

Scotland Excel

To: Joint Committee

On: 17th June 2016

**Report
by**

The Treasurer, Scotland Excel

Scotland Excel Unaudited Annual Accounts 2015-16

1. Summary

- 1.1. The attached Annual Accounts for the year ended 31 March 2016 have been completed and forwarded to Audit Scotland for audit.
- 1.2. The Accounts show a deficit for the year of £250,631 against a budgeted deficit of £505,500. Further comments on the Accounts are shown on Pages 5 to 6 of the report.
- 1.3. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the unaudited accounts have only been signed by the Treasurer as proper officer. The audited accounts will be signed by the Convener and Director, as well as the Treasurer, in accordance with the regulations.

2. Recommendations

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



Scotland Excel

Annual Financial Statements 2015/16

CONTENTS

Management Commentary	3
Statement of Responsibilities for the Annual Accounts	8
Governance Statement	9
Remuneration Report	12
Independent Auditor's Report	15
Movement in Reserves Statement for the year ended 31 March 2016	16
Comprehensive Income and Expenditure Statement for the year ended 31 March 2016	17
Balance Sheet as at 31 March 2016	18
Cash flow Statement for the year ended 31 March 2016	19
Note 1 Summary of Significant Accounting Policies	20
Note 2 Accounting Standards Issued not Adopted	24
Note 3 Critical Judgements in Applying Accounting Policies	24
Note 4 Assumptions made about the future	24
Note 5 Events after the balance sheet date	25
Note 6 Details of Movement in Reserves	25
Note 7 Reconciliation of the Balance on the Comprehensive Income & Expenditure Statement to the Movement in Reserves Statement	26
Note 8 Financing & Investment Income	27
Note 9 Operating Leases	27
Note 10 Debtors	27
Note 11 Creditors	27
Note 12 Transfer to Creditors	28
Note 13 Related Parties	28
Note 14 External Audit Costs	29
Note 15 Retirement Benefits	30
Note 16 Contingent Liabilities and Assets	33

Management Commentary

Introduction

Scotland Excel is the Centre of Procurement Expertise for the local government sector. Established in 2008, we are a leading non-profit shared service funded by Scotland's 32 local authorities.

At Scotland Excel we are leaders of change. Over the past seven years, we have helped to raise the profile of procurement in local authorities by championing its potential to shape markets, support policy priorities and, ultimately, ensure the sustainable delivery of the services that every community needs.

Our services are designed to help councils meet the twin challenges of reducing budgets at a time of growing demand. Shared procurement services increase efficiency and ensure money is saved to protect front line services. By working together through Scotland Excel, councils can realise a host of social, economic and environmental benefits from their procurement spend.

Our c. £700m contract portfolio supports the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. Our contracts achieve annual savings of c. £17m, and encourage innovation, facilitate policy, support local economies and generate social value for communities.

Scotland Excel offers award-winning training and provides assessment, consultancy and improvement services to help councils transform their procurement capability. We represent the sector at a national level on all matters relating to public procurement, and provide support for national sector initiatives.

Structure

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

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

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

The Chief Executive Officers' Management Group consists of six local authority Chief Executives responsible for monitoring Scotland Excel's performance against its business plan and objectives.

Strategic Aims

Scotland Excel has established a 3 year Strategy and Operating Plan that states the goals, value, vision and mission that the organisation will work to.

Goal 1: Supporting the delivery of better and more effective public services

Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level

Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability

Deliver a range of new shared services which support the effectiveness and efficiency of customer operations

Goal 2: Being sustainable in everything we do

Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities

Deliver positive and measurable social, economic and environmental impact to local communities

Lead and support customers in the development and implementation of best practice in sustainable procurement

Goal 3: Placing customers at the heart of our business

Work with customers to develop and implement bespoke plans for maximising the value of our services

Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement /shared services

Represent the views and needs of customers in the wider stakeholder environment

Goal 4: Becoming the partner of choice for delivering shared services

Implement organisational development policies which support a highly skilled, motivated and engaged workforce

Implement best practice processes and technology which support the efficient and effective delivery of services to customers

Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment to customers and secure Scotland Excel's future

Values

The following principles, which were developed by staff from across the organisation, guide our approach to our work.

Professional: We establish goals and objectives to achieve excellence and demonstrate leadership in everything we do.

