



Scotland Excel

2023/24 Annual Audit Report to the Executive Sub-Committee and the Controller of Audit

September 2024



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Key messages

This report concludes our audit of Scotland Excel for the year ended 31 March 2024. This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinion	The annual accounts were approved by Scotland Excel on 20 September 2024. Our work is substantially complete. We are awaiting supporting documentation in relation to exit packages. We report unqualified opinions within our independent auditor's report.
Key audit findings	Scotland Excel had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan. The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Audit adjustments	Scotland Excel updated the financial statements for all the potential audit adjustments identified during the audit process. We identified one non-material misstatement in relation to rebates income accruals estimation. We also identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.

Accounting systems and internal controls

We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess Scotland Excel's processes and internal controls relating to the financial reporting process.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. We consider the control environment within Scotland Excel to be satisfactory.

Wider scope and Best Value audit

Auditor judgement



Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether Scotland Excel is planning effectively to continue to deliver its services.

Scotland Excel's approved revenue budget for 2024/25 and indicative budget provides estimates for the subsequent two years to 2026/27 and shows a projected surplus financial position for the full three years, without the need to utilise uncommitted reserves.

Requisition income has been assumed at the same level as in previous years for 2024/25 and 2025/26, then increasing by 2% in the third year of the forecast. Estimated non-requisition income for those three years increases significantly over that period by 18% due to expected increases from rebates income.

Due to a reduction in employer pension contributions over the next two years, Scotland Excel will generate significant increase in reserves which are expected to grow to £1.147 million by 2026/27. This represents 19% of annual expenditure and will allow Scotland Excel to remain financially sustainable over the medium term.

Work is ongoing to develop business plans that will further increase non-requisition income, thereby reducing future reliance on requisitions and the use of reserves.

Annual Governance Statement

We are content that the Annual Governance statement reflects the position within Scotland Excel and overall, we found the organisation to have appropriate governance arrangements. Our audit has not identified any issues or non-compliance from the work performed on the Annual Governance Statement.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope and best value areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual audit comprises the audit of the financial statements and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Executive Sub-Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

Scotland Excel is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.



Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

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

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual report.	The draft financial statements, management commentary, remuneration report and annual governance statement were considered by the Joint Committee and approved on 21 June 2024. We have issued an unqualified audit opinion. We have not identified any misstatements in the accounts. We received the draft annual accounts and supporting papers in line with our audit timetable and those draft accounts were of good quality. Further information and revisions were provided promptly where required. Our thanks go to the Finance team for their assistance with our work.

Opinion	Basis for opinion	Conclusions
Going concern basis of accounting	In the public sector, when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body. We assess whether there are plans to discontinue Scotland Excel's functions. Our wider scope audit work considers the financial sustainability of Scotland Excel.	Our understanding of the legislative framework and activities undertaken by Scotland Excel provides us with sufficient assurance that the services provided by Scotland Excel will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.
Opinions prescribed by the Accounts Commission: • Management Commentary • Corporate Governance Statement • Remuneration Report	We plan and perform audit procedures to gain assurance that the management commentary, corporate governance statement and the audited part of the remuneration report are prepared in accordance with: • statutory guidance issued under the Local Government in Scotland Act 2003 (management Commentary); • the Delivering Good Governance in Local Government: Framework (corporate governance statement); and • The Local Authority Accounts (Scotland)	We have concluded that: • the information given in the management commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance. • the information given in the corporate governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Opinion	Basis for opinion	Conclusions
	Regulations 2014 (remuneration report)	
Matters reported by exception	We are required to report on whether: - 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 - we have not received all the information and explanations we require for our audit.	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Executive Sub-Committee in March 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to Scotland Excel. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

We carried out a further review of our risk assessment following receipt of the unaudited annual report and accounts. Our risk assessment has been updated for the following changes:

- Risk of fraud in revenue was narrowed to the occurrence of the expenditure.
- Risk of fraud in non-pay expenditure and accruals was narrowed to the completeness of expenditure.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts, and not to express an opinion on individual accounts or disclosures.

Our anticipated opinion on the annual accounts is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Very High
How the scope of our audit responded	Key judgement

Risk area	Management override of controls
to the significant risk	There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions. Audit procedures • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and appropriate approval in line with Scotland Excel's journals policy. • Gaining an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Key observations	We have not identified any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
Significant risk description	Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed inherent risk on every audit unless it can be rebutted. The presumption is that Scotland Excel could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, in respect of requisitions received from the member authorities, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate revenue of this nature. The risk of fraud in relation to revenue recognition is present in all other income streams. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Revenue (occurrence): High
How the scope of our audit responded to the significant risk	Key judgements Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. Audit procedures • Evaluating the significant income streams and reviewing the controls in place over accounting for revenue. • Considering key areas of income and obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.

Key risk area	Fraud in revenue recognition
	Testing a sample of income items to confirm it is supported by appropriate documentation.
Key observations	We have not identified any misstatements in our testing of income, but we have raised a recommendation to consider consistency of methodology used when calculating rebates income. This is included in Appendix 3. We have gained reasonable assurance on the occurrence of income, and we are satisfied that it is fairly stated in the financial statements.

Key risk area	Fraud in non-pay expenditure
Significant risk description	As most public sector bodies are net expenditure bodies, the risk of fraud is also present in relation to expenditure. There is a risk that expenditure may be materially misstated in the financial statements. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: - Non-pay expenditure (completeness): High - Accruals (completeness): High
How the scope of our audit responded to the significant risk	Key judgements Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end. Audit procedures - Evaluating the significant non-pay expenditure streams and the design of the key controls in place over accounting for expenditure. - Considering key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.

Key risk area	Fraud in non-pay expenditure
	Testing expenditure, including accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
Key observations	We have gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Key risk area	Valuation of defined benefit pension asset (key accounting estimate)
Significant risk description	An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate. Inherent risk of material misstatement: Defined benefit pension asset (valuation): High
How the scope of our audit responded to the significant risk	Key judgements A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability. Audit procedures - Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to their actuarial experts and the scope of their work. - Evaluating the competence, capabilities and objectivity of management's actuarial expert.

Key risk area	Valuation of defined benefit pension asset (key accounting estimate)
	• Considering the basis on which the valuation was carried out and challenging the key assumptions applied. • Evaluating the information provided to the actuary for the purposes of their calculation of the IAS 19 estimate to ensure it was complete and consistent with our understanding. • Ensuring pension valuation movements made during the year were input correctly into the general ledger and financial statements and that the accounting treatment applied was in line with the financial reporting framework.
Key observations	We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary. No issues were identified with the recognition of the pension asset and subsequent application of the pension asset ceiling.

