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the financial position of Scotland Excel and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The annual accounts were signed off in line with the revised statutory deadline

18. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local government body to determine its own revised timetable for the annual accounts. Scotland Excel did not need to use the powers in the 2020 Act to postpone the publication of the unaudited annual accounts, and these were submitted to us for audit on 27 June 2020 in line with the original timetable.

19. Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with Scotland Excel staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges, we were able to deliver the audit in line with the revised statutory deadline.

No objections were received on the annual accounts

20. The Local Authority Accounts (Scotland) Regulations 2014 require a local government body to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. Scotland Excel complied with the regulations. There were no objections to the 2019/20 accounts.

Overall materiality is £67,000

21. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

22. On receipt of the unaudited annual accounts, we reviewed our assessment of materiality as summarised in [Exhibit 1](#). This had no impact on our audit approach, and we remained focussed on the significant audit risks for the 2019/20 accounts.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£67,000
Performance materiality	£50,000
Reporting threshold	£3,000

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

23. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

We have no significant findings to report on the accounts, except for those included in Exhibit 2

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report around the qualitative aspects. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>Pension valuations – McCloud liability revision</p> <p>In January 2017, an employment tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.</p> <p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this Hymans Robertson (actuary) contacted Scotland Excel to advise them that the proposed remedy indicated that the estimated liability included in the IAS 19 report for 2019/20 should be reduced as the basis for determining who the remedy applied to was more onerous than the actuary's previous estimate.</p>	<p>Scotland Excel requested a revised valuation report from the actuary taking into account this remedy.</p> <p>The amendments resulted in a decrease of £0.129 million for the pension liability in the accounts.</p> <p>Conclusion: The accounts now include the revised estimate for "McCloud".</p>

Source: Audit Scotland

Other findings

25. Management recognised a provision of £54,035 in the 2019/20 financial statements in relation to untaken staff leave. This had been recognised as an accrual in prior years' financial statements. Following discussions with management, it was agreed that recognising this as a provision was not appropriate and should continue to be recognised as an accrual. Management agreed to this adjustment and reclassified the balance. As this was a classification adjustment, this did not impact on net expenditure for the year or the net Balance Sheet position.

26. Our work identified £37,917 of project income that related to services delivered in 2018/19, but this had been recognised as income in 2019/20. This resulted in income and reserves being understated in 2018/19 and income being overstated in 2019/20. Management processed an adjustment to recognise this income in the correct year and this has been reflected in the usable reserves balance in both years. The usable reserves balance as at 31 March 2020 is unchanged by this adjustment.

Adjustments of £0.221 million were processed in the annual accounts. These were greater than our performance materiality, but we did not need to revise our audit approach

27. Total adjustments of £0.221 million were processed in the financial statements. These related to the pension liability discussed in [Exhibit 2](#) and adjustments discussed in paragraphs 25 and 26. We have concluded that the adjustments were due to the specific circumstances around the item in question, were isolated and identified in their entirety and do not indicate systemic error.

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

29. There were no adjustments, other than those outlined at paragraph 27, above our reporting thresholds identified from our audit.

Part 2

Financial sustainability and Annual Governance Statement



Main judgements

Scotland Excel achieved an overall surplus of £0.120 million in 2019/20. This comprised a deficit of £0.006 million for core services and a surplus of £0.126 million for projects. The deficit for core services included the planned application of £0.173 million of project surpluses.

The audited annual accounts for 2019/20 confirm a useable reserves balance of £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific uses or projects and the remaining £0.235 million is uncommitted.

Future planning estimates a breakeven position in 2021/22 and 2022/23. Scotland Excel is sustainable into the foreseeable future, although it should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

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

Financial performance in 2019/20

30. The Joint Committee approved the 2019/20 budget in December 2018 and some minor adjustments were made to the budget over the year. Budgeted income for core services was £4.002 million and budgeted expenditure was £4.016 million, resulting in a budgeted deficit of £14,000. This position included £0.120 million planned use of reserves and the application of net project income of £0.173 million (i.e. the budgeted surplus from projects). Budgeted income for projects was £1.601 million and budgeted expenditure was £1.428 million, resulting in the budgeted surplus of £0.173 million outlined above.

31. The 2019/20 budget included a two per cent increase in requisition income that was approved by the Joint Committee. This resulted in requisition income increasing from £3.484 million in 2018/19 to £3.554 million in 2019/20.

32. An overall surplus of £0.120 million was achieved in 2019/20 and this was driven by income generated from projects ([Exhibit 3](#)). Actual outturn for core services was expenditure of £4.067 million and income of £4.061 million, resulting in a deficit of £0.006 million.

33. The planned use of reserves of £0.120 million outlined above was not required. Actual outturn for projects was expenditure of £1.805 million and income of £2.105 million. This resulted in a gross surplus of £0.299 million, with £0.173 million of this being applied to core services, resulting in a net surplus of £0.126 million. The main factors that contributed to variances between budget and actuals are set out in the Management Commentary in the annual accounts.

Exhibit 3 Budgeted and actual outturn

	Income (£m)	Expenditure (£m)	Net (income) / expenditure (£m)	Application of project income (£m)	Outturn (£m)
Budgeted core	(3.829)	4.016	0.187	(0.173)	0.014
Budgeted project	(1.601)	1.428	(0.173)	0.173	-
Budgeted total	(5.430)	5.534	0.014	-	0.014
Actual core	(3.888)	4.068	0.179	(0.173)	0.006
Actual project	(2.105)	1.805	(0.299)	0.173	(0.126)
Actual total	(5.993)	5.873	(0.120)	-	(0.120)
Variance core	(0.059)	0.052	(0.008)	-	(0.008)
Variance project	(0.504)	0.377	(0.126)	-	(0.126)
Variance total	(0.563)	0.429	(0.134)	-	(0.134)

Source: Scotland Excel's annual accounts 2019/20

34. The overall surplus of £0.120 million resulted in useable reserves increasing from £0.878 million in 2018/19 to £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific use or projects. The remaining £0.235 million is uncommitted and can be applied to any aspect of service deliver.

35. The uncommitted reserves balance represents 5.6 per cent of net service expenditure. This is considered to be a prudent level of uncommitted reserves and will provide management flexibility to address unplanned and unforeseen developments if they occur.

Short term financial planning

36. The largest source of income for Scotland Excel is requisitions from members of the Joint Committee. However, the level of income generated from other sources has increased in recent years and makes up approximately 35 per cent of total income in 2019/20. The other sources of income include rebates, associate memberships, projects and the Academy.

