

Scotland Excel

To: Executive Sub Committee

On: 28 September 2018

**Report
by
Joint Report by the Treasurer and the Director
Audited Annual Accounts 2017-18**

1. Summary

- 1.1 At the meeting of Scotland Excel Joint Committee on 29 June 2018 a report on the unaudited annual accounts for the year ended 31 March was noted.
- 1.2 As agreed by the Joint Committee on 12 June 2015 the Executive Sub Committee has been delegated authority to approve the audited accounts by 30 September in order to meet Local Authority accounting regulations. The audited accounts will be provided to the Joint Committee in December for information. Following this approval the audited accounts will be submitted to The Director, The Convenor and The Treasurer for signature.
- 1.3 The main changes that members should be aware of from the unaudited to the audited annual accounts are:
- the management commentary has been amended;
 - the Commissioning Training reserve has been reclassified as deferred income. The income has now been carried forward into financial year 2018-19 to match when the expenditure will occur. This doesn't have an impact on the overall financial position of Scotland Excel;
 - the operating lease note has been updated to reflect the lease extension which was approved at the June Joint Committee;
 - within the annual accounts the Joint Committee details its share of the Strathclyde Pension Fund assets and liabilities in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of the production of the actuarial reports means that actuaries produce their IAS19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns for 2017-18. This resulted in the pension fund assets reported within Scotland Excel's accounts being understated by £256,000. This change has no impact on the revenue outturn position of the Joint Committee, or on useable reserves.

2 **Recommendations**

- 2.1 It is recommended that members approve the audited accounts for signature.



Scotland Excel

Annual Financial Statements 2017/18

**Scotland Excel
Annual Accounts 2017/18**

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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 ten 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. £1b contract portfolio supports the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. Our contracts achieve annual savings of c. £12.7m, 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 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 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 2015-2018 <http://joom.ag/3X3p> and Operating Plan 2016/17 <http://www.scotland-excel.org.uk/home/Resources/Publications.aspx>. Our strategy map states the goals, value, vision and mission of the organisation.

