

CLYDE MUIRSHIEL PARK AUTHORITY

To: Joint Committee

On: 4 September 2020

Report by: The Treasurer

Heading: Audited Annual Accounts 2019/20

1. Summary

- 1.1 At the meeting of the Joint Committee on 19 June 2020 a report on the unaudited accounts for the year ended 31 March was noted.
 - 1.2 The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts to be approved for signature by the Joint Committee no later than 30 September each year. This year, owing to the COVID-19 pandemic, this date was extended to 30 November 2020; however, the extension was not required, as the unaudited accounts were delivered and audit work completed to original planned timescales.
 - 1.3 Section 10 of these Regulations requires the Joint Committee to consider any report made by the appointed auditor before deciding whether to sign the audited accounts.
 - 1.4 The findings of the appointed auditor, Audit Scotland, are presented in the Annual Audit Report, which can be found at Appendix 1. It also includes details of three adjustments that were made to the accounts during the course of the audit.
 - 1.5 Following approval, the audited accounts will be submitted to the Lead Officer, Chairman and Treasurer for secure digital signature.
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2 Recommendations

- 2.1 It is recommended that members:
 - (a) Note the findings of the 2019/20 audit as contained in the Annual Audit Report (Appendix 1); and
 - (b) Approve the 2019/20 Audited Annual Accounts (Appendix 2) for signature.
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Clyde Muirshiel Park Authority

2019/20 Annual Audit Report – Proposed

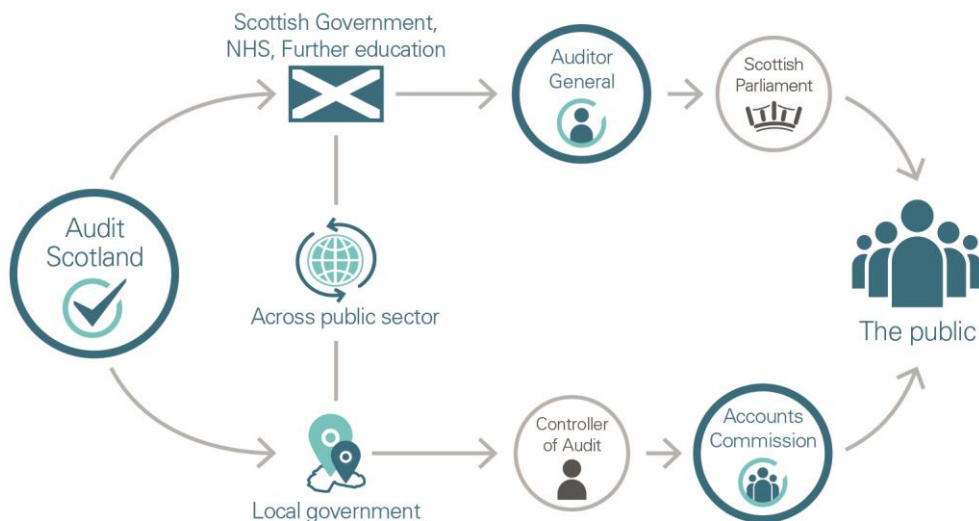


Prepared for Clyde Muirshiel Park Authority Joint Committee and the Controller of Audit
September 2020

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

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

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Key messages

2019/20 annual report and accounts

- 1 Clyde Muirshiel Park Authority's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3 Management recognised a provision of £11,078 for planned investment in CMPA's ICT infrastructure. However, we concluded this did not meet the requirements to be recognised as a provision. This was adjusted in the financial statements and resulted in a decrease of £11,078 in expenditure, with a corresponding increase in usable reserves.
- 4 The financial statements were adjusted to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgements on the pension liability. This resulted in a decrease of £32,500 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Financial sustainability

- 5 A surplus of £25,269 for the financial year 2019/20 was achieved, compared to a budgeted deficit of £20,000; which represents an underspend of £45,269.
- 6 The audited annual accounts for 2019/20 confirm a reserves balance of £123,000 as at 31 March 2020, of which £11,000 has been ringfenced for the delayed investment in the ICT infrastructure. It has been agreed that only 50% of the revenue reserve balance of £112,000 can be utilised to meet the potential projected deficit of £167,000 forecast for 2020/21. Any overspend above this value will require further approval or be managed through other arrangements.
- 7 We have previously made recommendations highlighting the need to review and update policies and procedures within the Governance Framework. With the potential changes to governance in 2020/21, this has been superseded. The Joint Committee and management should assure themselves that governance arrangements remain appropriate as future operations are progressed by the member authorities.

Introduction

1. This report summarises the findings from our 2019/20 audit of Clyde Muirshiel Park Authority (CMPA).

2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 14 February 2020 meeting of the Joint Committee. This report comprises the findings from:

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

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, CMPA had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have a significant impact into the financial year 2020/21. Our planned audit work was adapted for new emerging risks that related to the audit of the financial statements.

Adding value through the audit

4. We add value to CMPA through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations; and
- providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.

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

Responsibilities and reporting

6. CMPA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. CMPA is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on CMPA's Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the

arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

9. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2019/20 audit.

10. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services during the year and therefore the 2019/20 audit fee of £1,837, as set out in our Annual Audit Plan, remains unchanged.

12. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved our work for their cooperation and assistance during the audit, particularly given the difficulties of auditing remotely during the COVID-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

CMPA's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

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

Management recognised a provision of £11,078 for planned investment in CMPA's ICT infrastructure. However, we concluded this did not meet the requirements to be recognised as a provision. This was adjusted in the financial statement and resulted in a decrease of £11,078 in expenditure, with a corresponding increase in usable reserves.

The financial statements were adjusted to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgements on the pension liability. This resulted in a decrease of £32,500 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Our audit opinions on the annual accounts are unmodified

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

16. The annual accounts for the year ended 31 March 2020 were approved by the Joint Committee on 4 September 2020.

17. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework;
- the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements; and
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts were signed off in line with the agreed timetable

18. The unaudited annual accounts were received in line with our agreed audit timetable on 15 June 2020. There has been limited impact of COVID-19 on the

audit process. The physical limitations on access to records and systems did not impact on or delay the audit and CMPA staff were supported in homeworking during the period of the outbreak.

19. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £12,000

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. On receipt of the unaudited annual accounts, we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£12,000
Performance materiality	£9,000
Reporting threshold	£1,000

Source: Annual Audit Plan 2019/20

Appendix 1 identifies the main risks of material misstatement and our audit work to address these

[Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

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

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

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
1. Provisions	
<p>Management recognised a provision of £11,078 in the financial statements for planned investment in ICT infrastructure to update equipment and systems. The planned investment was to occur in 2019/20. However, there were delays due to COVID-19 and this expenditure was not incurred in year. As a result, management recognised a provision in the financial statements to reflect the commitment for this investment.</p> <p>As part of our audit work, we assessed this provision against the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and concluded that it was not appropriate to recognise this planned expenditure as a provision. While there was an internal commitment for the investment, there was no obligation for this expenditure as at 31 March 2020 and therefore did not meet the requirements to be recognised as a provision.</p> <p>Management have updated the financial statements to reflect the adjustment. The net impact was to reduce expenditure by £11,078, with a corresponding increase in usable reserves. Management have ring-fenced the increase in usable reserves to ensure this is used to fund the investment in 2020/21.</p>	<p>Management agreed to adjust the financial statements to derecognise the provision.</p>
2. Pension liability	
<p>The pension liability in the financial statements included the estimated impact of the McCloud / Sargeant legal judgements. The estimated impact was first assessed by the pension fund actuary in 2018/19 and this was reflected in the 2019/20 unaudited financial statements using the most up-to-date information at that time. A potential remedy for the legal judgements was since announced and the actuary estimated this will result in decrease of up to 50% on the initial estimate.</p> <p>Management have adjusted the financial statements to reflect the updated estimate from the actuary. This net impact was to reduce expenditure by £32,500, with a corresponding decrease in the pension liability and the pension reserve.</p>	<p>Management agreed to adjust the financial statements to reflect the updated estimate from the actuary.</p>

Other findings

23. Management recognised a provision of £6,397 in the 2019/20 financial statements in relation to untaken staff leave. This had been recognised as an accrual in prior years' financial statements. Following discussions with management, it was agreed that recognising this as a provision was not appropriate and should continue to be recognised as an accrual. Management agreed to this adjustment and reclassified the balance. As this was a classification adjustment, this did not impact on net expenditure for the year or the net Balance Sheet position.

Adjustments of £49,975 were processed in the accounts. These were greater than our performance materiality, but we did not need to revise our audit approach

24. Total adjustments of £49,975 were processed in the accounts. These related to the ICT provision and pension liability discussed above in [Exhibit 2](#) and the provision for untaken staff leave discussed in paragraph 23. We have concluded that the adjustments were due to the specific circumstances around the items in question, were isolated and identified in their entirety, and do not indicate further systemic error.

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

26. There were no adjustments, other than those outlined in paragraph 24, above our reporting thresholds identified from our audit.

Part 2

Financial sustainability and the Annual Governance Statement



Main judgements

A surplus of £25,269 for the financial year 2019/20 was achieved, compared to a budgeted deficit of £20,000; which represents an underspend of £45,269.

The audited annual accounts for 2019/20 confirm a reserves balance of £123,000 as at 31 March 2020, of which £11,000 has been ringfenced for the delayed investment in the ICT infrastructure. It has been agreed that only 50% of the revenue reserve balance of £112,000 can be utilised to meet the potential projected deficit of £167,000 forecast for 2020/21. Any overspend above this value will require further approval or be managed through other arrangements.

We have previously made recommendations highlighting the need to review and update policies and procedures within the Governance Framework. With the potential changes to governance in 2020/21, this has been superseded. The Joint Committee and management should assure themselves that governance arrangements remain appropriate as future operations are progressed by the member authorities.

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

Financial performance in 2019/20

27. The Joint Committee approved the 2019/20 budget in February 2019. However, it was noted within the report that in agreeing the prior 2018/19 revenue estimates and associated requisitions, the Joint Committee had agreed that options be developed to address the financial outlook for CMPA due to the reduction in requisition income.

28. In June 2019 the Joint committee approved the revised 2019/20 budget. Total budgeted expenditure was £0.944 million and total budgeted income was £0.924 million. This resulted in a budget gap of £20,000 that was to be addressed through the use of reserves. This funding gap was due to anticipated voluntary redundancy costs with any additional redundancy costs incurred being met through additional funding from the member authorities.

29. Actual outturn in 2019/20 was total expenditure of £0.941 million and total income of £0.966 million, resulting in a surplus of £25,269 for the financial year 2019/20. This is compared to a budgeted deficit of £20,000, which represents an underspend of £45,269. Details on the variances are outlined in the Management Commentary within the annual accounts.

Short term financial planning

30. The Joint Committee approved its 2020/21 revenue estimates in February 2020. However, it was reported that the level of requisition income available from all member councils had reduced, most significantly in the case of North Ayrshire Council who advised that they would not be in a position to make any requisition payment in 2020/21.

31. As part of the budget setting process, revenue estimates have previously been prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures. The February 2020 budget paper advised that, given the impact of the loss of income on the financial position of CMPA, budget estimates for a single year only had been outlined and that reserves would be utilised. The approved revenue estimates forecast a deficit of £82,400; with the Joint Committee agreeing the use of reserves up to £30,000. The budget was approved with an expectation that an updated financial outlook would be presented to the Joint Committee at its meeting in June 2020.

32. In June 2020 the Joint Committee approved revised revenue estimates. The report outlined that since the revenue estimates were agreed in February 2020, services delivered in the Park have been severely affected by the COVID-19 pandemic, with organised activities and commercial operations ceasing. This has had a significant financial impact with no commercial income being generated. Commercial income is crucial to the financial sustainability and accounts for nearly half of CMPA's income.

33. Revised budgeted expenditure was £0.603 million and total budgeted income was £0.436 million. The impact of COVID-19 increased the forecast deficit to £0.167 million, assuming no commercial income is generated in 2020/21. The largest source of income for CMPA is requisitions from members and this has reduced from £0.547 million in 2019/20 to £0.436 million in 2020/21.

Medium to long term financial planning

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

35. The audited annual accounts for 2019/20 confirm a reserves balance of £123,000 as at 31 March 2020, of which £11,000 of which has been ringfenced for the delayed investment in the ICT infrastructure outlined in [Exhibit 2](#). At the Joint Committee meeting in June 2020 it was agreed that only 50% of the revenue reserve balance of £112,000 held as at the 31 March 2020 could be utilised to meet the potential projected deficit of £167,000 forecast for 2020/21. Any overspend above this value would need to be approved by the Joint Committee or managed through alternative arrangements (e.g. efficiency savings).