Courageous: We listen with an open mind and respond honestly and constructively.

Respectful: We achieve the best possible outcomes through our determination, resilience and innovation.

Integrity: We are transparent and fair in all our actions securing trust and building confidence.

Vision

To be the shared service partner of choice for the Local Government sector.

Mission

To deliver effective and customer-orientated shared services which support collaborative, innovative and sustainable public services, add measurable value for our customers, and bring tangible benefits for local communities and service users.

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

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

**Scotland Excel
Annual Accounts 2015/16**

Financial Performance

Revenue

The Comprehensive Income and Expenditure Account on page 18 summarises the total costs of providing services and the income available to fund those services.

Excluding accounting adjustments relating to pensions and short term accumulating absences, the Joint Committee has returned a deficit of £250,631 for the financial year 2015/16, compared to a budgeted deficit of £505,500; returning an underspend of £254,869. In line with the agreed business plan, the deficit incurred was funded from reserves.

The difference between the employee costs in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension costs (£200,000) and accrued employee benefits, £2,750.

The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension interest costs (£114,000).

	Budget £	Actual £	Variance £
Employee Costs	2,762,803	2,810,156	(47,353)
Property Costs	176,500	178,250	(1,750)
Supplies and Services	169,900	139,516	30,384
Contractors & Others	265,000	113,796	151,204
Administrative Costs	323,514	340,661	(17,147)
Payments to Other Bodies	22,000	68,264	(46,264)
Total Expenditure	3,719,717	3,650,643	69,074
Requisition Income	(3,184,217)	(3,184,217)	-
Other Income	(30,000)	(215,795)	185,795
Total Income	(3,214,217)	(3,400,012)	185,795
(Surplus)/Deficit for Year	505,500	250,631	254,869

The overspend in Employee Costs is primarily related to costs associated with the delivery of the National Care Home Contract and is fully offset by additional income.

Scotland Excel initiated a project to investigate ICT development opportunities to deliver both efficiencies and improvements in its ICT infrastructure. It was anticipated that this project would be completed by the end of the financial year but the project will now be completed in 2016/17. This has resulted in the underspend in Supplies and Services

The underspend in Contractors is due to a reduction in the use of consultants to assist Scotland Excel develop tenders for future contracts. As part of the long term aim of achieving a sustainable budget, in line with member's requirements and expectations, Scotland Excel is reducing the requirement for external consultants over employed staff members.

The overspend in Administrative Costs is a result of the costs associated with the Scotland Excel Supplier Awards and the Annual Event.

As part of its planned activities, Scotland Excel delivers a range of training courses which are recharged back to delegates. This results in the reported overspend within Payments to Other Bodies, which is offset by an over recovery of income against budget.

**Scotland Excel
Annual Accounts 2015/16**

The over recovery of Other Income relates to the Training Costs discussed above. In addition, income in relation to the National Care Home Contract, covering the period September 2015 to March 2016, has been received. This initiative was planned and agreed with member's during 2015/16.

Capital and Reserves

The Joint Committee does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Joint Committee are matched by creditor balances. The largest creditor balance relates to the revenue reserve balance of £482,936.

The balance on revenue reserves is made up as follows:

General Revenue Reserve	£465,411
National Care Home Ring-fenced Reserve *	<u>£17,525</u>
Balance at 31 March 2016	<u>£482,936</u>

* The ring-fenced reserve in relation to the National Care Home contract has resulted from underspends specifically related to this contract and is distributable to those Authorities participating in the contract.

Provisions, Contingencies and Write-offs

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

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

There were no debt write-offs during the year.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15. The appointed actuaries have confirmed a net deficit position of £2.195 million, an improvement of £1.265 million in their assessment of the position of the pension fund. The net deficit position of the pension reserve impacts on the net asset position of Scotland Excel as a whole, however the funding of these future liabilities will be met from future requisitions from members and as such the going concern assumption is valid.

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

Service changes and Future Developments

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

Events after the Balance Sheet Date

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

**Scotland Excel
Annual Accounts 2015/16**

Impact of Economic Climate

It is recognised that over the medium term Local Government in Scotland is potentially facing a contraction in available resources relating predominantly to the provision of revenue grant from the Scottish Government and that this will have a consequential impact on the level of requisition funding available to Scotland Excel. The 2016/17 revenue estimates were developed to ensure that core operations were fully funded from requisition income on a flat cash basis, with any increase being related to the costs of transitioning Procurement Improvement Program activities, which were previously funded from reserves, into the core service provision.