Estimates and judgements

We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.

As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those were key to the overall financial statements. Consideration was given to pension assumptions, income and expenditure accruals, depreciation, amortisation and leases. Other than pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

Estimates and judgements

Pensions Assumptions

Auditor judgement: Balanced

An actuarial estimate of the pension fund asset is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

We reviewed the reasonableness of the assumptions and source data used in the calculation and the information in the actuarial report for completeness and accuracy against the published pension fund data. Our work included a meeting with the actuary to discuss, scrutinise and review the pensions assumption relevant to Scotland Excel. Our findings and conclusions are included in the significant risk table above.

Scotland Excel has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty. Scotland Excel has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of Scotland Excel and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Executive Sub-Committee and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality was £164,000. On receipt of the unaudited financial statements, we reassessed materiality and have decreased this to £157,000 in proportion to the decrease in Gross Expenditure for 2023/24 financial year. We consider that our updated assessment has remained appropriate throughout our audit.

	Materiality £
Overall materiality for the financial statements (100%)	157,000
Performance materiality (75%)	117,500
Trivial threshold (5%)	7,850

Materiality	Our assessment is made with reference to Scotland Excel's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance of Scotland Excel. Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2023/24 unaudited annual accounts. In performing our audit, we apply a lower level of materiality to the Remuneration Report. Our materiality was set at £5k. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our materiality levels set. We perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceeds overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Audit differences

We have not identified any misstatements in the financial statements.

We identified no presentational adjustments during our audit.

Internal controls

As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Executive Sub-Committee. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit. However, we identified that the calculation of income rebates is done inconsistently between different projects/frameworks and we raised a recommendation on that in Appendix 3

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

Other communications

Accounting policies, presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by Scotland Excel.

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA LASAAC Code of Practice and are considered appropriate. The accounting policies used in preparing the financial statements are unchanged from the previous year.

There are no significant financial statements disclosures that we consider should be brought to the attention of Scotland Excel. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Executive Sub-Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting Scotland Excel. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We requested written representations from management, and these have been shared with the Executive Sub-Committee alongside this report, and are due to be approved and signed alongside the financial statements upon completion.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Wider Scope

Financial sustainability

Financial Sustainability Financial sustainability looks forward to the medium and longer term to consider whether Scotland Excel is planning effectively to continue to deliver its services.	Auditor judgement Scotland Excel’s approved revenue budget for 2024/25 and indicative budget provides estimates for the subsequent two years to 2026/27 and shows a projected surplus financial position for the full three years, without the need to utilise uncommitted reserves. Requisition income has been assumed at the same level as in previous years for 2024/25 and 2025/26, then increasing by 2% in the third year of the forecast. Estimated non-requisition income for those three years increases significantly over that period by 18% due to expected increases from rebates income. Due to a reduction in employer pensions contributions over the next two years, Scotland Excel will generate significant increase in reserves which are expected to grow to £1.147 million by 2026/27. This represents 19% of annual expenditure and will allow Scotland Excel to remain financially sustainable over the medium term. Work is ongoing to develop business plans that will further increase non-requisition income, thereby reducing future reliance on requisitions and the use of reserves.
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Financial sustainability

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Extract from External Audit Plan - Financial sustainability

In December 2023 the Joint Committee approved its revenue budget for 2024/25 and noted indicative budget estimates for the subsequent two years to 2026/27.

Scotland Excel achieved an operating surplus of £0.080 million for core activities at the end of 2023/24 and uncommitted reserves level of £0.324 million. This level of reserves represents 6% of estimated operating income and is above the minimum level of 5% required for unforeseen cost.

The main cost driver is staff expenditure which is budgeted to increase over the period of the estimate by 3% each year and represents c.83% of total core activity cost. This cost is more variable for Projects, where staffing levels scale according to the level of project activity each year.

Local authorities' requisitions for 2024/25 have been maintained at 2023/24 levels with no increase proposed. Whilst indicative budget figures show no increase for 2025/26 an increase from 2026/27 has been anticipated but is yet to be approved. These budget figures would result in an operating surplus totalling £992k for the three-year period, increasing the uncommitted reserves to £1,147k at the end of 2026/27 (or 18.8% of the operating income). There is a level of uncertainty in the above estimates due to:

- Indirect dependence on the Scottish Government annual allocation of funding to local authorities who in turn fund Scotland Excel activities through their requisitions. The funding levels from the Scottish Government beyond 2024/25 are uncertain and impacted by wider economic factors in Scotland.
- Unpredictability of the projects and rebates income; although Scotland Excel assumes that non-requisition income will represent over 30% of the total income in each of the three years of the financial forecast;
- Scotland Excel faces cost pressures, particularly in its staff cost which make up 83% of its core activities expenditure. Although it is noted that based on advice from Strathclyde Pension Fund, employer contributions has fallen to 6.5% in the next two years and 17.5% in 2026/27.

Scotland Excel's medium to longer term financial planning is therefore challenging due to the wider economic environment and local government funding uncertainties. Reductions in pensions contributions provide short term solution and will help to increase the reserves position. However, work is ongoing to develop

Extract from External Audit Plan - Financial sustainability

business plans that will further increase non-requisition income, thereby reducing reliance on requisition and the use of reserves.

Our detailed findings on the Scotland Excel's financial sustainability arrangements are set out below.

2023/24 revenue budget

The Comprehensive Income and Expenditure Statement for 2023/24 shows that Scotland Excel spent £7.888 million on the delivery of services, resulting in an accounting surplus of £0.689 million.

The accounting surplus includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2023/24 Code), and which are subsequently adjusted to show their impact on reserves.

Taking account of these adjustments, Scotland Excel reported a surplus of £0.709 million increasing general fund reserves to £2.674 million.

At the outset (December 2022) the Joint Committee approved a balanced revenue budget. As at 31 March 2024 (financial year-end), net income for Core activities was £0.080 million, and with Projects taken into account the position changes to £0.710 million net income.

Medium term financial plan

Scotland Excel's approved revenue budget for 2024/25 and indicative budget estimates for the subsequent two years (to 2026/27) with expected surplus positions for all three years. This would result in increasing the reserves over that period to £1.147 million.