37. The Joint Committee approved the 2020/21 budget in December 2019. Budgeted income and expenditure for core services was £4.372 million, resulting in a breakeven position. Budgeted income included £0.120 million planned use of reserves and net project income of £0.315 million (i.e. the budgeted surplus from projects). Budgeted income from projects was £1.996 million and budgeted expenditure was £1.681 million, resulting in the project surplus of £0.315 million applied to core services.

38. A three per cent increase in requisition income was also agreed by the Joint Committee and this resulted in requisitions increasing from £3.554 million in 2019/20 to £3.660 million in 2020/21.

39. Delivery of plans over the year will allow Scotland Excel to achieve a breakeven position in 2020/21. However, new uncertainties have arisen since the approval of the budget due to the Covid-19 pandemic and this could have a significant impact on Scotland Excel's ability to achieve planned income and surpluses from projects. Further details on the impact of Covid-19 are outlined in the section below.

Medium term financial plans are in place but will have to be updated for the impact of Covid-19

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

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

42. Forecasts up to 2022/23 were included within the 2020/21 budget. The forecasts estimate a breakeven position in 2021/22 and 2022/23. This position is based on a three per cent increase in requisition income for 2021/22 with no increase proposed in 2022/23. This position also assumes surpluses from projects of £0.395 million in 2021/22 and £0.327 million in 2022/23 will be achieved.

43. From the work carried out, we have concluded that Scotland Excel has sound financial planning arrangements in place however cost pressures continue as outlined above.

44. Covid-19 is expected to have a considerable impact on public sector organisations in the coming years and will affect the way they deliver services and on their financial position. Many organisations have seen increased costs in responding to the pandemic and income generated from services has also been impacted. Scotland Excel's funding model relies on both requisition income and generated income to allow Scotland Excel to develop as an organisation.

45. Due to the additional challenges presented by the Covid-19 pandemic, the existing financial outlook will require to be reviewed to ensure it remains relevant and appropriate. It is important that Scotland Excel updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

46. In addition to the pressures presented by Covid-19, the UK's withdrawal from the European Union could present challenges to many organisations and businesses. Scotland Excel has documented a summary position regarding key commodity areas that have been impacted, and are likely to be further impacted, if a second wave of Covid-19 peaks in Scotland at the same time as the potential of a "No Deal" withdrawal from the European Union. Scotland Excel will continue to develop further contingency planning and work with all partners and stakeholders.



Recommendation 1

Scotland Excel should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

Annual Governance Statement

47. Our review of the Annual Governance Statement assessed the assurances which are provided to the Director regarding the adequacy and effectiveness of the Joint Committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal

Auditor's annual assurance statement concluding that 'a reasonable level of assurance can be placed upon the adequacy and effectiveness of Scotland Excel's internal control, risk management and governance arrangements'.

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

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial Sustainability</p> <p>The Covid-19 pandemic has introduced further financial challenges for the organisation.</p> <p>Risk:</p> <p>Scotland Excel may not be able to deal with future financial challenges without adversely impacting service delivery.</p>	<p>Update medium-term financial plans to reflect the impact of Covid-19 at the earliest appropriate opportunity.</p>	<p>Financial impacts of the pandemic will continue to be reported to the Executive Sub-Committee along with regular budget monitoring updates. The Revenue Estimates for 2021/22 to 2023/24 will take cognisance of medium-term effects of COVID-19 on Scotland Excel's ability to recruit staff and generate income, as appropriate.</p> <p>Responsible officer: Treasurer and Chief Executive</p> <p>Agreed date: 31 December 2020</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud over income</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be materially misstated in the financial statements.</p> <p>While the majority of Scotland Excel's income is requisitions from member authorities, a significant amount is generated through projects and other work. The extent and complexity of this other income means that there is an inherent risk of fraudulent or erroneous reporting of income to achieve a desired financial position.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of income transactions focusing on whether income is processed in the correct accounting year.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of material misstatement caused by fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>Scotland Excel incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>
<p>4 Risk of material misstatement caused by accounting for pensions</p> <p>Scotland Excel recognised a net liability of £3.621 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>As outlined in Exhibit 2, an adjustment was processed to reflect an updated estimate of the impact of the McCloud legal judgement.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>

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

<p>5 Financial sustainability</p> <p>The 2019/20 Revenue Estimates highlight increasing operating costs in the medium-term, putting</p>	<p>Review of budget monitoring reports and future Revenue Estimates and discussions with management on</p>	<p>A review of budget monitoring reports and the financial statements highlight reserves have increased in year. Breakeven budgets are forecast</p>
--	--	---

Audit risk	Assurance procedure	Results and conclusions
<p>pressures on available resources. Part of these pressures are being mitigated by increasing income and surpluses from projects. However, the extent and timing of project income is not certain and varies year to year. Even with increases in project income and surpluses, it is likely savings will be required in the medium term to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>Scotland Excel's medium-term financial position.</p> <p>Conclude on financial position and financial sustainability within the Annual Audit Report.</p>	<p>in the medium-term to 2022/23 and will require the use of reserves and / or surpluses from projects to support core services.</p> <p>Covid-19 will present additional challenges and the existing financial outlook is no longer accurate. It is important that Scotland Excel updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p> <p>Conclusion: Scotland Excel continues to operate in a challenging financial climate. Medium-term financial plans should be updated to reflect the impact of Covid-19.</p>

Scotland Excel

2019/20 Annual Audit Report – Proposed

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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

Scotland Excel Executive Sub-Committee

27 November 2020

Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report by 30 November 2020 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Executive Sub-Committee's consideration our draft Annual Audit Report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. As outlined in our Annual Audit Plan, due to the nature and size of Scotland Excel, we have assessed the extent of wider dimensions work and concluded that a reduced scope, as outlined in paragraph 53 of the Code of Audit Practice, can be applied.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

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

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Executive Sub-Committee, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

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

APPENDIX A: Proposed Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Scotland Excel as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

APPENDIX B: Letter of Representation (ISA 580)

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

Dear Mark

Scotland Excel Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of Scotland Excel for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Remuneration Report, Management Commentary and Annual Governance Statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Scotland Excel's Chief Executive and the Executive Sub-Committee, the following representations given to you in connection with your audit of Scotland Excel's annual accounts for the year ended 31 March 2020.

General

3. Scotland Excel and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scotland Excel have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Scotland Excel at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting

policies applied are appropriate to Scotland Excel's circumstances and have been consistently applied.

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

Going Concern Basis of Accounting

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

Assets

10. All assets at 31 March 2020 of which I am aware have been recognised in the annual accounts.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

14. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
15. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
16. The pension assumptions made by the actuary in the IAS 19 report for Scotland Excel have been considered and I confirm that they are consistent with management's own view.
17. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

18. There are no significant contingent liabilities, other than those disclosed in Note 17 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.