Conclusion

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

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required:

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

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Joint Committee at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2016.

Alan Russell CPFA

Treasurer
10 June 2016

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,

Scotland Excel Annual Accounts 2015/16

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

Review of Effectiveness

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

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

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

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

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

Statement on the Role of the Chief Financial Officer

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

The Chief Financial Officer in a public service organisation:

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

To deliver these responsibilities the Chief Financial Officer:

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

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

**Scotland Excel
Annual Accounts 2015/16**

Continuous Improvement

The annual review of corporate governance arrangements and their effectiveness has identified the following areas for improvement to be progressed during 2016/17.

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

Assurance

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

**Scotland Excel
Annual Accounts 2015/16**

Remuneration report

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

1. Remuneration policy for elected members

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

2. Remuneration policy for senior employees

From 1 September 2014, the date of the appointment of the new Director, the Director's salary was revised to match the Renfrewshire Council Chief Officer pay scale CO21.

2014/15	Senior Employees		2015/16		
Total	Name	Post Held	Salary, fees and allowances (i)	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
54,253	Julie Welsh	Director (from 01/09/14)	96,589	-	96,589
73,459	Hugh Carr	Head of Strategic Procurement	74,765	-	74,765
-	Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	61,178	-	61,178
127,712	Total		232,532	-	232,532

(i) includes any other payments made to or receivable by the person in connection with the termination of their employment, or, in the case of a councillor, the total of any payment made to that person in connection with their ceasing to hold office before the end of a fixed term appointment;

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 2016, whether or not those amounts were actually paid to, or received by, those persons within that period.

3. Pension rights

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

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 increased 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.

**Scotland Excel
Annual Accounts 2015/16**

2014/15	Member contribution rates on earnings in the bands below	2015/16
Up to £20,335	5.5%	Up to £20,500
£20,336 to £24,853	7.25%	£20,501 to £25,000
£24,854 to £34,096	8.5%	£25,001 to £34,400
£34,097 to £45,393	9.5%	£34,401 to £45,800
Over £45,394	12%	Over £45,801

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

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

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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

Senior Employees		Accrued Pension benefits as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		Pension contributions made by Scotland Excel during 2015-2016 (i)
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	£
Julie Welsh	Director (from 01/09/14)	0.012	0.002	+0.004	+0.001	18,943
Hugh Carr	Head of Strategic Procurement	0.007	0.000	+0.003	+0.000	14,430
Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	0.001	0.000	+0.001	+0.000	11,807
Total		0.020	0.002	+0.008	+0.001	45,180

**Scotland Excel
Annual Accounts 2015/16**

4. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2015/16, in bands of £5,000.

2014/15 Number of employees	Remuneration Band	2015/16 Number of employees
2	£50,000 - £54,999	-
-	£55,000 - 59,999	-
-	£60,000 - £64,999	1
-	£65,000 - 69,999	-
1	£70,000 - £74,999	1
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
1	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	1
<hr/> 4		<hr/> 3

5. Exit packages

Scotland Excel had no exit packages in 2015-16.

Independent Auditors Report

Annual Accounts 2015-16

Under audit arrangements approved by the Accounts Commission, the auditor with responsibility for the audit of the accounts for Scotland Excel for the year ended 31 March 2016 is:

Anne McGregor CA
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Statement

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

**Scotland Excel
Annual Accounts 2015/16**

Movement in Reserves Statement for the year ended 31 March 2016

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**.