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Core Operating Costs	5,125	5,489	6,098
Core Operating Income	5,585	5,948	6,171
Net Expenditure	(460)	(459)	(73)
Uncommitted Reserves			

Opening balance at 1 April	155	615	1,074
Contribution to reserves	460	459	73
Closing balance at 31 March	615	1,074	1,147
% of Operating Income	12%	20%	19%

Key assumptions in the 2024/25 budget and indicative financial plans include:

- 3% in relation to a pay award for 2024/25 and subsequent two years; figures for those two years are estimates only and uncertain due to economic circumstances;
- no standard inflationary adjustment has been made to non-salary expenditure lines;
- Council Requisitions for 2024/25 have been maintained at current levels with no increase proposed;
- income from New Build Housing £0.050 million, Consultancy £0.218 million and the Scotland Excel Academy £0.030 million will contribute £0.298 million to core operating costs;
- income from rebates for 2024/25 is expected to be at £1.048 million.

Following the latest triennial valuation Strathclyde Pension Fund has decreased employer contributions significantly to 6.5% for the next two years and to 17.5% in 2026/27. As these are currently at 19.3% this will provide significant short term savings to Scotland Excel allowing to achieve surpluses in the next two financial years.

Scotland Excel's financial plans are subject to ongoing review and development. The application of savings from the pension contributions will help to achieve surpluses.

Annual Governance Statement

Our review of the Annual Governance Statement assessed the assurances which are provided to Scotland Excel and management regarding the adequacy and effectiveness of the system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's assurance statement concluding a reasonable level of assurance can be placed upon the adequacy and effectiveness of Scotland Excel's internal control system.



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.



Appendices



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Appendix 1: Responsibilities of Scotland Excel and the Auditor

Responsibilities of Scotland Excel

Scotland Excel is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Treasurer has been designated as that officer. The Treasurer is responsible for the preparation of Scotland Excel's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	Scotland Excel's responsibilities
Corporate governance	Scotland Excel is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	Scotland Excel has responsibility for: • preparing financial statements which give a true and fair view of the financial position of Scotland Excel and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and also address the longer-term financial sustainability of Scotland Excel. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about Scotland Excel and its financial performance, including providing adequate disclosures in accordance with the applicable

Area	Scotland Excel's responsibilities
	financial reporting framework. The relevant information should be communicated clearly and concisely. Scotland Excel is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. Scotland Excel is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	Scotland Excel is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.
Financial position	Scotland Excel is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best Value	Scotland Excel has a specific responsibility to ensure that arrangements have been made to secure best value. It is responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

We have concluded that Scotland Excel is a less complex public body for 2023/24.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to Scotland Excel and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

However, for less complex bodies the wider scope and best value work is limited to:

- a review of the Annual Governance Statement; and
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and; for local government bodies, reporting on the arrangements for securing Best Value.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of Scotland Excel's best value arrangements has been integrated into our audit approach, including our work on the wider scope areas as set out within this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

Independence

The Ethical Standards and ISA (UK) 260 require us to give Scotland Excel and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we have no matters to bring to the Executive Sub-Committee's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been

properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

Audit and non-audit services

The total fees charged to the entity for the provision of services in 2023/24 were as follows.

	Current year	Prior year
Auditor remuneration	£24,750	£24,630
Pooled costs	£820	-
Audit support costs	-	£800
Sectoral cap adjustment	(£15,780)	(£14,920)
Total audit fee	£9,790	£10,510

The FRC's Ethical Standard stipulates that where an auditor undertakes non-audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have not provided any non-audit services to Scotland Excel.

Appendix 2: Audit differences identified during the audit

We are required to inform the Executive Sub-Committee of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. The non-trivial misstatement discovered during the course of our audit which have been adjusted for by management are summarised in the table below.

Adjusted and unadjusted misstatements

We identified no adjusted or unadjusted misstatements during our audit.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by Scotland Excel.

We have not identified any presentational issues in the accounts.

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements reported in the prior year audit.

Appendix 3: Current year recommendations

We have identified the following recommendations during the current year audit.

Recommendations raised in 2023/24

Rebates income

Finding: One of Scotland Excel's income streams is from rebates relating to different procurement frameworks in place. During our sample testing of those rebates, we identified that there is lack of consistency on how they are calculated at year end. Some use the previous years' quarter as a starting point, others use current year data. There is also little evidence these calculations are compared to the actuals after year end to assess the methodology effectiveness.

Risk: Lack of consistency in methodology applied can lead to misstatements in the accounts.

Recommendation: We recommend a consistent application of methodology when arriving at rebates income.

Management response

Response: The methodology for estimating rebate income at year-end will be reviewed for consistency across all account managers in advance of year end and a guidance document will be drafted which clearly lays out full Rebates calculation and collection processes going forward.

Responsible officer: Hugh Carr, Director of Strategic Procurement and Commissioning

Target date: 31 March 2025

Appendix 4: Follow up of prior year recommendations

We have followed up on the progress Scotland Excel has made in implementing the recommendations raised by the previous auditor last year which were reported as either new or ongoing.

We noted in the prior year that these were fully resolved.

Recommendations raised in 2021/22	
	There was one audit finding in relation to related parties. Scotland Excel’s related parties note was reviewed against the requirements of IAS 24 and Audit Scotland’s Good Practice Note. Scotland Excel’s process for identifying related parties could be further improved by management by:
Related Parties	• conducting a review of the register of interest of each Joint Committee member against a year-end transaction listing to identify any related party disclosures; • consideration of the interests of close persons or family members of those related to Scotland Excel in the identification of related parties; and • adding a link in the note to signpost to Joint Committee members Register of Interests.
Ongoing	Our work in this area is ongoing however, we note that Scotland Excel have updated the disclosure considerably following this recommendation.



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Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Dear Sirs

Scotland Excel

Financial Statements for the year ended 31 March 2024

Letter of Representation (ISA 580)

This representation letter is provided for the purpose of expressing an opinion as to whether Scotland Excel's financial statements present a true and fair view, in all material respects, in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Scotland Excel's Chief Executive and the Executive Sub-Committee, the following representations given to you in connection with your audit of Scotland Excel's annual accounts for the year ended 31 March 2024.

Financial Statements

- i. Scotland Excel and I have fulfilled our responsibilities for the preparation of Scotland Excel's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.
- ii. I have complied with the requirements of all statutory directions affecting Scotland and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The financial statements are free of material misstatements, including omissions.
- iv. Scotland Excel has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.



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There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- v. I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.
- vi. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vii. Scotland Excel has satisfactory title to all assets disclosed in the accounts. I have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2024 reflected in the financial statements.
- viii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of Scotland Excel has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- x. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.
- xii. I confirm my estimation of the holiday pay accrual is materially accurate and complete within the financial statements.
- xiii. I have assessed Scotland Excel's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of



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any material uncertainties that may cast significant doubt on Scotland Excel's ability to continue as a going concern.