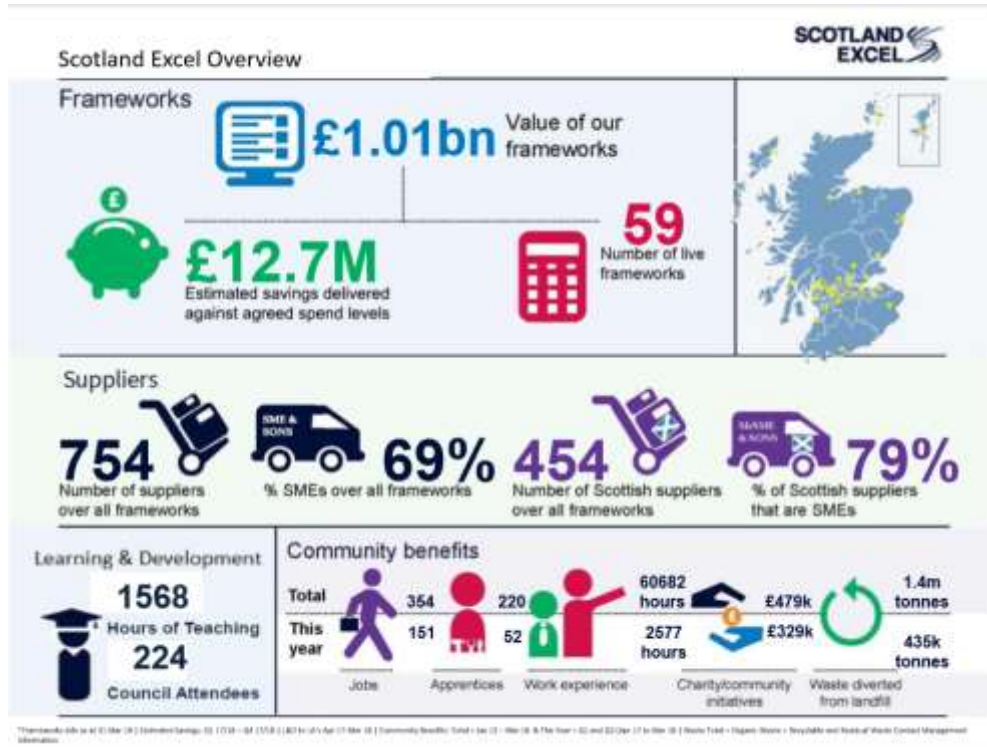
Strategy Map

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.			
Values			
Professional • Courageous • Respectful • Integrity			
Outcomes			
Our services support the effective and efficient delivery of public services	Our services support the implementation of national and local policy priorities	Our customers receive relevant communication and support	Our people, policies, processes and technology optimise our value
Our expertise supports continuous improvement in our sector's procurement performance	Our services help to deliver positive and sustainable outcomes for communities and service users	Our reputation demonstrates the value of collaboration	Our customers are satisfied with our services and achieve a measurable return on their investment
Goals			
<p>1: Supporting the delivery of better and more effective public services</p> <p>Strategic objectives:</p> <p>1.1 Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level</p> <p>1.2 Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability</p> <p>1.3 Deliver a range of new shared services which support the effectiveness and efficiency of customer operations</p>	<p>2: Being sustainable in everything we do</p> <p>Strategic objectives:</p> <p>2.1 Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities</p> <p>2.2 Deliver positive and measurable social, economic and environmental impact to local communities</p> <p>2.3 Lead and support customers in the development and implementation of best practice in sustainable procurement</p>	<p>3: Placing customers at the heart of our business</p> <p>Strategic objectives:</p> <p>3.1 Work with customers to develop and implement bespoke plans for maximising the value of our services</p> <p>3.2 Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement /shared services</p> <p>3.3 Represent the views and needs of customers in the wider stakeholder environment</p>	<p>4: Becoming the partner of choice for delivering shared services</p> <p>Strategic objectives:</p> <p>4.1 Implement organisational development policies which support a highly skilled, motivated and engaged workforce</p> <p>4.2 Implement best practice processes and technology which support the efficient and effective delivery of services to customers</p> <p>4.3 Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment to customers and secure Scotland Excel's future</p>

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Scotland Excel reports its performance to the Joint Committee using the following infographic. This is produced annually at a national and council level. The 2016/17 operating plan was reported quarterly to the Executive Subcommittee, with a year-end performance report taken to the Joint Committee in June 2018. A copy of the report can be found at the link below.

<http://renfrewshire.cmis.uk.com/renfrewshire/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2466/Committee/81/Default.aspx>



Financial Performance

Revenue

The Comprehensive Income and Expenditure report on page 20 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 surplus of £170,768 for the financial year 2017/18, compared to a budgeted deficit of £166,000; returning an underspend of £336,768. Excluding project expenditure and income the Joint Committee returned a deficit of £76,266, compared to a budgeted deficit of £166,000, returning an underspend of £89,734.

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 (£412,000), accrued employee benefits, £2,916 and employee costs relating to projects (£654,743).

The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report, which is the cumulative total of the Sales, Fees & Charges, Government Grants and Financing & Investment Income and Expenditure figures, is due to accounting adjustments for pension interest costs £127,000 and income relating to projects (£1,010,657).

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	Budget £	Actual £	Variance £
Employee Costs	2,944,400	2,908,802	35,598
Property Costs	226,500	215,961	10,539
Supplies and Services	203,900	177,333	26,567
Contractors & Others	-	15,612	(15,612)
Administrative Costs	296,800	333,659	(36,859)
Payments to Other Bodies	38,600	31,902	6,698
Total Expenditure	3,710,200	3,683,269	26,931
Requisition Income	(3,484,200)	(3,484,200)	-
Other Income	(60,000)	(122,803)	62,803
Total Income	(3,544,200)	(3,607,003)	62,803
(Surplus)/Deficit for Year Excluding Projects	166,000	76,266	89,734
Project Expenditure	689,198	763,623	(74,425)
Project Income	(689,198)	(1,010,657)	321,459
(Surplus)/Deficit for Year for Projects	-	(247,034)	247,034
Total (Surplus)/Deficit for Year	166,000	(170,768)	336,768

The underspend in Employee Costs is due to vacancies during the year and also a number of staff exercising their right to flexible working.

The underspend within Property Costs is due to the office fit out costing less than anticipated.