	Note	Usable reserves		Unusable reserves	
		Revenue Reserve	Pension Reserve	Employee Statutory Adjustment Account	Total Reserves
		£	£	£	£
Balance at 31 March 2014 carried forward		-	(1,662,000)	(58,120)	(1,720,120)
<i>Movement in reserves during 2014-15</i>					
Surplus or (deficit) on the provision of services		(599,639)			(599,639)
Other comprehensive income and expenditure	15a		(1,605,000)		(1,605,000)
Total comprehensive income and expenditure		(599,639)	(1,605,000)	-	(2,204,639)
Adjustments between accounting basis and funding basis under regulations	6a & 6b	198,100	(193,000)	(5,100)	-
Transfer from Creditors	6a	1,135,106			1,135,106
Net increase or (decrease) before transfers to other statutory reserves		733,567	(1,798,000)	(5,100)	(1,069,533)
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	12	(733,567)	-	-	(733,567)
Increase or (decrease) in 2014-15		-	(1,798,000)	(5,100)	(1,803,100)
Balance at 31 March 2015 carried forward		-	(3,460,000)	(63,220)	(3,523,220)
<i>Movement in reserves during 2015-16</i>					
Surplus or (deficit) on the provision of services		(561,881)			(561,881)
Other comprehensive income and expenditure	15a		1,579,000		1,579,000
Total comprehensive income and expenditure		(561,881)	1,579,000	-	1,017,119
Adjustments between accounting basis and funding basis under regulations	6a & 6b	311,250	(314,000)	2,750	-
Transfer from Creditors	6a	733,567			733,567
Net increase or (decrease) before transfers to other statutory reserves		482,936	1,265,000	2,750	1,750,686
Transfers to or (from) other statutory reserves					-
Transfer to creditors	12	(482,936)			(482,936)
Increase or (decrease) in 2015-16		-	1,265,000	2,750	1,267,750
Balance at 31 March 2016 carried forward		-	(2,195,000)	(60,470)	(2,255,470)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

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**.

2014/15		Note	2015/16
£			£
2,919,787	Employee Costs		3,007,406
177,476	Property Costs		178,250
119,258	Supplies & Services		139,516
254,008	Contractors		113,796
353,045	Administration Costs		340,661
122,151	Payments to Other Bodies		68,264
3,945,725	Cost of Services		3,847,893
(226,270)	Sales, Fees & Charges		(209,958)
64,401	Financing & Investment Income and Expenditure	8	108,163
(3,184,217)	Requisitions from Members Authorities	13	(3,184,217)
599,639	(Surplus) or deficit on the provision of services		561,881
1,605,000	Actuarial (Gains) or losses on pension assets and liabilities	15a	(1,579,000)
1,605,000	Other Comprehensive Income & Expenditure		(1,579,000)
2,204,639	Total Comprehensive Income & Expenditure		(1,017,119)

**Scotland Excel
Annual Accounts 2015/16**

Balance Sheet as at 31 March 2016

The **balance sheet** shows the value as at 31 March 2016 of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

31st March 2015 £		Note	31st March 2016 £
<u>Current Assets</u>			
958,439	Funds held by Renfrewshire Council		658,283
34,700	Debtors and Prepayments	10	21,887
150	Cash in Hand		150
993,289			680,320
<u>less Current Liabilities</u>			
(1,056,509)	Creditors And Accruals	11	(740,790)
(63,220)	Net Assets Excluding Pension (Liability)/Asset		(60,470)
<u>Long Term Liabilities</u>			
(3,460,000)	Pension (liability)/Asset	15c	(2,195,000)
(3,523,220)	Net (Liabilities)/Asset Including Pension		(2,255,470)
 <u>Represented by:</u>			
Usable Reserves - Revenue			
733,567	Balance due to Scottish Government and related parties		482,936
(733,567)	Transfer to Creditors	12	(482,936)
Unusable Reserves			
(63,220)	Employee Statutory Adjustment Account	6c	(60,470)
(3,460,000)	Pension Reserve	6b	(2,195,000)
(3,523,220)			(2,255,470)

The unaudited accounts were issued on the 10 June 2016. Balance Sheet signed by:

Alan Russell CPFA
Treasurer
10 June 2016

**Scotland Excel
Annual Accounts 2015/16**

Cash flow Statement for the year ended 31 March 2016

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

2014/15 £		2015/16 £
	Operating Activities	
	Cash Inflows	
(3,435,027)	Sale of goods and rendering of services	(3,401,539)
(9,599)	Interest received	(5,837)
(3,444,626)	Cash inflows generated from operating activities	(3,407,376)
	Cash Outflows	
2,342,746	Cash paid to and on behalf of employees	2,444,429
1,013,720	Cash paid to suppliers of goods and services	848,190
362,992	Other payments for operating activities	414,913
3,719,458	Cash outflows generated from operating activities	3,707,532
274,832	Net (increase)/decrease in cash and cash equivalents	300,156
1,233,421	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	958,589
958,589	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	658,433
274,832	Net cash outflow in cash and cash equivalents in year	300,156

Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2016 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Best Value Accounting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Committee and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

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

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

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

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

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

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

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

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

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

Accruals of Expenditure and Income

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

- i. Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- ii. Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- iii. Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

**Scotland Excel
Annual Accounts 2015/16**

- iv. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- v. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by the Balance Sheet date.