Information Provided

- xv. I have provided you with:
 - a. access to all information of which I am aware that is relevant to the preparation of the Scotland Excel's financial statements such as accounting records, and all other records requested;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within Scotland Excel (via remote arrangements where necessary), from whom you determined it necessary to obtain audit evidence.
- xvi. I have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions undertaken by Scotland Excel have been recorded in the accounting records and are properly reflected in the financial statements.
- xviii. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects Scotland Excel and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. 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.
- xxii. I have disclosed to you the identity of Scotland Excel's related parties and all the related party relationships and transactions of which I am aware.
- xxiii. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.



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- xxiv. I acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each Member has taken all the steps that they ought to have taken as a Member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Annual Governance Statement

- xxv. I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Scotland Excel's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the AGS.

Management Commentary

- xxvi. The disclosures within the Management Commentary fairly reflect my understanding of Scotland Excel's financial and operating performance over the period covered by the financial statements.

Remuneration Report

- xxvii. I am satisfied that the disclosures within the Remuneration report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Approval

The approval of this letter of representation was minuted by Scotland Excel at its meeting on 20 September 2024.

Yours faithfully

Alastair MacArthur

Treasurer



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Audited Annual Accounts
2023/24

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Management Commentary

The purpose of the Management Commentary is to present an overview of Scotland Excel's financial performance during the year 2023/24 and to help readers understand its financial position at 31 March 2024. In addition, it outlines the main risks and uncertainties facing the organisation for the financial year 2024/25 and beyond.

Structure

Scotland Excel is a Joint Committee constituted by Scottish local authorities and formed under Section 57 of the Local Government (Scotland) Act, 1973 for the purpose of regulating the joint discharge of the functions by the Constituent Authorities. Scotland Excel is governed by three groups of stakeholders drawn from our member organisations:

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

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

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

Internally, the organisation has Executive and Senior Management Teams that run the day-to-day business of Scotland Excel. There is also an Employee Forum that facilitates employee engagement, as well as leading the organisational Health and Well-being programme and organising charity and social events.

Strategic Aims

The Scotland Excel Corporate Strategy 2023-2028, approved by the Joint Committee in December 2022, sets out how we plan to raise our game further over the coming years, providing even greater support to councils and other public and third sector stakeholders.

The Strategy looks forward over a period of five years to support a longer-term view of our goals and objectives and enable us to plan accordingly.

The Strategy can be found at the following link:

<https://home.scotland-excel.org.uk/media/uvm2flx/corporate-strategy-2023-28-final.pdf>



The current Scotland Excel Strategy Map identified within the 2023-28 Corporate Strategy is detailed below.

Vision

To provide collaborative, innovative and transformative solutions that support social, economic and environmental wellbeing.

Mission

We will make the most of our expertise and experience by leading and collaborating on solutions that support local and national aims for fairer, wealthier and greener communities.

Corporate Goals

Through our experience, expertise, innovation and collaboration, we will create and deliver solutions which provide value to our members across key strategic areas:

- Journey towards a net zero Scotland by 2045.
- Drive for efficiency to support the financial sustainability of local public service.
- Community wellbeing with equal access to services, economic development and fair work jobs.
- Resilient supply chains that maximise opportunities for Scottish businesses and the third sector.
- Advancement of skills to deliver Scotland's economic transformation.

Procurement & Commissioning

We will continue to develop and manage procurement solutions which provide an effective route to market for our members. Our frameworks will continue to deliver additional social, economic and environmental value for communities.

We will:

- Support our members with their drive for financial sustainability by helping them to maximise savings, efficiencies and benefits from our frameworks.
- Implement our new sustainable procurement and net zero strategies to support our members' net zero journey.
- Develop and deliver new and next generation contracts for key strategic areas including construction, digital and care.
- Respond to new policy and legislation that may impact the value delivered by our frameworks.

Services

We will continue to provide services for our members to help them strengthen their procurement capability, including through the Scotland Excel Academy.

We will:

- Develop proposals for growing our membership and expanding the market for our services.
- Identify and evaluate new service opportunities that provide value to our members.
- Explore alternative business models to support growth and reduce reliance on membership fees.
- Develop and implement new qualification and procurement training programmes based on member requirements.
- Champion public procurement talent through employment and training initiatives.

Partnerships

We will continue to work with the Scottish Government and other national public sector organisations to influence and support policies and programmes that deliver benefits for our members.

We will:

- Develop a partnership strategy to plan and prioritise engagement activity which maximises the value of our relationships.
- We will strengthen our relationships with other local government bodies to provide a unified connection between policy, finance and procurement.
- Develop mutually beneficial relationships with care and other third sector organisations.
- Explore opportunities to provide additional value for members through working in partnership with UK organisations.

Strategic Enablers: Corporate, Finance & ICT

We will continue to develop robust and cost-effective corporate, finance and ICT services which support all business operations and underpin the delivery of our five-year strategy.

We will:

- Explore the opportunities, benefits and risks of alternative business models.
- Enhance our income forecasting and rebate monitoring tools.
- Explore office and facilities solutions appropriate for hybrid and remote working.
- Develop and implement a new business intelligence strategy and plan.
- Develop and deliver a new five-year ICT strategy and plan to enhance business efficiency.
- Explore methods to reduce the carbon footprint of our business operations.

Strategic Enablers: Organisational Development

We will continue to implement our People Strategy and the recommendations of our Gold Standard Investors in People report to ensure that our staff fulfill their potential. A culture of performance management will support career development and underpin the delivery of effective and efficient services.

We will:

- Implement an employee journey that supports the recruitment and retention of talented staff.
- Undertake succession planning to support career development and create a steady pipeline of talent at all levels.
- Equip staff with the skills required to provide value to our customers, now and in the future.
- Support the wellbeing of our staff through flexible working, physical and mental health resources, and staff engagement platforms.

Strategic Enablers: Engagement & Communication

We will continue to develop and deliver engagement and communications plans which increase Scotland Excel's influence and ensure our members obtain maximum value from our services.

We will:

- Increase engagement with elected members and other senior stakeholders.
- Improve customer experience and increase satisfaction.
- Engage with partners and stakeholders on net zero strategies and other key policy areas.
- Provide advocacy and representation for our members within key national policy groups and programmes.