36. The Park Co-ordinator and the Treasurer continue to examine all options for cost mitigation and income generation, including the investigation of existing project balances as to whether these balances (reflected as creditors in the annual accounts) may be released to support the financial position.

37. However, it is possible that additional financial support from requisitioning councils will be required in 2020/21. From the work carried out, we have concluded that CMPA has adequate financial planning arrangements in place however cost pressures continue as outlined above.

Future governance and follow up of prior year recommendations

38. North Ayrshire Council confirmed in June 2020 that it will not provide funding after 2019/20 and will be withdrawing from the Joint Committee. Subsequently, further discussions between Renfrewshire Council and Inverclyde Council officers have taken place. It is proposed that the most appropriate option is to terminate the Minute of Agreement and wind up the Joint Committee with effect from 31 March 2021, however this has still to be decided by the Joint Committee.

39. Thereafter, the three Councils will make decisions separately regarding the parts of the Regional Park lying within their respective boundaries. Management have concluded this will not impact on the designation of Clyde Muirshiel as a Regional Park or the Country Park designations for Muirshiel and Castle Semple. This can therefore be considered to be a change in governance arrangements only as services are likely to continue to be delivered.

40. The Annual Governance Statement outlines the Minute of Agreement, Procedural Standing Orders, Scheme of Delegation and Financial Regulations are some of the main features of the governance arrangements. In our [2016/17 Annual Audit Report](#), a recommendation was made regarding the policies and procedures within the Governance Framework and their need to be reviewed and updated. This was followed up in our last two Annual Audit Reports and it was confirmed this review was outstanding.

41. The statement outlines a revised deadline of March 2021 for this review to be carried out. With the proposal that the Joint Committee will be wound up in March 2021, this recommendation has been superseded and is no longer considered to be significant to operations. The Joint Committee and management should assure themselves that governance arrangements remain appropriate as future operations are progressed by the member authorities.

Annual Governance Statement

42. Our review of the Annual Governance Statement assessed the assurances which are provided to the Joint Committee and Treasurer regarding the adequacy and effectiveness of the committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of Clyde Muirshiel Park Authority's internal control, risk management the Joint Committee's governance framework, risk management and governance arrangements'.

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

Appendix 1

Significant audit risks identified during planning

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

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

3 Risk of material misstatement caused by fraud over expenditure	Analytical procedures on expenditure streams.	Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.
Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.	Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.	Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year. As issue was identified with expenditure being incorrectly recognised for the ICT provision in year (see Exhibit 2). However, this was corrected by management.
CMPA incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.		Conclusion: no evidence of fraud over expenditure.
4 Risk of material misstatement caused by accounting for pensions	Completion of 'review of the work of Management's expert' for the pension fund actuary.	A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.
CMPA recognised a net liability of £0.593 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.	Review of the estimates used, and assumptions made in calculating the pension fund liability.	As outlined in Exhibit 2 , an adjustment was processed to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgements.
Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.		Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.

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

5 Financial sustainability	Review of budget monitoring reports and future Revenue Estimates and discussions with management on	A review of budget monitoring reports, revenue estimates, and the financial statements highlight concerns around financial
The 2019/20 Revenue Estimates highlight uncertainties in future		

funding and increasing pressures on available resources. A voluntary release exercise has been carried out and this is expected to result in a recurring benefit. However, it is likely savings will still be required in the medium term to achieve a breakeven position and maintain reserves at an appropriate level.

CMPA's medium term financial position.

Conclude on financial position and financial sustainability within the Annual Audit Report.

sustainability. A significant deficit of £0.167 million is forecast for 2020/21 and there are restrictions on the amount of reserves that can be used to achieve financial balance. This leads to challenges in maintaining operations at current levels with the resources available.

Conclusion: CMPA continues to operate in a challenging financial climate, with difficulties in delivering existing services with the current levels of resources. Management continues to review future options.

Clyde Muirshiel Park Authority

2019/20 Annual Audit Report – Proposed

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Clyde Muirshiel Park Authority Joint Committee

4 September 2020

Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report by 9 September 2020 (the proposed report is attached at [Appendix A](#)).

Annual audit report

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

Unadjusted misstatements

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

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Section 95 Officer

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

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Clyde Muirshiel Park Authority Joint Committee and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

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

In my opinion the accompanying financial statements:

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

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Treasurer and the Joint Committee for the financial statements

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

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

The Joint Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Mark Ferris
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT
September 2020

APPENDIX B: Letter of Representation (ISA 580)

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

Dear Mark

Clyde Muirshiel Park Authority Annual Accounts 2019/20

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

General

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

Financial Reporting Framework

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

Accounting Policies & Estimates

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

an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Clyde Muirshiel Park Authority's circumstances and have been consistently applied.

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

Going Concern Basis of Accounting

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

Assets

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

Liabilities

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

Contingent liabilities

18. There are no significant contingent liabilities, other than those disclosed in Note 16 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.

Fraud

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

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

Laws and Regulations

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

Related Party Transactions

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

Remuneration Report

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

Management commentary

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

Corporate Governance

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

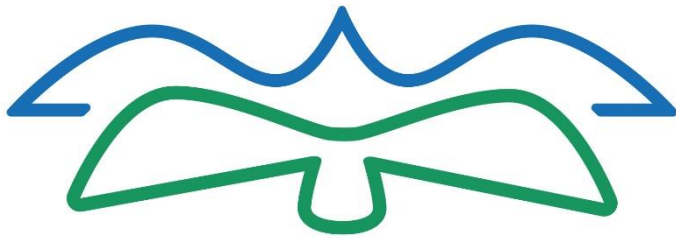
25. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements, or issues identified since 31 March 2020, which impact on the 2019/20 accounts and require to be reflected.

Events Subsequent to the Date of the Balance Sheet

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

Yours sincerely

Treasurer



Clyde Muirshiel

REGIONAL PARK

Annual Accounts 2019/20

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Management Commentary

Introduction

The purpose of the Management Commentary is to present an overview of Clyde Muirshiel Regional Park Authority's financial performance during the year 2019/20 and to help readers understand its financial position at 31 March 2020. In addition, it outlines the main risks and uncertainties facing Clyde Muirshiel Regional Park Authority (the Park) for the financial year 2019/20 and beyond.

Background

The Clyde Muirshiel Regional Park Authority is managed by a joint committee of eight councillors drawn from the three participating authorities of Renfrewshire, Inverclyde, and North Ayrshire Councils. The Park covers 281 square kilometres of

countryside and organises and manages conservation, recreation and tourism activities within the regional park.