Supplies and Services is underspent due to the IT development project underspending due to the delay in the suppliers completing the specified work.

The Contractors and Others overspend relates to costs this year due to a requirement to complete and mobilise the Energy Efficiency Contractors framework, and also for external consultants to support the work of the Social Care and Construction category teams.

The overspend within Administration Costs relates to advertising costs for a recruitment event and also the costs associated with the Annual Conference and Supplier Awards, which is matched by an over recovery in Other Income.

All costs relating to Project Expenditure have been fully recovered by Project Income.

The over recovery of Other Income relates to additional funding received from Invest in Renfrewshire for support of the graduate intern scheme. In addition, income was received for the costs that were awarded by the court when Scotland Excel were successful in defending a legal challenge and also income was received from the Annual Conference and Supplier Awards.

The increase in expenditure and income from 2016-17 to 2017-18 within the Comprehensive Income and Expenditure Statement is due to six new projects that started in this financial year. In 2016-17 there was only one project.

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 £556,152.

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The balance on revenue reserves is made up as follows:

General Revenue Reserve	£291,663
National Care Home Ring-fenced Reserve *	£68,193
Affordable Housing Programme	£47,966
Adult Supp Living/Care at Home	£1,395
Small Value Procurement	£146,604
SEEMIS	£209
Digital Transformation	£122
Balance at 31 March 2018	<u>£556,152</u>

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

Provisions, Contingencies and Write-offs

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 16. The appointed actuaries have confirmed a net deficit position of £1.441 million, an improvement of £3.232 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 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.

A copy of the 2018-23 Corporate Strategy and 2018-19 Operating Plan can be found at the address below.

<http://www.scotland-excel.org.uk/home/Resources/Publications.aspx>

Events after the Balance Sheet Date

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

Impact of Economic Climate

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

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Scottish Government and that this may have a consequential impact on the level of requisition funding available to Scotland Excel. It has been agreed that the 2018/19 requisition remain at 2017/18 levels but the Joint Committee will continue to pursue efficiencies and cost reductions.

Scotland Excel had identified a number of potential funding opportunities to secure additional income which will reduce the reliance on requisition income in future years to fund cost pressures.

Conclusion

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

Councillor John Shaw
Convenor

Alan Russell CPFA
Treasurer

Julie Welsh
Director

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.

I confirm that these Annual Accounts were approved for signature by the Executive Sub Committee at its meeting on the 28 September 2018.

Signed on behalf of Scotland Excel:

John Shaw
Convenor
28 September 2018

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 2018.

Alan Russell CPFA
Treasurer
28 September 2018

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. Financial Regulations are currently being updated
- 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,

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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 Internal 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

The Joint Committee approved further investigation of possible future governance structures. Whilst the review is not yet finalised and recommendations have not yet been approved, findings to this point indicate that the existing governance framework should be maintained and that the current Scheme of Delegation should be updated to correct some minor anomalies and better clarify and reflect current practice.

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 Internal 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 Internal 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.

Statement on the Role of the Chief Financial Officer

CIPFA published this statement in 2010, which was updated in 2016, 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.

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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.

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.

Councillor John Shaw
Convenor

Julie Welsh
Director

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Remuneration report

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

1. Remuneration policy for elected members

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

2. Remuneration policy for senior employees

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

2016/17	Senior Employees		2017/18
Total Salary, fees and allowances	Name	Post Held	Total Salary, fees and allowances (i)
£			£
100,172	Julie Welsh	Director	104,831
75,307	Hugh Carr	Head of Strategic Procurement	77,393
73,242	Stephen Brannagan	Head of Customer & Business Services	75,566
248,721	Total		257,790

(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 2018, 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.

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2016/17	Member contribution rates on earnings in the bands below	2017/18
	Up to £20,500	5.5%
	£20,501 to £25,000	7.25%
	£25,001 to £34,400	8.5%
	£34,401 to £45,800	9.5%
	Over £45,801	12%
		Up to £20,700
		£20,701 to £25,300
		£25,301 to £34,000
		£34,701 to £46,300
		Over £46,301

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 2018		Change in accrued pension benefits since 31 March 2017		Pension contributions made by Scotland Excel during 2017-2018 (i)
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	£
Julie Welsh	Director	0.018	0.002	+0.003	+0.000	20,142
Hugh Carr	Head of Strategic Procurement	0.010	0.000	+0.002	+0.000	14,869
Stephen Brannagan	Head of Customer & Business Services	0.004	0.000	+0.004	+0.000	14,518
Total		0.032	0.002	+0.009	+0.000	49,529

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4. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2017/18, in bands of £5,000.