Performance

Review of the Year

During 2023/24, Scotland Excel continued to deliver against target outcomes detailed within the organisation's "Our Corporate Strategy 2023-28" document. For financial year 2023/24, Scotland Excel concluded 11 national frameworks with an overall anticipated annual value of almost £158m, bringing the estimated total value of the contract portfolio managed and administered by Scotland Excel to c£2bn. The graph below shows the rise in estimated value of the managed contract portfolio administered by Scotland Excel over the past 6 years.



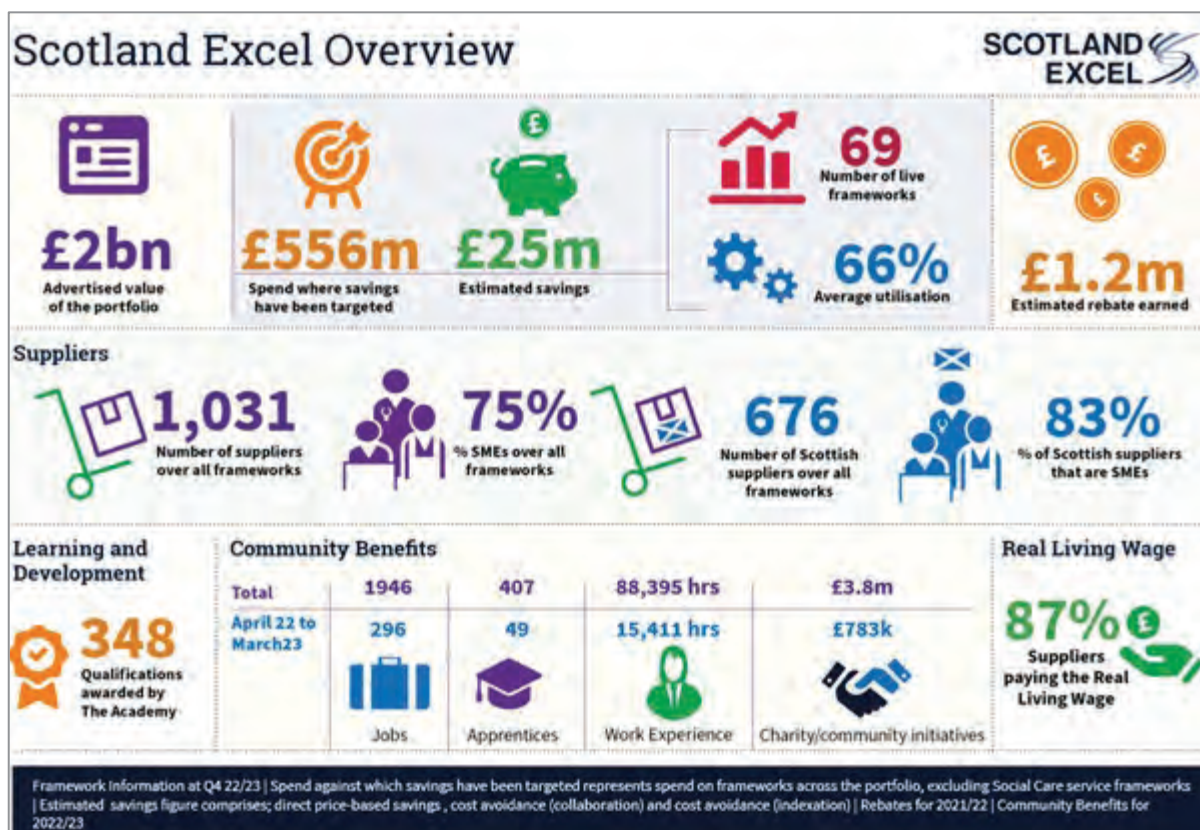
During 2023/24, Scotland Excel carried out a comprehensive Workforce Development Plan with the aim of ensuring that the Scotland Excel workforce and structure continues to meet the growing and diversifying demands from its stakeholders, within an ever changing and challenging environment.

The graph below tracks Scotland Excel staffing numbers over the past 6 years.



Key Performance Indicators

The following infographic provides an overview of Key Performance Indicators (KPIs) as at 31 March 2023. KPI information for 2023/24 is not available at time of writing.



Contract Rebates

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

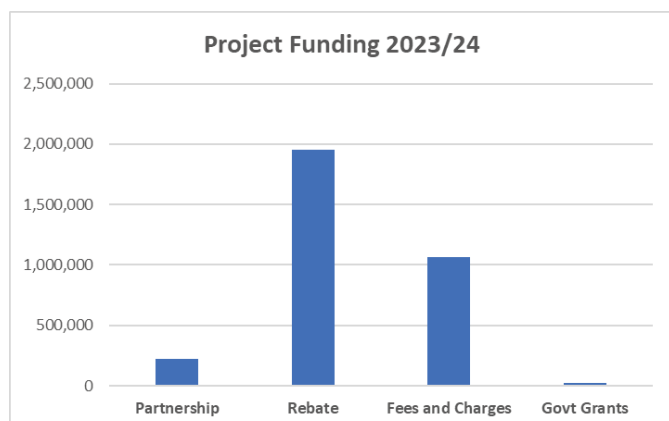
Income from Contract Rebates was budgeted within the core operating budget to deliver a contribution of £583k to core operating costs in financial year 2023/24, and this figure has been achieved.

The number of Scotland Excel frameworks with built-in rebates increased during 2023/24 and is projected to increase during 2024/25. The contribution from Contract Rebates to core operating costs during 2024/25 is budgeted to achieve £1.048m.

Consultancy

During 2023/2024, Scotland Excel worked closely with a range of public, third and Government sector organisations to deliver procurement related projects and consultancy services. Projects are resourced through a range of funding models, including Scottish Government grant funding, partnership funding across a group of local authority partners, contractual rebate, and specific project fees for individual projects or services.

Sources and levels of Project funding for 2023/24 are shown in the chart below.



In total, 14 projects were delivered by Scotland Excel during 2023/24, generating a turnover in excess of £3.3m and achieving a contribution to core running costs of £587k.

The Flexible Procurement project continued to develop during 2023/24 generating an annual turnover of c£390k. This project team is available for members to purchase specific procurement activity they wish to be carried out by Scotland Excel. Members who requested additional procurement services from the Flexible Procurement Team during 2023/24 included a number of local authorities, Crown Estate Scotland, City Property Glasgow (Investments) LLP, the Care Inspectorate and the Improvement Service.

Learning and Development

The Scotland Excel Academy's Virtual Learning Environment (VLE) has 2,463 registered learners who access people development accredited and unaccredited programmes, workshops, video content, eLearning and discussion forums. Learners have secure access to accredited programmes and public access to free learning and development materials.