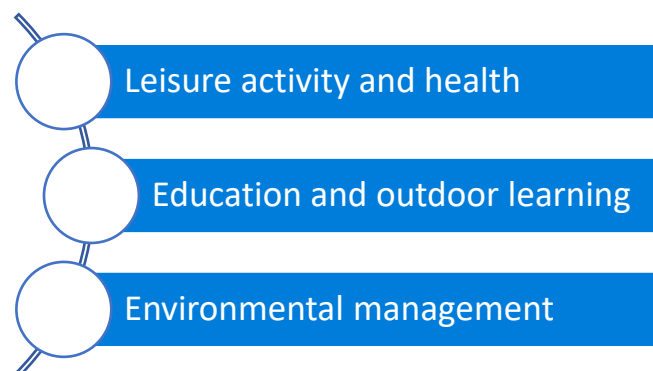
Its goals are:

- to conserve and enhance the natural beauty, biodiversity and cultural heritage of Clyde Muirshiel Regional Park
- to encourage and enable learning, understanding and enjoyment of Clyde Muirshiel Regional Park
- to promote and foster environmentally sustainable development for the social and economic well-being of the people and communities within the Clyde Muirshiel Regional Park area.

North Ayrshire Council	Inverclyde Council	Renfrewshire Council
Todd Ferguson Donald Reid (until 16/08/19)	David Wilson (Vice Chair) Innes Nelson	Audrey Doig from 05/12/19 (Chair from 27/02/20) Andy Steel until 05/12/19 (Chair until 05/12/19) Tom Begg Bill Binks Andy Doig

Strategy

Clyde Muirshiel Regional Park Strategy and Action Plan was approved by the Joint Committee in September 2016. This document sets out three priorities which focus activity in the Park over a period of five years. The priorities are:



These strategic priorities sit within the wider aspirations of the constituent authorities that comprise the Joint Committee, particularly in relation to inclusion, health and wellbeing and skills development.

The associated Action Plan sets out the objectives for each priority and a series of actions to be delivered over life of the strategy. The actions are grouped into short, medium and long term and inform the Park's annual workplan. Currently, all actions are either complete or on track.

A copy of the Park Strategy and Action Plan 2016-2021 can be found at the following link:

www.clydemuirshiel.co.uk/downloads

The Park Workplan

The Park produces an annual workplan which sets out how it will meet its strategic aims. Staff resource is allocated in line with these aims and service demand.

Looking ahead, the Park will continue to build on the suite of projects and events currently being delivered to raise the Park's profile. The Park will also look to maximise income generation and secure further external funding to deliver projects to meet the strategic aims.

Performance

For a full analysis of the Committee's performance please see the Clyde Muirshiel Regional Park Annual Report 2018/19, which was presented to the Committee on the 14 February 2020.

This can be found at the following link:

www.renfrewshire.gov.uk/Agendas and Minutes/Meetings/14 Feb 2020

The 2019/20 Clyde Muirshiel Regional Park Annual Report is currently underway, however a few highlights during the year include:

- around 620,00 people visited the Park;
- around 5,800 attended Ranger facilitated events and activities;
- around 2,600 young people took part in outdoor learning and eco schools activity;
- it was year 2 of for ospreys nesting in the Regional Park, with one pair successfully raising 3 osprey chicks.

Primary Financial Statements

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

The Annual Accounts summarise the Park's transactions for the year and its year-end position at 31 March 2020. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet.

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

The cash balance at 31 March 2020 of £1,700 in the Balance Sheet represents petty cash held by officers of the Park.

Financial Performance

Revenue

The Comprehensive Income and Expenditure Statement on page 15 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 Park Authority has returned a surplus of £25,269 for the financial year 2019/20, compared to a budgeted deficit of £20,000; resulting in an underspend of £45,269. The difference between the employee costs figure below and the figure reported in the Comprehensive Income and Expenditure statement is

due to accounting adjustments for pension costs (£109,000) and accrued employee benefits (£9,030).

The overspend in Employee Costs is due to one-off VR/VER costs that have been recovered within Other Income (£48,761). Excluding this, Employee Costs would have been underspent due to various vacancies during the year and a reduction in casual and overtime hours due to reduced activities.

The Supplies and Services and Transport Costs underspends are due to the careful management of the individual budgets within these categories. In particular, planned ICT spend of £11,078 did not proceed due to supply issues related to COVID-19. A new ringfenced reserve has therefore been established to allow this funding to carry forward and enable the spend in 2020/21.

These underspends are offset by an overspend in utility costs within the Premises category.

Included in the Supplies and Services expenditure is the cost for a tractor. This is detailed in Note 8: Plant and Equipment, per below.

The under recovery within Sales, Fees and Charges results from a reduced volume of activities, café and shop income. This has partly been offset by the vacancies mentioned above.

Other Income is over-recovered due to the funding received from the Semple Stories project (£15,535), funding levered in for project expenditure as well as a one-off recovery of VR/VER costs, as previously mentioned.

A summary of the outturn position against the agreed budget is shown below:

	Budget £	Actual £	Variance £
Employee Costs	644,263	650,885	(6,622)
Premises Related	37,900	44,610	(6,710)
Supplies and Services	185,500	169,528	15,972
Transport Costs	36,000	32,586	3,414
Support Services	37,900	40,994	(3,094)
Transfer Payments	2,137	2,313	(176)
Total Expenditure	943,700	940,916	2,784
Requisition Income	(546,500)	(546,500)	0
Sales, Fees and Charges	(345,100)	(293,958)	(51,142)
Other Income	(32,100)	(125,727)	93,627
Total Income	(923,700)	(966,185)	42,485
(Surplus)/Deficit for Year	20,000	(25,269)	45,269

The Balance Sheet at 31 March 2020

The Balance Sheet sets out the total net worth of the Park at a snapshot in time. When comparing the net worth of the Park at 31 March 2020 to that of the prior year, an overall increase in net worth of the organisation of £0.414m can be seen. This is primarily

due to the decrease in pension liability explained below.

As noted above, a new ringfenced reserve of £11,078 has been created for the cost of updating The Park's ICT equipment and systems in 2020/21. This was planned spend for 2019/20 that could not proceed due to COVID-19 supply issues. The ringfenced reserve is included within the Useable Reserve in the Balance Sheet.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15: Retirement Benefits. The appointed actuaries have confirmed a net deficit position of £0.224m, representing an improvement of £0.369m in their assessment of the position of the pension fund. This can be attributed to a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

The McCloud/Sargeant case noted in last year's accounts, whereby transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age are argued to be unlawful on the grounds of age discrimination, added £0.065m of past service costs to the overall pension liability. The appointed actuaries have now indicated that this is likely to be around 50% lower, following proposed remedies announced by the UK Government. An adjustment has therefore been made to the past service costs in 2019/20 of £0.033m to reflect this estimate.