Cash and Cash Equivalents

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

Contingent Assets and Liabilities

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

Employee Benefits

Benefits payable during employment

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

Termination benefits

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

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

Post employment benefits

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

This involves the recognition in the Balance Sheet of the Joint Committee's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability.

Scotland Excel Annual Accounts 2015/16

Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the Strathclyde Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.

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

Note 15 to the Core Financial Statements provides further information.

Events after the Balance Sheet date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statements. Note 5 provides further information.

Prior Period Adjustments

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

Government Grants and other Contributions

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

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

Amounts recognised as due to the Joint Committee are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Scotland Excel Annual Accounts 2015/16

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

Operating Leases

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

Property, Plant and Equipment

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

Provisions

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

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

Reserves

The Joint Committee has three reserve funds. The Revenue Reserve contains any balance of requisition income from members of the Joint Committee together with the balance of members' contributions in relation to the National Care Home contract.

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

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

VAT

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

Note 2 Accounting Standards Issued not Adopted

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. This applies to the adoption of the following new or amended standards within the 2016/2017 code:

- Amendment to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiatives)
- Changes to the format of the Comprehensive Income and Expenditure Statement

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/2016 financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

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

Government Grant	The Joint Committee received Scottish Government grant support to fund set-up costs in 2007. The grant has been used according to the grant conditions.
------------------	---

Note 4 Assumptions made about the future

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

The items in the Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an decrease in the pension liability of £1.721 million. However, the assumptions interact in complex ways. During 2015/16, the appointed actuaries advised that the net pension liability had decreased by £1.579 million as a result of estimates being corrected.

Note 5 Events after the balance sheet date

Events taking place after the authorised issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.

Note 6 Details of Movement in Reserves

a. Revenue Reserve

2014/15		2015/16
£		£
(1,135,106)	Balance as at 1 April	(733,567)
(193,000)	Transfer to pension reserve	(314,000)
(5,100)	Transfer to employee statutory adjustment account	2,750
599,639	(Surplus) or Deficit on the provision of services (from the Comprehensive Income & Expenditure Account)	561,881
<u>(733,567)</u>	Balance as at 31 March	<u>(482,936)</u>

This represents the excess of member authority requisitions over expenditure in any one year, together with the balance of members contributions in relation to the National Care Home contract, and is shown as payable to the member authorities.

b. Pension Reserve

2014/15		2015/16
£		£
(1,662,000)	Balance as at 1 April	(3,460,000)
(1,605,000)	Actuarial Gains and Losses (see note 15)	1,579,000
(193,000)	Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year	(314,000)
<u>(3,460,000)</u>	Balance as at 31 March	<u>(2,195,000)</u>

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post-employment benefits in the **comprehensive income and expenditure statement** as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds. The credit balance on the Pension Reserve shows a surplus in the benefits earned by past and current employees and the Joint Committee's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

**Scotland Excel
Annual Accounts 2015/16**

c. Employee Statutory Adjustment Account

2014/15		2015/16
£		£
58,120	Balance as at 1 April	63,220
(58,120)	Reversal of prior year accrual for short-term accumulating compensated absences	(63,220)
63,220	Recognition of the accrual for short-term accumulating compensating absences at 31 March	60,470
<u>63,220</u>	Balance as at 31 March	<u>60,470</u>

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

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

The deficit for the year on the Revenue Reserves was £311,250 less than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Joint Committee's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2014/15		2015/16
£		£
	Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement	
(535,000)	Net charges made for retirement benefits in accordance with IAS19	(700,000)
(5,100)	Net charges for employment short-term accumulating absences	2,750
<u>(540,100)</u>		<u>(697,250)</u>
	Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement	
<u>342,000</u>	Employers contributions payable to the Strathclyde Pension Fund	<u>386,000</u>
<u>(198,100)</u>	Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	<u>(311,250)</u>

**Scotland Excel
Annual Accounts 2015/16**

Note 8 Financing & Investment Income

2014/15		2015/16
£		£
(9,599)	Interest on Balances	(5,837)
74,000	Pension Interest Cost	114,000
64,401	Total Financing and Investment (Income)/Cost	108,163

Note 9 Operating Leases

Scotland Excel acquired an operating lease for accommodation at Renfrewshire House effective from February 2013 until February 2018. The annual rental charge is £87,320. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £87,320 (2014/15 £87,320).