During 2023/24, the Academy completed 10 accredited cohorts – two in Procurement, one in Leadership and Management, two in Strategic Leadership and Management, three in Project Management, and two in Business Analysis and Innovation. The Academy also delivers the Scottish Government Procurement and Commercial Training Framework (SG PCTF), engaging 600 learners across 38 workshops in 2023/24.

In addition to chargeable training, the Academy delivers free learning and development workshops to members and partners, engaging 272 learners in nine Stay Connected workshops. These workshops span procurement, leadership and management, project management, business analysis and innovation.

Working with Glasgow Caledonian University and the Scottish Government Procurement and Property Directorate, the Academy has co-designed the first

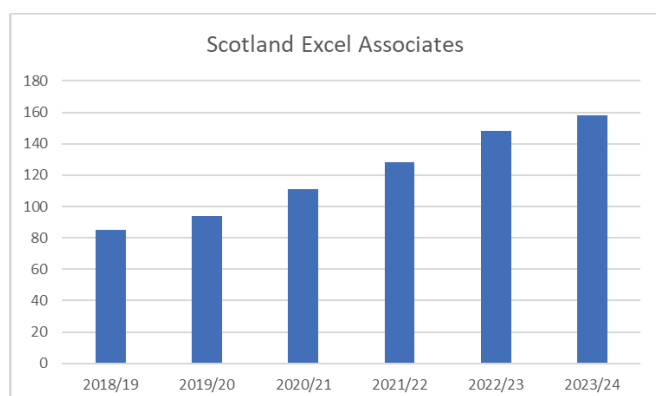
Graduate Apprenticeship in Procurement. This is scheduled to launch in September 2024 and will be the first Graduate Apprenticeship programme to offer specialisms in procurement and supply chain management.

The Academy's contribution to core running costs for 2023/24 was budgeted at £30k, and this contribution was achieved.

Associate Membership Expansion

Scotland Excel continues to build its portfolio of Associate Members, which currently number 158 in total. Associate Members are made up of 26 Arm's Length External Organisations (ALEOs), who gain associate membership through their host local authority. A further 132 Associate Members are drawn from a range of sectors, including Social Housing, Charitable Trusts and include a number of Scottish Government Bodies.

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



The budgeted income target from Associates for 2023/24 was £230k. This figure has been achieved, with the actual contribution to Core from Associate members totaling £234k in 2023/24, an increase of £35k on the previous year.

New Build Housing

Challenges, including the impact of the COVID-19 pandemic, Brexit, and on-going conflict around the world continue to impact usage levels of the New Build Housing framework. During 2023/24, a further eight new build projects were added to the existing list of projects actively utilising the framework. No contribution from the New Build framework was budgeted during 2023/24 and the framework continued to cover all running costs from rebates accrued from sales. A contribution of £66k to core running costs from the New Build project has been budgeted for 2024/25.

The next generation of the New Build framework will be launched during 2024/25.

Primary Financial Statements

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

The annual accounts summarise the Joint Committee's transactions for the year and its position at 31 March 2024. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet. These statements are accompanied by Notes to the Accounts, which provide more details on the figures shown in the statements and set out the Accounting Policies adopted by the Joint Committee.

The Joint Committee does not have a bank account. Apart from petty cash, all transactions are accounted for through Renfrewshire Council as the administering authority. There is £0 cash balance at 31 March 2024 due to the recent closure of petty cash facilities previously held by officers.

Financial Performance

Excluding Project expenditure and income, the Joint Committee returned a net underspend in 2023/24 of £80k against a budgeted break-even position.

There were material overspends in the year within Employee Costs (£355k) due mainly to higher than budgeted pay award in 2023/24, and in Supplies and Services (£29k) mainly due to higher than budgeted legal costs.

There were underspends within Support Costs (£53k) mainly resulting from savings accrued from a competitive tender process for Professional Indemnity Insurance renewal costs for 2023/24. Transport Cost underspent by £13k, due to less travel to meetings, training and conferences. The net result was an overspend in gross expenditure for 2023/24 of £313k.

Income from requisitions was fully recovered in the year and there was a higher level of interest received in-year than budgeted (16k). Income from Projects significantly over-recovered in Core (£373k) arising mainly from rebate income generated by Scotland Excel frameworks. During the year an additional £224k of rebate income that was attributable to 2022/23 was received. This has resulted in a Prior Year

restatement, which is detailed in Note 1 on page 24. It was transferred in-year from Projects to Core.

Scotland Excel's Projects ended the year at 31 March 2024 with a surplus of income over expenditure of £630k. This balance is committed for future Project spend, as outlined in Note 4: Transfers to / from Earmarked Reserves on page 27.

The Comprehensive Income and Expenditure Statement (CIES) on page 16 summarises the total costs of providing services and the income available to fund those services.

The difference between Employee Costs in the figure below and the figure reported in the CIES is due to accounting adjustments for pension costs (£47k) and accrued employee benefits (£66k).

The difference between the Other Income figure below and the figure reported in the CIES is a Government Grant of £27k and interest receivable of £16k.

The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 2: Expenditure and Funding Analysis on page 25.

	Core Budget £	Actual £	Variance £	Projects Actual £	Total Actual £
Employee Costs	4,207,332	4,561,835	(354,503)	1,660,923	6,222,758
Property Costs	216,500	216,500	0	0	216,500
Transport Costs	20,000	7,425	12,575	407	7,832
Supplies and Services	291,601	320,102	(28,501)	824,951	1,145,053
Transfer Payments	22,001	17,137	4,864	5,598	22,735
Support Costs	303,290	250,250	53,040	0	250,250
Total Expenditure	5,060,724	5,373,249	(312,525)	2,491,879	7,865,128
Requisitions from Member Authorities	(3,999,008)	(3,999,008)	0	0	(3,999,008)
Income from Projects	(248,000)	(621,136)	373,136	(3,094,257)	(3,715,393)
Other Income	(813,716)	(832,925)	19,209	(27,380)	(860,305)
Total Income	(5,060,724)	(5,453,069)	392,345	(3,121,637)	(8,574,706)
Net Draw on/(Contribution to) Reserves	0	(79,820)	79,820	(629,758)	(709,578)

The Balance Sheet at 31 March 2024

The Balance Sheet sets out the total net worth of the Joint Committee at a snapshot in time. When comparing the net worth of the Joint Committee at 31 March 2024 to that of the prior year, an overall increase in net worth of the organisation of £640k can be seen. This is primarily driven by an increase in current assets.