2016/17	Remuneration Band	2017/18
Number of employees		Number of employees
-	£50,000 - £54,999	-
-	£55,000 - 59,999	1
-	£60,000 - £64,999	-
-	£65,000 - 69,999	-
1	£70,000 - £74,999	-
1	£75,000 - £79,999	2
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	1
<hr/>		<hr/>
3		4

5. Exit packages

Scotland Excel agreed no exit packages in 2017-18.

Councillor John Shaw
Convenor

Julie Welsh
Director

Independent Auditors Report

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Independent auditor's report to the members of Scotland Excel Joint Committee and the Accounts Commission

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 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 2017/18 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 am independent of the body 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Treasurer 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.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve 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.

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 other prescribed matters

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).

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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; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Mark Ferris
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2018

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Movement in Reserves Statement for the year ended 31 March 2018

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 2016 carried forward		-	(2,195,000)	(60,470)	(2,255,470)
<i>Movement in reserves during 2016-17</i>					
Total comprehensive income and expenditure		(309,990)	(2,280,000)	-	(2,589,990)
Adjustments between accounting basis and funding basis under regulations	7a & 7b	212,438	(198,000)	(14,438)	-
Transfer from Creditors	7a	482,936			482,936
Net increase or (decrease) before transfers to other statutory reserves		385,384	(2,478,000)	(14,438)	(2,107,054)
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	13	(385,384)	-	-	(385,384)
Increase or (decrease) in 2016-17		-	(2,478,000)	(14,438)	(2,492,438)
Balance at 31 March 2017 carried forward		-	(4,673,000)	(74,908)	(4,747,908)
<i>Movement in reserves during 2017-18</i>					
Total comprehensive income and expenditure		(365,316)	3,771,000	-	3,405,684
Adjustments between accounting basis and funding basis under regulations	7a & 7b	536,084	(539,000)	2,916	-
Transfer from Creditors	7a	385,384			385,384
Net increase or (decrease) before transfers to other statutory reserves		556,152	3,232,000	2,916	3,791,068
Transfers to or (from) other statutory reserves					-
Transfer to creditors	13	(556,152)			(556,152)
Increase or (decrease) in 2017-18		-	3,232,000	2,916	3,234,916
Balance at 31 March 2018 carried forward		-	(1,441,000)	(71,992)	(1,512,992)

**Comprehensive Income and Expenditure Statement for the year ended 31
March 2018**

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**.

2016/17		Note	2017/18
£			£
3,187,104	Employee Costs		3,972,629
177,100	Property Costs		215,961
119,395	Supplies & Services		179,488
132,835	Contractors		67,657
363,541	Administration Costs		380,466
64,159	Payments to Other Bodies		39,775
4,044,134	Cost of Services		4,855,976
(324,424)	Sales, Fees & Charges		(748,367)
-	Government Grants		(381,000)
74,481	Financing & Investment Income and Expenditure	9	122,907
(3,484,200)	Requisitions from Members Authorities	14	(3,484,200)
309,990	(Surplus) or deficit on the provision of services		365,316
2,280,000	Actuarial (Gains) or losses on pension assets and liabilities	16a	(3,771,000)
2,280,000	Other Comprehensive Income & Expenditure		(3,771,000)
2,589,990	Total Comprehensive Income & Expenditure		(3,405,684)

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Balance Sheet as at 31 March 2018

The **balance sheet** shows the value as at 31 March 2018 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.