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

The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Scheme and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities.

A further potential change to pension rules is outlined in Note 16: Contingent Liabilities and Assets on page 26; however, this has not been reflected in the pension liability reported in the Balance Sheet.

Risks and Uncertainties

The general financial environment in which the Park and member authorities operate continues to be characterised by cost and income pressures, and the Park has a demonstrable history of seeking operational savings and alternative income sources to ensure financial sustainability.

North Ayrshire Council formally agreed on 12 February 2020 to withdraw from the Joint Committee. Under the minute of agreement, a two-year notice period is required, however the Council intimated that they will not be in a position to make a requisition payment in 2020/21.

At the 14 February 2020 meeting of the Clyde Muirshiel Regional Park Authority Joint Committee, a temporary budget was approved, which utilises reserve balances as an interim measure to address the reduced requisition funding available.

Following discussions with Inverclyde Council, officers have concluded that the most appropriate option is to terminate the Minute of Agreement and wind up the Park Authority Joint Committee with effect from 31 March 2021. Thereafter, the three Councils will make decisions separately regarding the parts of the Regional Park lying within their respective boundaries.

This is a change in governance arrangements only and will not impact on the designation of Clyde Muirshiel as a Regional Park or the Country Park designations for Muirshiel and Castle Semple. Facilities will remain operational and liaison between the three authorities will continue to ensure the protection and enhancement of the Regional Park's natural environment.

At the Joint Committee meeting on 19 June 2020 it was agreed that only 50% of the revenue reserve balance of £112,036 (excludes ringfenced reserve) held as at the 31 March 2020 could be utilised to meet the projected overspend; any overspend above

this value would need to be approved by the Joint Committee.

Due to the current lockdown conditions imposed by the government in relation to the COVID-19 pandemic, the Park facilities closed in March 2020. The position is being kept under constant review to judge when services may resume in line with national government guidance; however, while facilities remain closed this has a significant effect on the finances of the Park. As an indication, if no commercial income is generated for the 2020/21 financial year, the Park would return an estimated overspend of around £167,000.

Outlook and Future Plans

The adopted Park Strategy and Action Plan seeks to build upon the strengths of the Park and make full use of its assets. The short, medium and long-term activities prescribed by the Action Plan will help simplify work streams, maximise customer benefits

and capitalise on income generating opportunities for financial stability.

A review intended to modernise and streamline the Park's governance is currently underway. The aim is for the Park to be a more efficient and more proactive organisation, better poised to take advantage of opportunities to enhance its services once it re-opens. The Park will remain receptive to change and embrace opportunities for improved ways of working while maintaining and gaining the full value of the landscape and natural environment that visitors across the constituent authorities and beyond enjoy at Clyde Muirshiel Regional Park.

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.

Councillor Audrey Doig

Chair

4 September 2020

Alan Russell CPFA

Treasurer

4 September 2020

Fraser Carlin

Lead Officer

4 September 2020

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

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

I confirm that these Annual Accounts were approved for signature by the Joint Committee at its meeting on the 4 September 2020.

Signed on behalf of Clyde Muirshiel Park Authority:

Councillor Audrey Doig

Chair

4 September 2020

The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Joint Committee at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2020.

Alan Russell CPFA

Treasurer

4 September 2020

Annual Governance Statement

Scope of Responsibility

Clyde Muirshiel Park Authority'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 Authority'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:

- Minute of Agreement between the member councils of the Joint Committee, setting out the arrangement for governance of the Park Authority;
- Clearly defined Procedural Standing Orders, Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts. The financial regulations are currently being reviewed;
- Comprehensive business planning arrangements and continuous improvement arrangements including, setting key performance targets and developing work plans designed to achieve our corporate objectives. The Park Strategy 2016 – 2021, sets out the organisational objectives and the actions required to implement those objectives;
- Regular communication and engagement with stakeholders through the Consultative Forum and other local community groups;
- Regular review of performance and public performance reporting through the Annual Report;
- Comprehensive arrangements for monitoring health and safety;
- Policies to regulate employee related matters, including the employee code of conduct and disciplinary procedures;
- Arrangements to manage risk are included in the Park Authority Annual Work Plan, supported by a risk management framework and comprehensive risk register
- Clear customer complaints procedures;
- Comprehensive policies and procedures for data protection and information security;
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines.

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

The system includes:

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

With Renfrewshire Council being the lead authority, all financial transactions of the Joint Committee are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of 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 Interim Park Co-ordinator /

Lead Officer using a self-assessment tool covering five key areas of governance:

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

This self-assessment indicated that the governance framework is being complied with in all material respects, although it is acknowledged that reduced resources may impact on the control environment in the medium term.

The Park has successfully delivered operational efficiencies and accommodated reductions in financial requisitions. A revised staff structure has been implemented to provide strategic direction and a review of the Park's assets and activities has identified several opportunities to improve the Park's financial sustainability in the longer term. Measures taken include the voluntary release of staff in line with the revised staff structure, and the disposal of surplus assets, however the review remains ongoing in an effort to ensure the sustainability of park operations in the medium term.

The Joint Committee has previously agreed to revise the existing governance framework, including the Minute of Agreement and supporting governance documents. While this review was ongoing, North Ayrshire Council have formally intimated a decision to withdraw from the Joint Committee. This notice was received in February 2020. Under the existing Minute of Agreement, a notice period of 2 years is required when a member Council intimates a decision to withdraw.

The Joint Committee and the remaining two Councils are considering the implications for the Joint Committee in light of this development; with an intention that revised governance arrangements are agreed during the course of 2020/21.

This governance framework has been in place throughout the year. The outbreak of coronavirus (COVID-19) did not result in any changes to the governance arrangements for 2019/20, however there has been a significant operational and financial impact. The risk of social distancing continuing and its potential impact on the governance arrangements will be considered in the review outlined above and will continue to be monitored through robust risk management arrangements.

The Joint Committee's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual

programme following an assessment of risk completed during the strategic audit planning process.

The Chief Auditor provides an annual report to the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control.