Service Level Agreement

19. The Service Level Agreement with Renfrewshire Council is being updated and finalisation was delayed due to Covid-19. As a result, this could not be made available for review. I can confirm

the expenditure recognised in the 2019/20 financial statements reflects the charge agreed between Scotland Excel and Renfrewshire Council.

Fraud

20. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

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

Related Party Transactions

22. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all Scotland Excel's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

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

Management commentary

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

Corporate Governance

25. I confirm that Scotland Excel has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

26. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

27. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Treasurer



Annual Accounts 2019/20

CONTENTS

Management Commentary.....	1
Statement of Responsibilities	11
Annual Governance Statement.....	12
Remuneration Report	14
Independent Auditor’s Report	16
Comprehensive Income and Expenditure Statement.....	19
Movement in Reserves Statement	20
Balance Sheet.....	21
Note 1: Expenditure and Funding Analysis	22
Note 2: Accounting Standards Issued not Adopted.....	23
Note 3: Assumptions made about the future	23
Note 4: Events after the balance sheet date	23
Note 5: Transfers to / from Earmarked Reserves	24
Note 6: Unusable Reserves	25
Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations	26
Note 8: Intangible Assets	27
Note 9: Plant and Equipment.....	27
Note 10: External audit costs.....	27
Note 11: Debtors.....	27
Note 12: Creditors.....	27
Note 13: Operating Leases.....	28
Note 14: Related parties	28
Note 15: Retirement Benefits	29
Note 16: Contingent Liabilities.....	31
Note 17: Critical Judgements in Applying Accounting Policies	32
Note 18: Summary of Significant Accounting Policies	32

Management Commentary

The purpose of the Management Commentary is to present an overview of Scotland Excel’s financial performance during the year 2019/20 and to help readers understand its financial position at 31 March 2020. In addition, it outlines the main risks and uncertainties facing the organisation for the financial year 2019/20 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 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.

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>
---	--	--	---

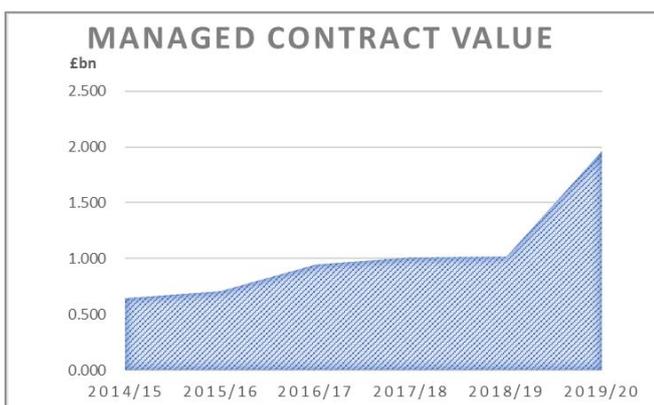
Performance

Review of the Year

During 2019/20, Scotland Excel continued to deliver against target outcomes detailed within the organisation’s “Shared Vision, Shared Success Corporate Strategy” document for 2018-23. The framework portfolio administered by the organisation during 2019/20 expanded through the launch of new product frameworks including the New Build Housing and Care and Support frameworks. In addition to launching new frameworks, Scotland Excel assumed the lead role under the National Care Homes Contract (NCHC) from COSLA in April 2019.

Scotland Excel Academy continued its successful rollout across Public and Third sector organisations and a total of 18 consultancy and support projects were delivered during the year.

As at March 2020, the estimated value of the contract portfolio managed and administered by Scotland Excel exceeded £1.98bn. The graph below shows the rise in estimated value of the managed contract portfolio administered by Scotland Excel over the past 6 years.



Weighted savings figures (calculated by dividing the estimated savings by the value of each framework) for local authorities in relation to the Scotland Excel portfolio are estimated at 2.53%. This savings figure excludes contracts relating to social care.

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 as detailed in the graph below.



Contract Rebates

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

Income from Contract Rebates was initially targeted to deliver a contribution of £0.055m to core operating costs in financial year 2020/21. It is anticipated however that this figure will be exceeded with a revised budget estimate of £0.066m being forecast. A number of Scotland Excel framework opportunities have been identified and are being considered for future rebate opportunities. The contribution from Contract Rebates to core operating costs is projected to increase over the coming years.

Key Performance Indicators

A summary of key performance indicators for Scotland Excel for the period January 2019 to December 2019 is detailed on the graphic below.

Scotland Excel Overview

Latest information for customers and suppliers - <https://scotlandexcelcovid19-newsroom.prgloo.com/>

Frameworks



£1.9bn Value of our frameworks



£15.7M
Estimated savings delivered against agreed spend levels



71
Number of live frameworks

Scotland Excel has closed its office and all staff are working from home.

Scotland Excel is fully equipped to support agile working and continues to deliver for our customers.



Suppliers

1006
Number of suppliers over all frameworks

74%
% SMEs over all frameworks

608
Number of Scottish suppliers over all frameworks

82%
% of Scottish suppliers that are SMEs

Learning & Development



147
Qualifications Awarded by The Academy
28
Councils Engaged in The Academy

Community Benefits

Total	821	275	67,184 hours	£1.46m
Apr - Sept 19	192	21	5,879 hours	£560k
Jobs	Apprentices	Work experience	Charity/community initiatives	

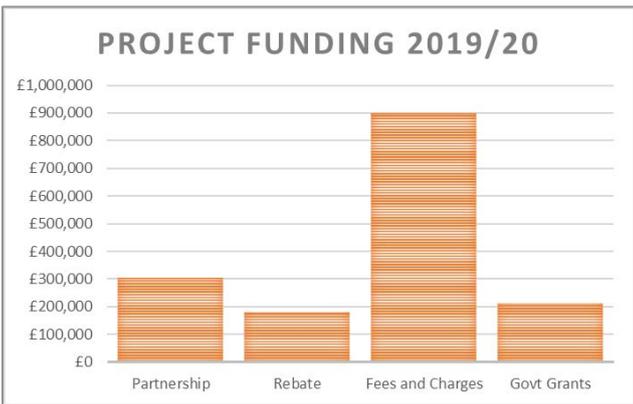
Scottish Living Wage

83%
Pay the Scottish Living Wage

Framework information at Q3 2019/20; estimated savings figure does not include social care service frameworks | Community Benefits: Total = Apr 2019 to Sept 19 | Living Wage is of the 926 suppliers appointed since formal consideration of living wage in tenders

Consultancy

During 2019/2020, Scotland Excel worked closely with a range of Public, Government and Third 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 and specific project fees for individual projects. Sources and levels of project funding for 2019/20 are shown below.



In total, 18 projects were delivered by Scotland Excel during 2019/20, generating a turnover in excess of £1.93m and a contribution to core running costs of £0.17m.