2016/17 £	Note	2017/18 £
<u>Current Assets</u>		
620,120		625,876
19,891	11	308,545
150		150
640,161		934,571
<u>less Current Liabilities</u>		
(715,069)	12	(1,006,563)
(74,908)		(71,992)
<u>Long Term Liabilities</u>		
(4,673,000)	16c	(1,441,000)
(4,747,908)		(1,512,992)
<u>Represented by:</u>		
Usable Reserves - Revenue		
385,384		556,152
(385,384)	13	(556,152)
Unusable Reserves		
(74,908)	7c	(71,992)
(4,673,000)	7b	(1,441,000)
(4,747,908)		(1,512,992)

The audited accounts were issued on the 28 September 2018. Balance Sheet signed by:

Alan Russell CPFA
Treasurer
28 September 2018

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Cash flow Statement for the year ended 31 March 2018

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.

2016/17 £		Note	2017/18 £
	Operating Activities		
	Cash Inflows		
(3,793,803)	Sale of goods and rendering of services		(4,215,115)
(52,750)	Grants		(246,188)
(4,519)	Interest received	9	(4,093)
(3,851,072)	Cash inflows generated from operating activities		(4,465,396)
	Cash Outflows		
2,563,936	Cash paid to and on behalf of employees		2,981,096
871,764	Cash paid to suppliers of goods and services		959,021
453,535	Other payments for operating activities		519,523
3,889,235	Cash outflows generated from operating activities		4,459,640
38,163	Net (increase)/decrease in cash and cash equivalents		(5,756)
658,433	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council		620,270
620,270	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council		626,026
38,163	Net cash outflow in cash and cash equivalents in year		(5,756)

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Note 1 Expenditure Funding Analysis for the year ended 31 March 2018

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

2017/18	(Surplus)/Deficit for Year	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£
Balance as at 31st March 2018	(336,768)			(336,768)
Approved draw on reserves	166,000			166,000
Employee Statutory Adjustment		(2,916)		(2,916)
Pension Cost			412,000	412,000
Pension Interest			127,000	127,000
(Surplus) or deficit on the provision of service				365,316

2016/17	(Surplus)/Deficit for Year	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£
Balance as at 31st March 2017	(101,958)			(101,958)
Approved draw on reserves	199,510			199,510
Employee Statutory Adjustment		14,438		14,438
Pension Cost			119,000	119,000
Pension Interest			79,000	79,000
(Surplus) or deficit on the provision of service				309,990

Note 2 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2018 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Best Value Accounting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Committee and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

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

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

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

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

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

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

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

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

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

Accruals of Expenditure and Income

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

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

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

Cash and Cash Equivalents

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

Contingent Assets and Liabilities

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

Employee Benefits

Benefits payable during employment

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

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. 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 16 to the Core Financial Statements provides further information.

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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 6 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.

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.

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Reserves

The Revenue Reserve contains any balance of requisition income from members of the Joint Committee. The remaining reserves, excluding the Pension Reserve, relate to various projects that Scotland Excel are currently undertaking.

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 3 Accounting Standards Issued not Adopted

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

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, 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 leased by the Joint Committee has concluded it is an operating lease. Note 10 provides further information.
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Note 5 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.

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The items in the Balance Sheet at 31 March 2018 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 £2.084 million. However, the assumptions interact in complex ways. During 2017/18, the appointed actuaries advised that the net pension liability had decreased by £3.771 million as a result of estimates being corrected.

Note 6 Events after the balance sheet date

Events taking place after the authorised for 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 2018, 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 7 Details of Movement in Reserves

a. Revenue Reserve

2016/17		2017/18
£		£
(482,936)	Balance as at 1 April	(385,384)
(198,000)	Transfer to pension reserve	(539,000)
(14,438)	Transfer to employee statutory adjustment account	2,916
309,990	(Surplus) or Deficit on the provision of services (from the Comprehensive Income & Expenditure Account)	365,316
<u>(385,384)</u>	Balance as at 31 March	<u>(556,152)</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 various projects.

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b. Pension Reserve

2016/17		2017/18
£		£
(2,195,000)	Balance as at 1 April	(4,673,000)
(2,280,000)	Actuarial Gains and Losses (see note 16)	3,771,000
(198,000)	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	(539,000)
(4,673,000)	Balance as at 31 March	(1,441,000)

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

c. Employee Statutory Adjustment Account

2016/17		2017/18
£		£
60,470	Balance as at 1 April	74,908
(60,470)	Reversal of prior year accrual for short-term accumulating compensated absences	(74,908)
74,908	Recognition of the accrual for short-term accumulating compensating absences at 31 March	71,992
74,908	Balance as at 31 March	71,992

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.