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

Action Plan

Following consideration of the review of adequacy and effectiveness, the following action plan has been agreed to ensure continual improvement of the Joint Committee's governance.

Agreed action	Responsible person	Date
Review and update where necessary the existing governance framework, including the Minute of Agreement, in light of the decision of North Ayrshire Council to withdraw from the Joint Committee.	Head of Planning and Housing Services – Renfrewshire Council	March 2021

Assurance

In conclusion, it is our opinion that the review of governance outlined above, together with the work of internal audit, any comments received from external audit and certification of assurance from the Interim Park Co-ordinator / Lead Officer provide sufficient evidence that the principles of good governance operated effectively and the Joint Committee complies with its governance arrangements in all material respects. Future actions arising from the review of governance arrangements will be taken as necessary to ensure the sustainability of Park operations.

Councillor Audrey Doig

Chair

4 September 2020

Alan Russell CPFA

Treasurer

4 September 2020

Remuneration report

All information disclosed in the tables 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.

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.

Remuneration policy for senior employees

The Interim Park Co-ordinator started on 10 December 2018 and works 0.6FTE (full-time equivalent).

There are no Park Authority employees remunerated at Chief Officer salary scales.

The following table shows the relevant amounts, before tax and other deductions, paid to each of the persons named for the year to 31 March 2020, whether or not those amounts were actually paid to, or received by, those persons within that period.

2018/19 (restated) Total Salary, fees and allowances £	Name	Post Held	2019/20 Total Salary, fees and allowances £
7,531	Fiona Carswell	Interim Park Co-ordinator	25,916
7,531	Total		25,916

Pension rights

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

From 1 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.

Tiered contribution rates on whole time pay 2019/20		Equivalent bandings for 2018/19
Up to £21,800	5.5%	Up to £21,300
£21,801 to £26,700	7.25%	£21,300 to £26,100
£26,701 to £36,600	8.5%	£26,100 to £35,700
£36,601 to £48,800	9.5%	£35,700 to £47,600
Over £48,801	12%	Over £47,601

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

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

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

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

Name	Post Held	Accrued Pension Benefits				Pension Contributions made by Joint Committee	
		As at 31 March 2020		Change from 31 March 2019		2019/20	2018/19
		Pension	Lump Sum	Pension	Lump Sum		
		£000	£000	£000	£000	£	£
Fiona Carswell	Interim Park Co-ordinator	10	12	1	1	4,625	4,335

Remuneration of Employees

In terms of the regulations, the Joint Committee is obliged to provide a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2019/20, in bands of £5,000. There were no employees whose salary exceeded £50,000 during 2019/20.

The total projected costs of these six exit packages is £73,000 and each package is less than £20,000. This includes redundancy, pension strain, any compensatory lump sum payments and also the notional capitalised costs of compensatory added years. These notional costs are not based on actual costs, but are the estimated present value of projected costs over the lifetime of the individuals in receipt of the exit package, based on the following assumptions:

Exit Packages

Clyde Muirshiel Park Authority agreed six exit packages in 2019/20. They were all agreed on a voluntary basis, with no compulsory redundancies.

	2019/20
Future Life Expectancy age 65 (male) in years	22.2
Future Life Expectancy age 65 (female) in years	24.6
Pension Increase Rate	1.9%
Discount Rate	2.3%

Councillor Audrey Doig

Convenor

4 September 2020

Alan Russell CPFA

Treasurer

4 September 2020

Independent Auditor's Report to the members of Clyde Muirshiel Park Authority Joint Committee and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

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

In my opinion the accompanying financial statements:

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

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Treasurer and the Joint Committee for the financial statements

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

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

The Joint Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Mark Ferris
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT
September 2020

Comprehensive Income and Expenditure Statement

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

2018/19 (restated)				Note	2019/20		
Gross Expenditure £	Gross Income £	Net Expenditure £			Gross Expenditure £	Gross Income £	Net Expenditure £
885,864	0	885,864	Employee Costs		718,355	0	718,355
34,210	0	34,210	Premises Related		44,610	0	44,610
184,841	0	184,841	Supplies and Services		159,533	0	159,533
35,176	0	35,176	Transport Costs		32,586	0	32,586
40,443	0	40,443	Support Services		40,994	0	40,994
3,740	0	3,740	Transfer Payments		2,313	0	2,313
0	(338,515)	(338,515)	Sales, Fees & Charges		0	(293,958)	(293,958)
0	(103,527)	(103,527)	Other Income		0	(122,778)	(122,778)
1,184,274	(442,042)	742,232	Cost of Services		998,391	(416,736)	581,655
			Financing and Investment Income and Expenditure				
0	(2,949)	(2,949)	Interest receivable		0	(2,949)	(2,949)
7,000	0	7,000	Pension interest cost		16,000	0	16,000
			Taxation and Non-Specific Grant Income				
0	(576,500)	(576,500)	Requisitions from Member Authorities	14	0	(546,500)	(546,500)
1,191,274	(1,021,491)	169,783	(Surplus) or deficit on the provision of services		1,014,391	(966,185)	48,206
			Other Comprehensive Income & Expenditure				
		260,000	Actuarial (Gains) or losses on pension assets and liabilities	15a			(462,000)
		429,783	Total Comprehensive Income & Expenditure				(413,794)

Note that 2018/19 figures have been restated to analyse costs into recommended subjective categories, in line with 2019/20. There is no change to the overall Cost of Services or the Deficit on the Provision of Services.

Movement in Reserves Statement

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

Movement in reserves during the year	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2019		(97,845)	608,427	510,582
Total Comprehensive Income and Expenditure		48,206	(462,000)	(413,794)
Adjustments between accounting basis and funding basis under regulations	6	(73,475)	73,475	0
(Increase) or decrease in year		(25,269)	(388,525)	(413,794)
Balance at 31 March 2020 carried forward		(123,114)	219,902	96,788

Comparative movements in 2018/19	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2018		(100,121)	180,920	80,799
Total Comprehensive Income and Expenditure		169,783	260,000	429,783
Adjustments between accounting basis and funding basis under regulations	6	(167,507)	167,507	0
(Increase) or decrease in year		2,276	427,507	429,783
Balance at 31 March 2019 carried forward		(97,845)	608,427	510,582

Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Joint Committee. The net liability of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

As at 31 March 2019 £		Note	As at 31 March 2020 £
0	Plant and Equipment		9,995
0	Long-term Assets		9,995
357,409	Funds held by Renfrewshire Council		286,319
1,788	Debtors and Prepayments	11	9,254
7,017	Inventories	10	6,977
1,700	Cash in Hand		1,700
367,914	Current Assets		304,250
(285,496)	Creditors And Accruals	12	(187,533)
(285,496)	Current Liabilities		(187,533)
(593,000)	Pension (Liability)/Asset	15c	(223,500)
(593,000)	Long Term Liabilities		(223,500)
(510,582)	Net Liabilities		(96,788)
(97,845)	Usable Reserves		(123,114)
608,427	Unusable Reserves		219,902
510,582	Total Reserves		96,788

The unaudited accounts were issued on 19 June 2020 and the audited accounts were authorised for issue on 4 September 2020.