One such project is the “Fife Procurement Transformation Programme” which started in September 2018 and runs for 2 years. The programme is made up of 13 individual projects that have been designed in partnership with Fife Council and contribute to the overall aims of the local authority. At 31 March 2020, the project has identified over £10m of potential benefits of which recurring benefits rise to in excess of £25m.

Projects being delivered for Third and other Public sector agencies include Kingdom Housing Association, Cycling Scotland, City Properties, SEEMiS and the Improvement Service.

Learning and Development

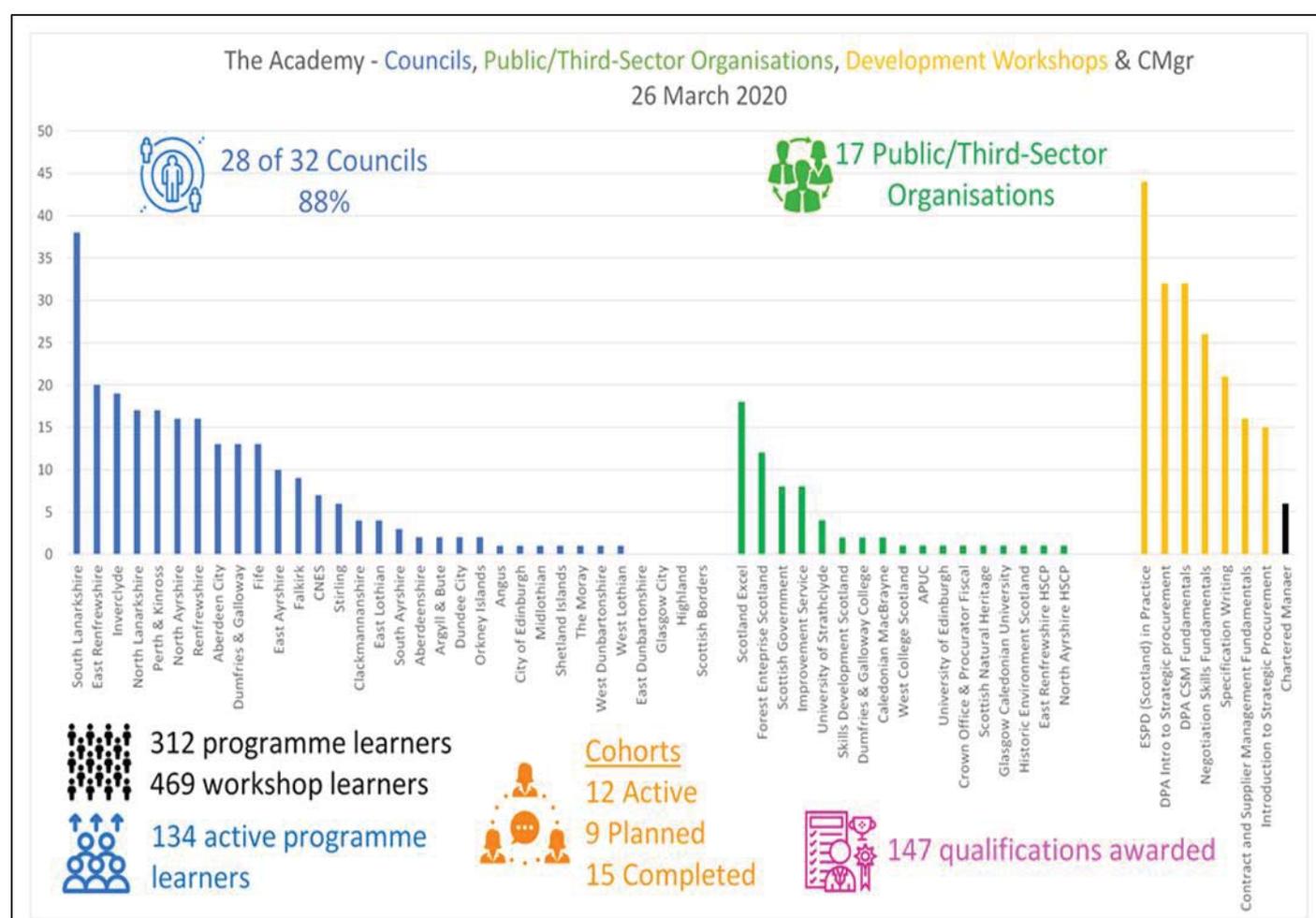
The Scotland Excel Academy continues to help raise the profile of procurement within local authorities and across the Public and Third sectors by championing its potential to shape markets, support policy priorities and, ultimately, ensure the sustainable delivery of services.

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.

It is important to note that the Academy has continued to deliver taught workshops online using video and screen sharing software during the COVID-19 lockdown period.

A summary of key performance information for the Scotland Excel Academy during 2019/20 is shown in the graphic below. Of the 147 qualifications awarded in the year, six learners achieved Chartered Manager (CMgr), the highest accolade in the leadership and management profession.



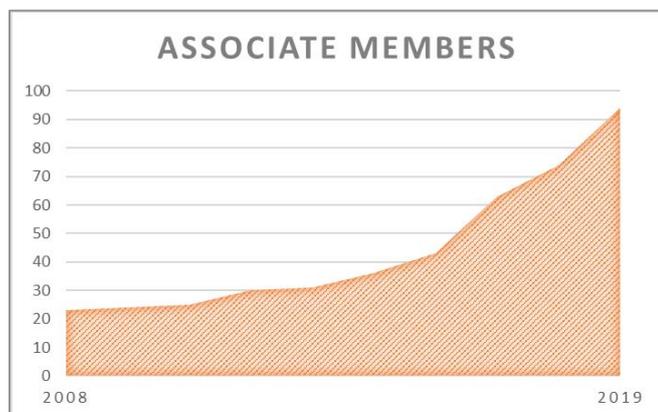
Associate Membership Expansion

Scotland Excel continues to build its portfolio of Associate Members, which currently number 94 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 73 Associate Members are drawn from a range of sectors including Social Housing, Charitable Trusts and include a number of Scottish Government Bodies.

Scotland Excel Associate Members have access to the full range of contracts and frameworks administered

by Scotland Excel along with access to the procurement expertise available within the organisation. The graph below details the growth in Associate membership for Scotland Excel over the past five years.



New Build Housing

Following an extensive development period and a restricted procurement exercise, 19 contractors have been awarded to the New Build Housing framework which commenced on 26 August 2019. The new framework comprises five lots aimed at different project sizes and includes provisions which encourage sustainable and energy efficient housing, advertising of sub-contracting opportunities, delivery of community benefits and use of supported businesses and social enterprises.