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Note 8 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement

The surplus for the year on the Revenue Reserves was £536,084 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.

2016/17		2017/18
£		£
	Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement	
(622,000)	Net charges made for retirement benefits in accordance with IAS19	(1,027,000)
(14,438)	Net charges for employment short-term accumulating absences	2,916
<u>(636,438)</u>		<u>(1,024,084)</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>424,000</u>	Employers contributions payable to the Strathclyde Pension Fund	<u>488,000</u>
<u>(212,438)</u>	Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	<u>(536,084)</u>

Note 9 Financing & Investment Income

2016/17		2017/18
£		£
(4,519)	Interest on Balances	(4,093)
79,000	Pension Interest Cost	127,000
<u>74,481</u>	Total Financing and Investment (Income)/Cost	<u>122,907</u>

Note 10 Operating Leases

Scotland Excel has extended the operating lease for accommodation at Renfrewshire House until 2024. The new lease includes a three-year break point in 2022. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £85,131 (2016/17 £87,320).

2016/17		2017/18
£		£
	Future Minimum Lease Payments	
76,076	- not later than one year	101,575
-	- later than one year and not later than five years	387,984
-	- later than five years	84,506
<u>76,076</u>	Total	<u>574,065</u>

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Note 11 Debtors

2016/17		2017/18
£		£
1,454	Other local authorities	-
18,437	Other Entities and Individuals	308,545
<u>19,891</u>	Total short term debtors	<u>308,545</u>

Note 12 Creditors

2016/17		2017/18
£		£
52,750	Central government bodies	-
387,324	Other local authorities	596,152
-	Deferred Income	102,291
74,908	Short Term Accumulating Absences	71,992
180,279	Accrued Payrolls	228,624
19,808	Other entities and individuals	7,504
<u>715,069</u>	Total short term creditors	<u>1,006,563</u>

Note 13 Transfer to Creditors

2016/17		2017/18
£		£
<u>385,384</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>556,152</u>

Note 14 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 2018 was £173,750 (2016/17 £186,850).

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2016/17			2017/18
£	Council	Percentage	£
140,607	Aberdeen City	4.0%	140,607
156,621	Aberdeenshire	4.5%	156,621
82,591	Angus	2.4%	82,591
67,842	Argyll & Bute	1.9%	67,842
48,605	Clackmannanshire	1.4%	48,605
100,395	Dumfries & Galloway	2.9%	100,395
99,296	Dundee City	2.8%	99,296
85,835	East Ayrshire	2.5%	85,835
77,160	East Dunbartonshire	2.2%	77,160
74,806	East Lothian	2.1%	74,806
69,647	East Renfrewshire	2.0%	69,647
276,829	Edinburgh (City of)	7.9%	276,829
36,111	Eilean Siar	1.0%	36,111
103,989	Falkirk	3.0%	103,989
213,737	Fife	6.1%	213,737
333,882	Glasgow City	9.6%	333,882
143,652	Highland	4.1%	143,652
63,793	Inverclyde	1.8%	63,793
66,090	Midlothian	1.9%	66,090
71,138	Moray	2.0%	71,138
93,410	North Ayrshire	2.7%	93,410
198,471	North Lanarkshire	5.7%	198,471
33,061	Orkney	0.9%	33,061
99,076	Perth & Kinross	2.8%	99,076
112,758	Renfrewshire	3.2%	112,758
81,351	Scottish Borders	2.3%	81,351
33,914	Shetlands Council	1.0%	33,914
80,817	South Ayrshire	2.3%	80,817
186,501	South Lanarkshire	5.4%	186,501
69,522	Stirling	2.0%	69,522
68,763	West Dunbartonshire	2.0%	68,763
113,930	West Lothian	3.3%	113,930
3,484,200	Total	100%	3,484,200

Note 15 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 2017/18 were £5,700 (£5,620 in 2016/17). There were no fees paid to Audit Scotland in respect of any other services.