Alan Russell CPFA

Treasurer

4 September 2020

Note 1: Expenditure Funding Analysis

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

2019/20	Net Expenditure chargeable to the Joint Committee £	Adjustments for pensions £	Adjustments for capital £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	650,885	76,500		(9,030)	718,355
Premises Related	44,610				44,610
Supplies and Services	169,528		(9,995)		159,533
Transport Costs	32,586				32,586
Support Services	40,994				40,994
Transfer Payments	2,313				2,313
Other income	(419,685)			2,949	(416,736)
Cost of Services	521,231	76,500	(9,995)	(6,081)	581,655
Other income and expenditure	(546,500)	16,000		(2,949)	(533,449)
(Surplus) or deficit on the provision of services	(25,269)	92,500	(9,995)	(9,030)	48,206

2018/19	Net Expenditure chargeable to the Joint Committee £	Adjustments for pensions £	Adjustments for capital £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	725,357	164,000		(3,493)	885,864
Premises Related	34,210				34,210
Supplies and Services	184,841				184,841
Transport Costs	35,176				35,176
Support Services	40,443				40,443
Transfer Payments	3,740				3,740
Other income	(444,991)			2,949	(442,042)
Cost of Services	578,776	164,000	0	(544)	742,232
Other income and expenditure	(576,500)	7,000		(2,949)	(572,449)
(Surplus) or deficit on the provision of services	2,276	171,000	0	(3,493)	169,783

Note 2: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards are adopted within the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle;
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20

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

Note 3: Assumptions made about the future

The annual accounts 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £541,000. However, the assumptions interact in complex ways. During 2019/20, the appointed actuaries advised that the net pension liability had decreased by £337,000 attributable to updating of the financial assumptions.

Note 4: 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In August 2020, information relating to a change in the estimated pension liability was provided by the appointed actuary to the Strathclyde Pension Fund, linked to the McCloud/Sargeant case noted in last year's accounts, whereby

transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age were argued to be unlawful on the grounds of age discrimination. This new information gives rise to an adjusting event, as the impact has a material effect on the balance sheet as at 31 March 2020. As noted in Note 15: Retirement Benefits, the Pension liability has been adjusted by £32,500 on the basis of this new information.

Note 5: Details of Movement in Unusable Reserves

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds.

The 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.

2018/19 £	Pension Reserve	2019/20 £
(162,000)	Balance as at 1 April	(593,000)
(260,000)	Actuarial Gains and (Losses) (see note 16)	462,000
(171,000)	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	(92,500)
(593,000)	Balance as at 31 March	(223,500)

Employee Statutory Adjustment Account

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 or time in lieu 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 revenue balances is neutralised by transfers to or from the Employee Statutory Adjustment Account.

2018/19 £	Employee Statutory Adjustment Account	2019/20 £
(18,920)	Balance as at 1 April	(15,427)
18,920	Reversal of prior year accrual for short-term accumulating compensated absences	15,427
(15,427)	Recognition of the accrual for short-term accumulating compensating absences at 31 March	(6,397)
(15,427)	Balance as at 31 March	(6,397)

Capital Adjustment Account

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

2018/19 £	Capital Adjustment Account	2019/20 £
0	Opening balance	0
0	Capital expenditure charged against Revenue balances	9,995
0	Closing balance	9,995

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserves was £105,975 more than the Comprehensive Income and Expenditure Statement result, which was a deficit on the Provision of Services. 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.

2019/20	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Capital expenditure charged against Revenue balances	9,995	(9,995)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(178,500)	178,500
Employers contributions payable to the Strathclyde Pension Fund	86,000	(86,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	9,030	(9,030)
Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(73,475)	73,475

2018/19	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(270,000)	270,000
Employers contributions payable to the Strathclyde Pension Fund	99,000	(99,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	3,493	(3,493)
Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(167,507)	167,507

Note 7: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it.

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the Committee that has yet to be financed.

2018/19 £		2019/20 £
0	Opening CFR	0
	Capital investment	
0	Plant and Equipment	9,995
	Sources of finance	
0	Direct revenue contributions	(9,995)
0	Closing CFR	0

Note 8: Plant and Equipment

2018/19 £		2019/20 £
	Cost or Valuation	
0	Opening balance at 1 April	0
0	Additions - Vehicles, plant, furniture and equipment	9,995
0	Gross Book Value at 31 March	9,995
0	Closing Net Book Value	9,995

Note 9: Operating Leases

Clyde Muirshiel Park entered into an operating lease for the hire of vehicles for the period December 2017 to December 2020. Expenditure charged in year to the CIES was £19,871 (2018/19 £22,200).

2018/19 £	Future Minimum Lease Payments	2019/20 £
20,127	Not later than one year	14,338
14,338	Between one and five years	0
34,465	Total	14,338

Note 10: Inventories

2018/19 £		2019/20 £
8,061	Carrying amount at 1 April	7,017
65,329	Additions during the year	61,439
(64,546)	Recognised as an expense during the year : inventories sold, exchanged or distributed	(59,885)
(1,827)	Recognised as an expense during the year : inventories written down	(1,594)
7,017	Total	6,977

Note 11: Debtors and Prepayments

As at 31 March 2019 £		As at 31 March 2020 £
0	Prepayments	3,372
1,788	Other receivable amounts	5,882
1,788	Total	9,254

Note 12: Creditors

2018/19 £		2019/20 £
100,923	Project Creditors	68,951
92,735	Deferred Income	46,756
57,105	Accrued Payrolls	36,771
19,307	Trade Payables	28,659
15,427	Short-term Accumulating Absences	6,397
285,496	Total	187,533

Note 13: External audit costs

2018/19 £		2019/20 £
1,804	Fees payable with regard to external audit services carried out by the appointed auditor	1,837
1,804	Total	1,837

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 intended to balance the pensions liability with investment assets.