Extensive engagement was undertaken with individual contractors and purchasers, as well as a number of other key stakeholder groups. The framework was formally launched at an event in Edinburgh in October 2019 which brought together contractors, Scotland Excel Local Authority and Associate members.

Individual and bespoke mobilisation sessions are now being undertaken by the Scotland Excel team with member councils and housing associations.

The New Build Residential Construction framework was initially targeted to deliver its first contribution of £0.093m in financial year 2020/21. It is anticipated that the contribution to surplus for the New Build project in the 2020/21 budget will not be achieved

due to the impact of COVID-19 restrictions. The annual estimates previously derived over two years, however, are still anticipated to be delivered albeit over a longer time period.

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 2020. 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 2020 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 2019/20 of £6,139, compared to the approved budget of £14,000, resulting in an underspend of £7,861.

There were a number of additional pressures in Employee Costs during 2019/20 relating to maternity backfill arrangements and agency resources. There were also some minor overspends in Premises Costs and Apprenticeship Levy (Transfer Payments).

These pressures were offset by underspends across Supplies and Services, including furniture and marketing (£7,757) and Transport Costs (£4,764). The net result was an overspend in gross expenditure for 2019/20 of £51,611.

Income from requisitions was fully recovered in the year, however Associate Income was higher than anticipated. In addition, Scotland Excel received a grant from the Scottish Government of £150,633, which funded the Supported Living / Care at Home activity that was originally budgeted to be funded from £120,000 of Project reserve balances. This meant that the reserve drawdown was no longer needed. The net result was an over-recovery in gross income for 2019/20 of £59,472.

Scotland Excel's Projects ended the year at 31 March 2020 with a surplus of income over expenditure of £126,368. This balance is committed for future Project spend, as outlined in Note 5: Transfers to / from Earmarked Reserves on page 24.

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 (£680,000) and accrued employee benefits (£20,079).

The difference between the Other Income figure below and the figure reported in the CIES is the re-classification of £243,349 as Government Grants, as well as Interest receivable of £4,203.

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 22.

	Core			Projects Actual £	Total Actual £
	Budget £	Actual £	Variance £		
Employee Costs	3,108,860	3,168,672	(59,812)	1,387,370	4,556,042
Premises Related Costs	216,800	219,244	(2,444)	0	219,244
Supplies and Services	254,280	247,626	6,654	400,004	647,630
Support Costs	220,740	223,849	(3,109)	0	223,849
Supported Living / Care at Home	169,400	165,872	3,528	0	165,872
Transfer Payments	10,820	12,012	(1,192)	4,503	16,515
Transport Costs	35,000	30,236	4,764	13,255	43,491
Total Expenditure	4,015,900	4,067,511	(51,611)	1,805,132	5,872,643
Requisitions from Member Authorities	(3,553,900)	(3,553,900)	0	0	(3,553,900)
Income from Projects	(173,000)	(173,000)	0	(1,838,784)	(2,011,784)
Temporary Use of Project Balances	(120,000)	0	(120,000)	0	0
Other Income	(155,000)	(334,472)	179,472	(92,716)	(427,188)
Total Income	(4,001,900)	(4,061,372)	59,472	(1,931,500)	(5,992,872)
Net Expenditure / (Income) for Year	14,000	6,139	7,861	(126,368)	(120,229)

The Balance Sheet at 31 March 2020

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 2020 to that of the prior year, an overall increase in net worth of the organisation of £1.742m can be seen. This is primarily due to the decrease in pension liability explained later.

Non-current assets held by the Joint Committee include IT equipment and software. Details can be found in Note 8: Intangible Assets and Note 9: Plant and Equipment on page 24.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 16: Retirement Benefits on page 26.

The appointed actuaries have confirmed a net liability position of £2.051m (£3.621m 2018/19), a decrease in liabilities of £1.570m, in their assessment of the position of the pension fund. This can be attributed to a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

The McCloud/Sargeant case noted in last year's accounts, whereby transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age are argued to be unlawful on the grounds of age discrimination, added £0.223m of past service costs to the overall pension liability. Following the court ruling and subsequent announcement of proposed remedies by the UK Government, the appointed actuaries have now reduced the estimated past service costs figure by £0.129m in 2019/20 to reflect this change.

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

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

A further potential change to pension rules is outlined in Note 17: Contingent Liabilities on page 28; 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 21. The closing balance on Usable Reserves at 31 March 2020 was £998,294.

Principal Risks and Uncertainty

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

Currently, there are ten risks identified within the Scotland Excel Strategic Risk Register including a new strategic risk added in light of the COVID-19 pandemic named "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.

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 identified Strategic Risks and details the risk score allocated to each.

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

Outlook and Future Plans

While 2019/20 represents another successful year for Scotland Excel, the outlook and future plans for the organisation, like many other organisations across the sector, has been impacted by the COVID-19 pandemic.

Impact of COVID-19 Pandemic on Scotland Excel

The COVID-19 pandemic and resultant lockdown periods have had, and will continue to have, a significant financial and operational impact on Scotland Excel. This impact has been felt particularly across the five funding streams previously identified by Scotland Excel and approved by the Joint Committee.

Income from Consultancy Services will be met during 2021/22; however, it will be adversely impacted in future years due a break in the project pipeline caused by the pandemic. The pandemic has also had a significant impact on the Academy, resulting in the need to switch from a high-quality face-to-face longer term learning experience to an online environment, with an anticipated zero contribution to organisational income targets during 2020/21. COVID-19 has also had a significant impact on the introduction of new Associate Members due to

economic uncertainty, resulting in a reduced financial contribution from this area in 2020/21. The cessation of all construction activity during the first COVID lockdown period and subsequent economic uncertainty has had an adverse and significant financial impact on the New Build project. Programmed building projects have been postponed during 2020, resulting in an anticipated zero contribution to core costs during 2020/21.

The impact of the pandemic on Rebates as a source of income for Scotland Excel will not be fully understood for a number of years. Overall, the pandemic has adversely impacted spend through a number of Scotland Excel frameworks, which will have an immediate impact on 2021/22 finances and an anticipated longer-term effect across the framework portfolio.

Whilst the organisation has successfully transformed from an office-based organisation to a completely home-based organisation it has not been without its challenges. The progressive technology strategy has served the organisation well during the period but has been stretched on occasions. Supporting staff during this transition has taken a significant amount of effort and resource and has been a priority for management.

Future predictability has been greatly hampered by the pandemic and uncertainty is a key challenge for the organisation, its members and its partners. Future financial planning and financial stability has been at the heart of the long-term strategy. Previous plans sought and delivered a reduction in dependence on member requisitions. This strategy has been impacted by COVID-19 and requires further review and adaptation to meet these new challenges.