Non-current assets held by the Joint Committee include IT equipment and software. Details can be found in Note 7: Intangible Assets and Note 8: Plant and Equipment on page 30.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15: Retirement Benefits on page 33.

The appointed actuaries have confirmed a net asset of £7.835m (£7.635m in 2022/23), an improvement of £0.200m, in their assessment of the position of the pension fund. Some of this can be attributed to the LGPS Fund investment performance returns being higher than assumed. However, there is a cap on the value of a pension asset that can be reported for accounting purposes. For 2023/24, this adjusts the value of the pension asset shown in the balance sheet to £0, as in 2022/23.

A potential change to pension rules is outlined in Note 16: Contingent Liabilities on page 36; however, this has not been reflected in the pension liability reported in the Balance Sheet.

Reserves

Scotland Excel holds a Revenue Reserve balance that comprises an uncommitted element to mitigate the impact of future cost pressures, along with balances specifically earmarked for the future delivery of Projects. Further detail on these balances can be found in Note 4: Transfers to / from Earmarked Reserves on page 27. The closing balance of Usable Reserves at 31 March 2023 has been restated as explained in Note 1: Prior Year Restatement on page 24. The closing balance of Usable Reserves at 31 March 2024 was £2.674m.

Principal Risks and Uncertainty

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

Currently, there are 12 risks identified within the Scotland Excel Strategic Risk Register. Factors taken into consideration by Scotland Excel when reviewing the risk register over the past year include the on-going impact of Brexit on framework suppliers; increasing recruitment challenges within the procurement sector; continuing financial uncertainty across local government; the increasing incidence of cyber-crime and growing importance of cyber security; the ongoing redesign of Scottish public services i.e. the National Care Service (NCS) and the increasing importance of corporate social responsibility, including environmental considerations within our contract strategies.

The table below summarises the Strategic Risk Register and details the residual risk score allocated to each risk, following quarterly review.

Residual Risk Movement Over the Last 4 Periods

Risk Ref.	Risk Title	Period				Trend
		Q2 23/24	Q3 23/24	Q4 23/24	Q1 24/25	
SXL001 – 24/25	Organisational Sustainability	15	15	15	15	↔
SXL002 - 24/25	Managing Growth and Diversity	12	12	16	12	↔
SXL003 - 24/25	Political, Legislative and Policy Change	16	16	20	20	↑
SXL004 - 24/25	Reputational Risk	12	12	16	16	↑
SXL005 - 24/25	Supply Chain Resilience	20	20	20	16	↓
SXL006 - 24/25	Staff Recruitment and Retention	16	16	16	12	↓
SXL007 - 24/25	Corporate Social Responsibility	9	9	9	9	↔
SXL008 - 24/25	Meeting Member and Stakeholder Expectations	12	12	16	16	↑
SXL009 - 24/25	Environmental Impact and Climate Change	12	12	12	16	↑
SXL010 - 24/25	National Emergency Including Pandemic	12	12	12	8	↓
SXL011 - 24/25	Redesign of Scottish Public Services	16	16	12	12	↓
SXL012 - 24/25	ICT and Cyber Security	16	16	16	16	↔

Outlook and Future Plans

While 2023/24 presented a range of continuing challenges for Scotland Excel, the organisation has performed well during the year both financially and operationally, with services delivered to a high standard. Income streams continued to develop and performed above expectations. While the sector adapts to an ever more challenging financial environment, Scotland Excel will continue to work with its partners to ensure that ongoing service delivery requirements for public services are met and exceeded and that best value is consistently achieved.

Conclusion

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support. Further information on the Annual Accounts can be obtained either by writing to: Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR, by emailing us on: contactus@scotland-excel.org.uk, or by telephoning 0141 488 8230.

Councillor John Shaw
Convener

Alastair MacArthur
Treasurer

Julie Welsh
Chief Executive

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

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

I confirm that these Annual Accounts were approved for signature by the Executive Sub-Committee at its meeting on 20 September 2024.

Signed on behalf of Scotland Excel.

Councillor John Shaw
Convener

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 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 2024.

Alastair MacArthur
Treasurer

Annual Governance Statement

Scope of Responsibility

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

The Joint Committee's Governance Framework

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

The Joint Committee has also put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised as follows:

- Clearly defined Procedural Standing Orders, Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Application of the Chartered Institute of Procurement and Supply, Code of Professional Ethics;
- Regular performance reporting to the Executive Sub Committee and public performance reporting through the Annual Report;
- A range of policies to regulate employee related matters, including the employee code of conduct, and disciplinary procedures;
- Arrangements to manage risk, including the Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Comprehensive policies and procedures for information security;
- Arrangements supported by a range of policies and guidelines in compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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

The system includes:

- Financial management is supported by comprehensive financial regulations and codes;
- Comprehensive budgeting systems, and detailed guidance for budget holders;

- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- The Chief Finance Officer is the Treasurer who complies with the CIPFA Statement on the Role of The CFO in Public Services.

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

Review of Effectiveness

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

The effectiveness of the governance framework is reviewed annually by the Chief Executive, including the use of a self-assessment tool covering five key areas of governance:

- Service Planning and Performance Management;
- Internal Control Environment;
- Budgeting, Accounting and Financial Control;
- Risk Management and Business Continuity;
- Conflicts of Interest and whistleblowing.

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

The Joint Committee's internal audit service is provided by the Lead Authority's Internal Auditors and operates in accordance with the Public Sector Internal Audit Standards. The Lead Authority conforms to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process.

The Council's Chief Auditor provides an annual report to the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Auditor's annual assurance statement concluded that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control systems. The review has not identified any significant governance issues to be reported on for 2023/24 and no actions arising for the 2022/23 governance statement that require to be reported on.

This governance framework has been in place throughout the year.

Assurance

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

Councillor John Shaw
Convener

Julie Welsh
Chief Executive

Remuneration Report

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

Remuneration of elected members

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

Remuneration of senior employees

2022/23 Total Salary, fees and allowances £	Name	Post Held	2023/24 Total Salary, fees and allowances £
120,592	Julie Welsh	Chief Executive	127,513
99,438	Hugh Carr	Director of Strategic Procurement	105,434
99,438	Stephen Brannagan	Director of Customer & Business Services	105,434

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

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

The above tables show the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2024, whether or not those amounts were actually paid to, or received by, those persons within that period.