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. Disclosure of this information allows readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee. The member authorities of the Joint Committee have contributed requisitions in the following proportions to enable the Joint Committee to carry out its objectives.

2018/19 £	Council	Percentage	2019/20 £
380,700	Renfrewshire	65.82%	359,700
154,700	Inverclyde	26.66%	145,700
41,100	North Ayrshire	7.52%	41,100
576,500	Total	100.00%	546,500

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 2020 was £34,600 (2018/19 £34,600).

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 salary scheme meaning that the Joint Committee and its employees pay contributions into a fund, calculated at a level

15a: Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension

contributions payable by the Joint Committee in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions.

The following transactions have been made in the accounting statements in 2019/20:

2018/19 £		2019/20 £
	Comprehensive Income & Expenditure Statement	
198,000	Current service cost	195,000
65,000	Past service cost (including curtailments)	(32,500)
263,000		162,500
	Financing & Investment Income & Expenditure	
7,000	Net Interest	16,000
270,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	178,500
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement	
(173,000)	Return on assets excluding amounts included in net interest	374,000
433,000	Actuarial (gains) and losses arising on changes in financial assumptions	(836,000)
260,000	Total Actuarial (gains) and losses	(462,000)
530,000	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(283,500)
	Movement in Reserves Statement	
431,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(337,000)
99,000	Employers Contributions paid to Strathclyde Pension Fund	86,000

Notes

- Current service cost is the cost of future entitlements to pension payments to current employees.
- Past service cost is the estimated increase in liabilities arising from current decisions that relates to years of service earned prior to this year. The 2018/19 figures included an estimate for the impact of potential removal of transitional arrangements (McCloud judgement) amounting to £65,000. An adjustment of £32,500 is reflected in 2019/20, following information from the appointed actuary about the estimated effect on the pension liability of the UK Government's proposed remedy scheme for pensioners affected by this judgement.
- Curtailments are the pension costs to employees retired under redundancy terms.

- The net 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.
- 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 (£337,000).
- The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2019/20 these amounted to £9,781 (2018/19 £8,513).

15b: Assets and liabilities in relation to retirement benefits

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

2018/19 £		2019/20 £
5,488,000	Opening present value	6,230,000
198,000	Current service cost	195,000
65,000	Past service cost	(32,500)
151,000	Interest Cost	151,000
29,000	Employee Contributions	28,000
0	Remeasurement (gains)/losses:	0
433,000	Actuarial losses/(gains) arising from changes in financial assumptions	(836,000)
(134,000)	Benefits Paid	(143,000)
6,230,000	Balance as at 31 March	5,592,500

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

2018/19 £		2019/20 £
5,326,000	Opening Fair Value	5,637,000
144,000	Interest Income	135,000
	Remeasurement gain/(loss):	
173,000	Return on assets excluding amounts included in net interest	(374,000)
99,000	Contributions from employer	86,000
29,000	Contributions from employees	28,000
(134,000)	Benefits Paid	(143,000)
5,637,000	Closing fair value of scheme assets	5,369,000

15c: Fund history

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Present Value of Liabilities	(5,064)	(6,650)	(5,488)	(6,230)	(5,593)
Fair value of assets	4,449	5,558	5,326	5,637	5,369
Surplus/(deficit) in the scheme	(615)	(1,092)	(162)	(593)	(224)

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy. The net liability position of £223,500 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 2017. The principal assumptions used by the actuary have been:

2018/19	Mortality assumptions	2019/20
Longevity at 65 for current pensioners (years)		
21.4	Men	20.7
23.7	Women	22.9
Longevity at 65 for Future pensioners (years)		
23.4	Men	22.2
25.8	Women	24.6
Other assumptions		
3.7%	Rate of increase in salaries	3.0%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
Take-up of option to convert annual pension into retirement lump sum:		
50.0%	Pre-April 2009 service	50.0%
75.0%	Post-April 2009 service	75.0%

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

2018/19 £000		%	2019/20 £000
1,303	Equity instruments	23.1%	1,242
177	Debt instruments	3.1%	169
674	Private Equity	12.0%	642
510	Real Estate	9.1%	486
2,403	Investment Funds and	42.6%	2,288
570	Cash and Cash	10.1%	543
5,637	Total	100.0%	5,369

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 2019/20 and 2020/21.

The total contributions expected to be made by the Joint Committee to Strathclyde Pension Fund in the year to 31 March 2021 is £0.086m.

Note 16: Contingent Liabilities and Assets

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

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

Strathclyde Pension Fund's actuary has carried out calculations and estimates that the potential impact of GMP indexation would be an increase in the pension liability of approximately £25,000 for Clyde Muirshiel Park. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

Note 17: Critical Judgements in Applying Accounting Policies

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

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

Leases

The land and properties the Park Authority manages are owned by the respective councils across whose boundaries the Park Authority crosses. No payment is made to the councils for the use of these land and property assets and there is no lease agreement in place, therefore in terms of applying the adopted accounting policies it has been assumed no lease arrangement is in place.

Note 18: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the Joint Committee's transactions for the 2019/20 financial year and its financial position as at 31 March 2020. The Joint Committee is required to prepare Annual Accounts by the Local Authority (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires these accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

B Accruals of Expenditure and Income

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

- revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- revenue from the provision of services is recognised when the authority satisfies the performance obligation of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Suppliers invoices paid in the first week 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.

C Contingent Assets and Liabilities

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

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

D Employee Benefits

Benefits payable during employment

All salaries and wages earned up to the Balance Sheet date are included in the accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned 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 payment will be many years into the future.

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

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

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

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

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

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

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

- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

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

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

E Events after the Balance Sheet date

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

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

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

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Committee's financial position or financial performance. Where a change is made, it is

applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

G Government Grants and other Contributions

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

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

Amounts recognised as due to the Joint Committee are not credited to the Comprehensive Income and Expenditure Statement 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. When conditions are satisfied, the grant or contribution is credited to the Specific Grant Income line in the CIES.

H Inventories

Inventories are held at the lower of cost and net realisable value (NRV).

I 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. 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.

J Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Impairment

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

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

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the CIES, also as part of the gain or loss on disposal.

(i.e. netted off against the carrying value of the asset at the time of disposal).

Depreciation

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

K Intangible Assets

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

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

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

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

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

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

L Reserves

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

Usable Reserves

The Revenue Reserve represents surplus funds held by the Joint Committee, which are ultimately repayable to the member authorities.

Unusable Reserves

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

M Value Added Tax (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.