2014/15		2015/16
£		£
	Future Minimum Lease Payments	
87,320	- not later than one year	87,320
163,396	- later than one year and not later than five years	76,076
-	- later than five years	-
250,716	Total	163,396

Note 10 Debtors

31st March 2015		31st March 2016
£		£
-	Central government bodies	-
-	Other local authorities	-
34,700	Other Entities and Individuals	21,887
34,700	Total short term debtors	21,887

Note 11 Creditors

31st March 2015		31st March 2016
£		£
288,091	Central government bodies	3,168
464,780	Other local authorities	493,136
63,220	Short Term Accumulating Absences	60,470
140,945	Accrued Payrolls	168,799
99,473	Other entities and individuals	15,217
1,056,509	Total short term creditors	740,790

**Scotland Excel
Annual Accounts 2015/16**

Note 12 Transfer to Creditors

2014/15		2015/16
£		£
<u>733,567</u>	In terms of Section 58 of the Local Government (Scotland) Act 1973, Joint Committees have no specific powers to retain reserves to meet future funding requirements and the amount due to funding bodies has been transferred to creditors.	<u>482,936</u>

Note 13 Related parties

The Joint Committee's related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Committee, or to be controlled or significantly influenced by the Joint Committee. The Joint Committee is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The member authorities of the Joint Committee have contributed requisitions in the following proportions to enable the Joint Committee to carry out its objectives. In accordance with Scotland Excel's Terms and Conditions, member authority requisitions are adjusted to reflect changes in the size of the populations within member authority areas.

The Joint Committee in turn pays Renfrewshire Council for support services. The amount paid in respect of these services for the year ended 31 March 2016 was £185,000 (2014/15 £185,000).

**Scotland Excel
Annual Accounts 2015/16**

2014/15			2015/16
£	Council	Percentage	£
124,108	Aberdeen City	4.0%	128,501
135,624	Aberdeenshire	4.5%	143,137
73,910	Angus	2.4%	75,480
65,691	Argyll & Bute	1.9%	62,001
43,592	Clackmannshire	1.4%	44,420
94,018	Dumfries & Galloway	2.9%	91,751
91,930	Dundee City	2.8%	90,747
79,994	East Ayrshire	2.5%	78,444
73,631	East Dunbartonshire	2.2%	70,517
65,585	East Lothian	2.1%	68,365
64,871	East Renfrewshire	2.0%	63,651
246,599	Edinburgh (City of)	7.9%	252,995
32,658	Eilean Siar	1.0%	33,002
93,365	Falkirk	3.0%	95,036
197,793	Fife	6.1%	195,335
311,813	Glasgow City	9.6%	305,136
125,364	Highland	4.1%	131,284
61,512	Inverclyde	1.8%	58,300
59,820	Midlothian	1.9%	60,399
63,746	Moray	2.0%	65,013
88,354	North Ayrshire	2.7%	85,368
182,483	North Lanarkshire	5.7%	181,383
29,218	Orkney	0.9%	30,214
88,333	Perth & Kinross	2.8%	90,546
106,061	Renfrewshire	3.2%	103,049
74,295	Scottish Borders	2.3%	74,347
30,515	Shetlands Council	1.0%	30,994
75,966	South Ayrshire	2.3%	73,859
172,952	South Lanarkshire	5.4%	170,443
63,194	Stirling	2.0%	63,536
66,208	West Dunbartonshire	2.0%	62,843
101,014	West Lothian	3.3%	104,121
3,184,217	Total	100%	3,184,217

Note 14 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2015/16 were £5,720 (£5,720 in 2014/15). There were no fees paid to Audit Scotland in respect of any other services.