Contingency Planning

The UK's exit from the European Union could well coincide with a second wave of COVID-19 peaking over the winter months. Many business owners advise that they may be unable to remain viable during a second wave if extensive lockdowns are imposed again. It is imperative that councils have a risk management strategy drawn up and business continuity / disaster recovery plans are updated to reflect the current position. Scotland Excel has documented a summary position regarding key commodity areas that have been impacted, and are likely to be further impacted, if a second wave of COVID-19 peaks in Scotland at the same time as the potential of "No Deal" within Brexit negotiations. Scotland Excel will develop further contingency planning per commodity area and, by using management information and analysis of key supply chains, continue to collaborate and improve cross-sector functionality with all stakeholders and

partners. There are key areas that Scotland Excel will focus upon in order to assist and support our stakeholders. This will include a review of business plans and refocusing resource as appropriate to support member councils.

While the sector adapts to operating within a COVID-19 and post-COVID-19 environment, Scotland Excel will continue to work to manage and understand the financial and operational challenges facing the organisation while, at the same time, working 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

Alan Russell CPFA
Treasurer

Julie Welsh
Chief Executive

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

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

I confirm that these Annual Accounts were approved for signature by the Executive Sub-Committee at its meeting on 27 November 2020.

Signed on behalf of Scotland Excel.

Councillor John Shaw
Convener

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 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 2020.

Alan Russell CPFA
Treasurer

Annual Governance Statement

Scope of Responsibility

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

The Joint Committee's Governance Framework

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

The Joint Committee has also put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

- Clearly defined Procedural Standing Orders, Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts.

- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives,
- Application of the Chartered Institute of 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 2019/2020 and no actions arising for the 2018/19 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 2019/20. The risk of social distancing continuing and its potential impact on the governance arrangements continues to be reviewed and monitored through robust risk management arrangements.

Assurance

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

Councillor John Shaw
Convener

Julie Welsh
Chief Executive

Remuneration Report

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

Remuneration of elected members

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

Remuneration of senior employees

2018/19 Total Salary, fees and allowances £	Name	Post Held	2019/20 Total Salary, fees and allowances £
105,714	Julie Welsh	Chief Executive	109,332
82,206	Hugh Carr	Head of Strategic Procurement	88,766
81,252	Stephen Brannagan	Head of Customer & Business Services	87,189

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 2020, 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:		Equivalent bandings for 2018/19
Up to £21,800	5.5%	Up to £21,300
£21,801 to £26,700	7.25%	£21,300 to £26,100
£26,701 to £36,600	8.5%	£26,100 to £35,700
£36,601 to £48,800	9.5%	£35,700 to £47,600
Over £48,801	12%	Over £47,601

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

The accrual rate guarantees a pension based on 1/49th 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 2020		Change from 31 March 2019		2019/20	2018/19
		Pension	Lump Sum	Pension	Lump Sum	2019/20	2018/19
		£000	£000	£000	£000	£	£
Julie Welsh	Chief Executive	23	2	2	0	21,072	20,469
Hugh Carr	Head of Strategic Procurement	17	0	4	0	17,114	15,890
Stephen Brannagan	Head of Customer & Business Services	10	0	4	0	16,810	15,613

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 2019/20, in bands of £5,000.

2018/19 Number of employees	Remuneration Band	2019/20 Number of employees
1	£50,000 - £54,999	3
0	£55,000 - £59,999	3
2	£80,000 - £84,999	0
0	£85,000 - £89,999	2
1	£105,000 - £109,999	1
4		9

Exit packages

There were no exit packages agreed for employees of Scotland Excel during 2019/20 or 2018/19.

Councillor John Shaw
Convener

Julie Welsh
Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Scotland Excel as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

Comprehensive Income and Expenditure Statement

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

2018/19			Note	2019/20		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
4,946,356	0	4,946,356	Employee Costs	5,373,640	0	5,373,640
180,373	0	180,373	Premises Related Costs	219,244	0	219,244
460,864	0	460,864	Supplies and Services	608,452	0	608,452
226,045	0	226,045	Support Costs	223,849	0	223,849
8,511	0	8,511	Transfer Payments	17,128	0	17,128
9,330	0	9,330	Transport Costs	44,891	0	44,891
2,841	0	2,841	Capital Charges	13,226	0	13,226
0	(1,509,051)	(1,509,051)	Income from Projects	0	(2,011,784)	(2,011,784)
0	(437,100)	(437,100)	Government Grants	0	(243,349)	(243,349)
0	(83,790)	(83,790)	Other Income	0	(179,636)	(179,636)
5,834,320	(2,029,941)	3,804,379	Cost of Services	6,500,430	(2,434,769)	4,065,661
Financing and Investment Income and Expenditure						
0	(4,203)	(4,203)	Interest receivable	0	(4,203)	(4,203)
50,000	0	50,000	Pension interest cost	99,000	0	99,000
Taxation and Non-Specific Grant Income						
0	(3,390,126)	(3,390,126)	Requisitions from Member Authorities 14	0	(3,553,900)	(3,553,900)
0	(94,074)	(94,074)	Capital Grants and Contributions	0	0	0
5,884,320	(5,518,344)	365,976	Deficit on the provision of services	6,599,430	(5,992,872)	606,558
Other Comprehensive Income and Expenditure						
		1,403,000	Actuarial (Gains) or losses on pension assets and liabilities 15			(2,478,000)
		1,768,976	Total Comprehensive Income and Expenditure			(1,871,442)

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 2019		(915,982)	3,595,358	2,679,376
Total Comprehensive Income and Expenditure		606,558	(2,478,000)	(1,871,442)
Restatement		37,917	0	37,917
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

Comparative movements in 2018/19 (restated)	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2018		(556,152)	1,504,469	948,317
Total Comprehensive Income and Expenditure		365,976	1,403,000	1,768,976
Restatement		(37,917)	0	(37,917)
Adjustments between accounting basis and funding basis under regulations	7	(687,889)	687,889	0
Increase or (decrease) in year		(359,830)	2,090,889	1,731,059
Balance at 31 March 2019		(915,982)	3,595,358	2,679,376

The restatement shown above relates to a timing difference whereby some income attributable to the Fife Project was recognised in 2019/20 instead of 2018/19. It also affects Note 5: Transfers to / from Earmarked Reserves and Note 11: Debtors and the value of Usable Reserves shown in the Balance Sheet for 2018/19.

There is no change to the Usable Reserves balance at 31 March 2020.