Note 16 Retirement Benefits

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

16a. Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Joint Committee in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers’ contributions. The following transactions have been made in the accounting statements in 2017/18:

2016/17 £		Note	2017/18 £
	Comprehensive Income & Expenditure Statement		
	Cost of Services		
543,000	Current service cost	(i)	900,000
-	Past service cost/(gain)	(ii)	-
-	Settlements & curtailments	(iii)	-
543,000			900,000
	Financing & Investment Income & Expenditure		
79,000	Net Interest	(iv)	127,000
622,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services		1,027,000
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
(2,171,000)	Return on assets excluding amounts included in net interest		(84,000)
4,451,000	Actuarial (gains) and losses arising on changes in financial assumptions		(3,687,000)
2,280,000	Total Actuarial (gains) and losses		(3,771,000)
2,902,000	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		(2,744,000)
	Movement in Reserves Statement	(v)	
2,478,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code		(3,232,000)
424,000	Employers Contributions paid to Strathclyde Pension Fund		488,000

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.

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- 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 (£539,000).

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2017/18 these amounted to £20,620 (2016/17 £20,479).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £3.771 million are included in the Movement in Reserves Statement (2016/17 £2.280 million loss). The cumulative amount of actuarial losses is £(0.942) million (2016/17 £(4.713) million).

16b. Assets and liabilities in relation to retirement benefits

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

2016/17		2017/18
£000		£000
12,980	Opening present value	18,493
543	Current service cost	900
465	Interest Cost	492
151	Employee Contributions	173
	Remeasurement (gains)/losses:	
4,451	Actuarial (gains)/losses arising from changes in financial assumptions	(3,687)
(97)	Benefits Paid	(184)
18,493	Balance as at 31 March	16,187

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

2016/17		2017/18
£000		£000
10,785	Opening Fair Value	13,820
386	Interest Income	365
	Remeasurement gain/(loss):	
2,171	Return on assets excluding amounts included in net interest	84
424	Contributions from employer	488
151	Contributions from employee	173
(97)	Benefits Paid	(184)
13,820	Closing fair value of scheme assets	14,746

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16c. Fund history

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Present Value of Liabilities	(10,210)	(13,549)	(12,980)	(18,493)	(16,187)
Fair value of assets	8,548	10,089	10,785	13,820	14,746
Surplus/(deficit) in the Fund	(1,662)	(3,460)	(2,195)	(4,673)	(1,441)

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

The total liability of £1.441 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.

16d. 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 2017.

The principal assumptions used by the actuary have been:

2016/17	Financial Year:	2017/18
Mortality assumptions		
	Longevity at 65 for current pensioners	
22.1 years	• Men	21.4 years
23.6 years	• Women	23.7 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	23.4 years
26.2 years	• Women	25.8 years
4.4%	Rate of increase in salaries*	3.6%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%
	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:

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2016/17 £000		Percentage	2017/18 £000
	Equity Securities		
1,307	Consumer	6.4%	947
1,037	Manufacturing	5.2%	767
411	Energy and Utilities	1.3%	197
962	Financial Institutions	4.3%	636
562	Health and Care	2.6%	377
795	Information Technology	3.3%	486
-	Other	0.0%	-
5,074	Total Equity	23.1%	3,410
	Debt Securities		
-	Corporate Bonds (investment grade)	3.1%	463
-	Total Debt Securities	3.1%	463
	Private Equity		
1,139	All	11.9%	1,762
1,139	Total Private Equity	11.9%	1,762
	Real Estate		
1,667	UK Property	9.1%	1,335
-	Overseas Property	0.0%	-
1,667	Total Real Estate	9.0%	1,335
	Investment Funds & Unit Trusts		
4,443	Equities	30.9%	4,551
776	Bonds	11.6%	1,707
9	Commodities	0.1%	7
187	Other	0.2%	19
5,415	Total Investment Funds & Unit Trusts	42.8%	6,284
	Derivatives		
2	Foreign Exchange	0.0%	-
1	Other	0.0%	-
3	Total Derivatives	0.0%	-
	Cash & Cash Equivalents		
521	All	10.1%	1,491
521	Total Cash & Cash Equivalents	10.1%	1,491
13,820	Total	100%	14,746

16e. Impact on cashflows

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

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2019 is £0.488 million.

Note 17 Contingent Liabilities and Assets

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