Note 15 Retirement Benefits

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

15a. Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Joint Committee in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions. The following transactions have been made in the accounting statements in 2015/16:

2014/15 £	Note	2015/16 £
Comprehensive Income & Expenditure Statement		
Cost of Services		
461,000	(i)	586,000
-	(ii)	-
-	(iii)	-
461,000		586,000
Financing & Investment Income & Expenditure		
74,000	(iv)	114,000
535,000		700,000
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services		
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
(792,000)		62,000
2,397,000		(1,641,000)
1,605,000		(1,579,000)
Total Actuarial (gains) and losses		
2,140,000		(879,000)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		
	(v)	
(1,798,000)		1,265,000
342,000		386,000
Employers Contributions paid to Strathclyde Pension Fund		

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Past service cost is the cost of discretionary pension benefits to former employees who retired on the grounds of efficiency etc or savings made for commuting part of the pension for additional cash.
- iii. Curtailments are the pension costs to employees retired under redundancy terms.
- iv. The Interest Cost is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

**Scotland Excel
Annual Accounts 2015/16**

- v. The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Joint Committee to the Strathclyde Pension Fund during the year (£314,000).

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2015/16 these amounted to £19,652 (2014/15 £17,648).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £1.579 million are included in the Movement in Reserves Statement (2014/15 £1.605 million loss). The cumulative amount of actuarial losses is £(2.433) million (2014/15 £ (4.012) million).

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:

2014/15		2015/16
£000		£000
10,210	Opening present value	13,549
461	Current service cost	586
449	Interest Cost	444
124	Employee Contributions	136
	Remeasurement (gains)/losses:	
2,397	Actuarial (gains)/losses arising from changes in financial assumptions	(1,641)
(92)	Benefits Paid	(94)
13,549	Balance as at 31 March	12,980

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

2014/15		2015/16
£000		£000
8,548	Opening Fair Value	10,089
375	Interest Income	330
	Remeasurement gain/(loss):	
792	Return on assets excluding amounts included in net interest	(62)
342	Contributions from employer	386
124	Contributions from employee	136
(92)	Benefits Paid	(94)
10,089	Closing fair value of scheme assets	10,785

**Scotland Excel
Annual Accounts 2015/16**

15c. Fund history

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present Value of Liabilities	(6,881)	(8,873)	(10,210)	(13,549)	(12,980)
Fair value of assets	6,243	7,647	8,548	10,089	10,785
Surplus/(deficit) in the Fund	(638)	(1,226)	(1,662)	(3,460)	(2,195)

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

The total liability of £2.195 million has a significant impact on the net worth of the Joint Committee as recorded in the Balance Sheet. However, any deficit on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

15d. Basis for estimating assets and liabilities

The Joint Committee's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

31st March 2015	Year Ended:	31st March 2016
Mortality assumptions		
	Longevity at 65 for current pensioners	
22.1 years	• Men	22.1 years
23.6 years	• Women	23.6 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	24.8 years
26.2 years	• Women	26.2 years
4.3%	Rate of increase in salaries*	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	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:

**Scotland Excel
Annual Accounts 2015/16**

31st March 2015 £000		Percentage	31st March 2016 £000
	Equity Securities		
953	Consumer	9.4%	1,011
761	Manufacturing	7.5%	808
300	Energy and Utilities	2.9%	318
701	Financial Institutions	6.9%	744
410	Health and Care	4.0%	435
580	Information Technology	5.7%	616
3,705	Total Equity	36.5%	3,932
	Private Equity		
982	All	9.7%	1,049
982	Total Private Equity	9.7%	1,049
	Real Estate		
922	UK Property	10.7%	1,159
-	Overseas Property	0.0%	-
922	Total Real Estate	10.7%	1,159
	Investment Funds & Unit Trusts		
2,895	Equities	26.0%	2,799
1,278	Bonds	12.2%	1,316
4	Commodities	0.0%	4
34	Infrastructure	0.0%	0
18	Other	1.4%	151
4,229	Total Investment Funds & Unit Trusts	39.6%	4,270
	Derivatives		
3	Other	0.0%	3
3	Total Derivatives	0.0%	3
	Cash & Cash Equivalents		
248	All	3.4%	372
248	Total Cash & Cash Equivalents	3.4%	372
10,089	Total	100%	10,785

15e. Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2015-16 to 2017-18.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2017 is £0.386 million.

Note 16 Contingent Liabilities and Assets

As at the Balance Sheet date the Joint Board had no material contingent assets or liabilities.