Balance Sheet

The balance sheet shows the value as at 31 March 2020 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 2019 (restated) £		Note	As at 31 March 2020 £
84,300	Intangible Assets	8	121,230
15,456	Plant and Equipment	9	10,660
99,756	Long-term Assets		131,890
1,187,725	Funds held by Renfrewshire Council		1,195,994
292,769	Short-term Debtors and Prepayments	11	328,602
150	Cash in Hand		150
1,480,644	Current Assets		1,524,746
(636,022)	Creditors And Accruals	12	(580,487)
(636,022)	Current Liabilities		(580,487)
(2,754)	Long-term Creditors	12	0
(3,621,000)	Pension (liability)/Asset	15	(1,922,000)
(3,623,754)	Long Term Liabilities		(1,922,000)
(2,679,376)	Net Assets / (Liabilities)		(845,851)
(915,982)	Usable Reserves	5	(998,294)
3,595,358	Unusable Reserves	6	1,844,145
2,679,376	Total Reserves		845,851

The audited accounts were issued on the 19 June 2020 and the audited accounts were authorised for issue on the signature date shown below.

Alan Russell CPFA

Treasurer

Note 1: Expenditure and Funding Analysis

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

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 and 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	0	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

2018/19	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	4,217,234		727,000	2,122	4,946,356
Premises Related Costs	180,373				180,373
Supplies & Services	460,864				460,864
Support Costs	226,045				226,045
Transfer Payments	8,511				8,511
Transport Costs	9,330				9,330
Capital Charges	0	2,841			2,841
Income from Projects	(1,509,051)				(1,509,051)
Government Grants	(437,100)				(437,100)
Other Income	(83,790)				(83,790)
Cost of Services	3,072,416	2,841	727,000	2,122	3,804,379
Other income and expenditure	(3,390,126)	(94,074)	50,000	0	(3,438,403)
(Surplus) or deficit on the provision of service	(317,710)	(91,233)	777,000	2,122	365,976

'Other adjustments' in 2019/20 includes £165,872 classified as Supported Living / Care at Home in the budgetary outturn, but reported in the proper subjective analysis within the CIES: Employee Costs, Supplies and Services, Transfer Payments and Transport Costs, along with other presentational reclassifications. The net total of this column equates to the Statutory Accumulated Compensated Absences (Employee Benefit) figure.

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 2020/21 Code:

- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 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 2020 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 £2.460m, equating to a 14% increase.

Note 4: Events after the balance sheet date

The audited accounts are issued to the Executive Sub-Committee on 27 November 2020. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. One example of this is the emerging impact of the McCloud/Sargeant judgement on pension liabilities, as outlined in Note 15: Retirement Benefits, revised since the unaudited accounts were authorised for issue.

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 2020/21 and beyond.

	Balance at 1 April 2019 (restated) £	Transfers out £	Transfers in £	Balance at 31 March 2020 £
Revenue Reserve - uncommitted balance	(241,141)	6,139	0	(235,002)
Aberdeen Project	(37,158)	32,220	0	(4,938)
The Academy	(32,623)	22,774	0	(9,849)
Affordable Housing Supply Programme	(141,303)	138,409	0	(2,894)
Digital Transformation	(122)	0	(18,821)	(18,943)
Early Learning and Childcare	(13,017)	0	(20,242)	(33,259)
East Lothian Project	0	0	(26,188)	(26,188)
East Renfrewshire Project	0	0	(26,349)	(26,349)
Fife Project	(113,415)	0	(144,055)	(257,470)
National Care Home Contract	(93,290)	0	(12,316)	(105,606)
New Build Project	(53,707)	52,959	0	(748)
SEEMiS	(9,083)	7,429	0	(1,654)
Small Value Procurement	(187,656)	0	(47,572)	(235,228)
Tayside Project	6,533	0	(46,700)	(40,167)
Total Usable Reserves	(915,982)	259,930	(342,243)	(998,294)

	Balance at 31 March 2020 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(235,002)	0	(235,002)	(a)
Aberdeen Project	(4,938)	(4,938)	0	(b)
The Academy	(9,849)	(9,849)	0	(b)
Affordable Housing Supply Programme	(2,894)	(2,894)	0	(b)
Digital Transformation	(18,943)	(18,943)	0	(b)
Early Learning and Childcare	(33,259)	(33,259)	0	(b)
East Lothian Project	(26,188)	(26,188)	0	(b)
East Renfrewshire Project	(26,349)	(26,349)	0	(b)
Fife Project	(257,470)	(257,470)	0	(b)
National Care Home Contract	(105,606)	(105,606)	0	(b)
New Build Project	(748)	(748)	0	(b)
SEEMiS	(1,654)	(1,654)	0	(b)
Small Value Procurement	(235,228)	(235,228)	0	(c)
Tayside Project	(40,167)	(40,167)	0	(b)
Total Usable Reserves	(998,294)	(763,292)	(235,002)	

Notes

- The balance on the Revenue Reserve represents 6% of the Cost of Services in 2019/20;
- Balances are ring-fenced for continuing 2020/21 Project delivery;
- £120,000 of this balance will be drawn down in 2020/21 to fund Core activity, as per the approved Revenue Estimates 2020/21.

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.

2018/19 £	Pension Reserve	2019/20 £
1,441,000	Balance as at 1 April	3,621,000
1,403,000	Actuarial (gains) and losses on pension assets and liabilities	(2,478,000)
777,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	779,000
3,621,000	Balance as at 31 March	1,922,000

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.

2018/19 £	Employee Statutory Adjustment Account	2019/20 £
71,992	Balance as at 1 April	74,114
(71,992)	Reversal of prior year accrual for short-term accumulating compensated absences	(74,114)
74,114	Accrual for short-term accumulating compensating absences at 31 March	54,035
74,114	Balance as at 31 March	54,035

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.

2018/19 £	Capital Adjustment Account	2019/20 £
(8,523)	Balance as at 1 April	(99,756)
2,841	Charges for depreciation of non-current assets	13,226
0	Capital expenditure charged against Revenue balances	(45,360)
(94,074)	Capital grants credited to the CIES that have been applied to capital financing	0
(99,756)	Balance as at 31 March	(131,890)

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

The surplus for the year on the Revenue Reserve was £726,787 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.

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

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

Note 8: Intangible Assets

2018/19 £	Software	2019/20 £
	Opening balance	
0	Gross carrying amounts	84,300
0	Accumulated amortisation	0
0	Net carrying amount at 1 April	84,300
84,300	Additions	45,360
0	Amortisation for the year	(8,430)
84,300	Net carrying amount at 31 March	36,930
	Comprising:	
84,300	Gross carrying amounts	129,660
0	Accumulated amortisation	(8,430)
84,300		121,230

Note 9: Plant and Equipment

2018/19 £	Plant and Equipment	2019/20 £
	Cost or Valuation	
14,205	Opening balance at 1 April	23,979
9,774	Additions	0
23,979	Gross Book Value at 31 March	23,979
	Depreciation and Impairment	
(5,682)	Accumulated depreciation at 1 April	(8,523)
(2,841)	Depreciation charge for year	(4,796)
(8,523)	Accumulated depreciation at 31 March	(13,319)
8,523	Opening Net Book Value	15,456
15,456	Closing Net Book Value	10,660

Note 10: External audit costs

2018/19 £		2019/20 £
5,880	Fees payable to Audit Scotland in respect of external audit services	6,010

Note 11: Debtors

As at 31 March 2019 (restated) £	Short-term debtors	As at 31 March 2020 £
35,633	Prepayments	82,559
257,136	Other receivable amounts	246,043
292,769	Total	328,602

'Other receivable amounts' comprises amounts due, but not yet received, as at 31 March. Of this, only £3,803 is considered to be doubtful debt and a payment plan is in place for its recovery.

Note 12: Creditors

As at 31 March 2019 £	Short-term creditors	As at 31 March 2020 £
0	Trade payables	(47,093)
(636,022)	Other payables	(533,393)
(636,022)	Total	(580,487)

As at 31 March 2019 £	Long-term creditors	As at 31 March 2020 £
(2,754)	Income received in advance	0
(2,754)	Total	0

Note 13: Operating Leases

The operating lease for accommodation at Renfrewshire House has been extended until 2024, with a three-year break point in 2022.

Lease expenditure charged in year to the CIES was £97,007 (2018/19 £72,562).

2018/19 £	Future Minimum Lease Payments	2019/20 £
97,007	Not later than one year	96,984
379,699	Between one and five years	282,715
476,706	Total	379,699

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 2019/20 the amount paid, excluding insurance, was £159,250 (2018/19 £165,005).

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.

2018/19 £	Council	%	2019/20 £
140,311	Aberdeen City	4.0%	142,125
156,995	Aberdeenshire	4.5%	159,420
81,869	Angus	2.3%	83,153
66,712	Argyll and Bute	1.9%	67,709
48,259	Clackmannanshire	1.4%	49,176
98,888	Dumfries and Galloway	2.8%	100,407
98,243	Dundee City	2.8%	100,150
84,798	East Ayrshire	2.4%	86,120
77,238	East Dunbartonshire	2.2%	78,882
75,458	East Lothian	2.2%	77,158
70,157	East Renfrewshire	2.0%	71,874
283,339	Edinburgh City	8.2%	291,182
35,649	Eilean Siar	1.0%	36,335
103,973	Falkirk	3.0%	106,135
212,766	Fife	6.1%	216,865
338,987	Glasgow City	9.8%	347,684
142,854	Highland	4.1%	145,468
62,600	Inverclyde	1.8%	63,489
67,475	Midlothian	2.0%	69,427
71,322	Moray	2.0%	72,409
91,859	North Ayrshire	2.6%	93,378
196,810	North Lanarkshire	5.6%	200,383
33,045	Orkney Islands	0.9%	33,742
99,486	Perth and Kinross	2.9%	101,402
112,508	Renfrewshire	3.2%	114,911
80,843	Scottish Borders	2.3%	82,493
33,741	Shetland Islands	1.0%	34,308
79,780	South Ayrshire	2.3%	81,266
185,314	South Lanarkshire	5.3%	188,962
70,126	Stirling	2.0%	71,477
68,120	West Dunbartonshire	1.9%	69,175
114,675	West Lothian	3.3%	117,235
3,484,200	Total	100%	3,553,900

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 2019/20:

2018/19 £		2019/20 £
	Comprehensive Income & Expenditure Statement (CIES)	
1,050,000	Current service cost	1,467,000
223,000	Past service cost/(gain)	(129,000)
1,273,000		1,338,000
	Financing & Investment Income & Expenditure	
50,000	Net Interest	99,000
1,323,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	1,437,000
	Other post employment benefit charged to the CIES	
(486,000)	Return on assets excluding amounts included in net interest	1,097,000
1,889,000	Actuarial (gains) and losses arising on changes in financial assumptions	(3,575,000)
1,403,000	Total Actuarial (gains) and losses	(2,478,000)
2,726,000	Total post employment benefit charged to the CIES	(1,041,000)
	Movement in Reserves Statement	
(2,180,000)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	1,699,000
546,000	Employers Contributions paid to Strathclyde Pension Fund	658,000

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. The 2018/19 figures included an estimate for the impact of potential removal of transitional arrangements (McCloud judgement) amounting to £0.223m. An adjustment of £0.129m reflected in 2019/20,

following information from the appointed actuary about the estimated effect on the pension liability of the UK Government's proposed remedy scheme for pensioners affected by this judgement.

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 2019/20 these amounted to £21,711 (2018/19 £21,202).

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:

2018/19 £000		2019/20 £000
16,187	Opening present value	19,788
1,050	Current service cost	1,467
223	Past service cost	(129)
455	Interest Cost	495
194	Contributions from employees	236
(210)	Benefits Paid	(208)
	Remeasurement (gains)/losses:	
1,889	Actuarial (gains)/losses arising from changes in financial assumptions	(3,575)
19,788	Balance as at 31 March	18,074

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

2018/19 £000		2019/20 £000
14,746	Opening Fair Value	16,167
405	Interest Income	396
546	Contributions from employer	658
194	Contributions from employees	236
(210)	Benefits Paid	(208)
	Remeasurement gain/(loss):	
486	Return on assets excluding amounts included in net interest	(1,097)
16,167	Closing fair value of scheme assets	16,152

15c: Fund history

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Present Value of Liabilities	(12,980)	(18,493)	(16,187)	(19,788)	(18,074)
Fair value of assets	10,785	13,820	14,746	16,167	16,152
Surplus/(deficit) in the Fund	(2,195)	(4,673)	(1,441)	(3,621)	(1,922)

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

The total liability of £1.922m 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 has been set at 19.3% for 2018/19 and 2019/20.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2021 is £0.658m.

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 2017. The principal assumptions used by the actuary have been:

2018/19	Mortality assumptions	2019/20
Longevity at 65 for current pensioners (years)		
21.4	Men	20.7
23.7	Women	22.9
Longevity at 65 for Future pensioners (years)		
23.4	Men	22.2
25.8	Women	24.6
Other assumptions		
3.7%	Rate of increase in salaries	3.0%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
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:

2018/19 £000		%	2019/20 £000
5,671	Equity instruments	35.1%	5,666
507	Debt instruments (bonds)	3.1%	507
1,464	Real Estate	9.1%	1,462
6,891	Investment Funds and Unit Trusts	42.6%	6,884
1,634	Cash and Cash Equivalents	10.1%	1,633
16,167	Total	100.0%	16,152

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 £0.095m for Scotland Excel. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

Note 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.
---------------	---

Note 18: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the Joint Committee’s transactions for the 2019/20 financial year and its financial position as at 31 March 2020. 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.