Pension rights

Pension benefits for Joint Committee employees are provided through the Local Government Pension Scheme (LGPS). From 1 April 2015 benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme, uplifted by the increase in the cost of living, as measured by the

appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

Tiered contribution rates on whole time pay 2023/24		Equivalent bandings for 2022/23
Up to £25,300	5.5%	Up to £23,000
£25,301 to £31,000	7.25%	£23,001 to £28,100
£31,001 to £42,500	8.5%	£28,101 to £38,600
£42,501 to £56,600	9.5%	£38,601 to £51,400
Over £56,601	12%	Over £51,401

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

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

The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living (prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its

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

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

Name	Post Held	Accrued Pension Benefits				Contributions made by Scotland Excel	
		As at 31 March 2024		Change from 31 March 2023		2023/24	2022/23
		Pension	Lump Sum	Pension	Lump Sum		
		£000	£000	£000	£000	£	£
Julie Welsh	Chief Executive	39	2	7	0	24,678	23,274
Hugh Carr	Director of Strategic Procurement	28	0	6	0	20,349	19,191
Stephen Brannagan	Director of Customer & Business Services	19	0	5	0	20,349	19,191

Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2023/24, in bands of £5,000. Bands not shown contain nil employees.

2022/23 Number of employees	Remuneration Band	2023/24 Number of employees
14	£50,000 - £54,999	12
6	£55,000 - £59,999	7
3	£60,000 - £64,999	5
1	£65,000 - £69,999	3
0	£70,000 - £74,999	1
0	£75,000 - £79,999	1
2	£100,000 - £104,999	0
0	£105,000 - £109,999	2
1	£120,000 - £124,999	0
0	£125,000 - £129,999	1
27		32

Exit packages

Three exit packages were agreed in 2023/24 as detailed in the table below. These were all agreed on a voluntary basis; there were no compulsory redundancies. Scotland Excel only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives; and where the savings accruing from an individual ceasing employment are sufficient to pay back the costs of the exit package within an acceptable period. The assessment of the payback period takes account of the total cost of the exit package.

The total exit package costs in the table below include redundancy, pension strain and compensatory lump sum payments.

2022/23	Exit Packages	2023/24	
Value		Number of employees	Value
£			£
0	£20,001 - £40,000	2	48,611
0	£40,001 - £60,000	1	46,269
0		3	94,880

Councillor John Shaw
Convener

Julie Welsh
Chief Executive

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Scotland Excel as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is for the five year period, covering 2022/23 to 2026/27. We are independent of Scotland Excel in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Scotland Excel. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Scotland Excel's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on Scotland Excel's current or future financial sustainability. However, we report on Scotland Excel's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud

Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of Scotland Excel;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of Scotland Excel;
- inquiring of the Treasurer concerning the Scotland Excel's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Scotland Excel's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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 our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities for the Annual Accounts and the unaudited part of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our 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 we are required to report by exception

We are required by the Accounts Commission to report to you if, in our 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gary Devlin, (for and on behalf of Azets Audit Services),
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date

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.

2022/23 (restated)				Note	2023/24		
Gross Expenditure £	Gross Income £	Net Expenditure £			Gross Expenditure £	Gross Income £	Net Expenditure £
6,674,420	0	6,674,420	Employee Costs		6,242,012	0	6,242,012
216,500	0	216,500	Property Costs		216,500	0	216,500
990,556	0	990,556	Supplies and Services		1,124,737	0	1,124,737
271,925	0	271,925	Support Costs		250,250	0	250,250
21,167	0	21,167	Transfer Payments		22,735	0	22,735
4,537	0	4,537	Transport Costs		7,832	0	7,832
21,159	0	21,159	Capital Charges		23,866	0	23,866
0	(3,050,659)	(3,050,659)	Income from Projects		0	(3,715,392)	(3,715,392)
0	(98,000)	(98,000)	Government Grants		0	(27,380)	(27,380)
0	(742,467)	(742,467)	Other Income		0	(816,844)	(816,844)
8,200,264	(3,891,126)	4,309,139	Cost of Services		7,887,932	(4,559,616)	3,328,316
			Financing and Investment Income and Expenditure				
0	(1,167)	(1,167)	Interest receivable		0	(16,081)	(16,081)
71,000	0	71,000	Pension interest cost	15	0	(2,000)	(2,000)
			Taxation and Non-Specific Grant Income				
0	(3,883,006)	(3,883,006)	Requisitions from Member Authorities	14	0	(3,999,008)	(3,999,008)
8,271,264	(7,775,299)	495,966	Deficit on the provision of services		7,887,932	(8,576,705)	(688,773)
			Other Comprehensive Income and Expenditure				
		(3,209,000)	Actuarial (Gains) or losses on pension assets and	15			49,000
		(2,713,034)	Total Comprehensive Income and Expenditure				(639,773)

Note that figures in brackets represent income or gains and figures without brackets represent expenditure or losses. For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

Movement in Reserves Statement

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

Movement in reserves during the year	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2023		(1,964,262)	(57,265)	(2,021,527)
Total Comprehensive Income and Expenditure		(688,773)	49,000	(639,773)
Adjustments between accounting basis and funding basis under regulations	6	(20,804)	20,804	0
Increase or (decrease) in year		(709,577)	69,804	(639,773)
Balance at 31 March 2024		(2,673,839)	12,539	(2,661,300)

Comparative movements in 2022/23 (restated)	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2022		(1,359,130)	2,050,637	691,507
Total Comprehensive Income and Expenditure		495,966	(3,209,000)	(2,713,034)
Adjustments between accounting basis and funding basis under regulations	6	(1,101,098)	1,101,098	0
Increase or (decrease) in year		(605,132)	(2,107,902)	(2,713,034)
Balance at 31 March 2023		(1,964,262)	(57,265)	(2,021,527)

For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

Balance Sheet

The balance sheet shows the value as at 31 March 2024 of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

As at 31 March 2023 (restated) £		Note	As at 31 March 2024 £
82,332	Intangible Assets	7	69,366
40,441	Plant and Equipment	8	49,857
122,773	Long-term Assets		119,223
814,313	Funds held by Renfrewshire Council		937,366
1,510,533	Short-term Debtors and Prepayments	10	2,146,842
150	Cash in Hand		0
2,324,996	Current Assets		3,084,208
(426,242)	Creditors And Accruals	11	(542,131)
(426,242)	Current Liabilities		(542,131)
0	Pension (liability)/Asset	15	0
0	Long Term Liabilities		0
2,021,527	Net Assets / (Liabilities)		2,661,300
(1,964,262)	Usable Reserves	4	(2,673,839)
(57,265)	Unusable Reserves	5	12,539
(2,021,527)	Total Reserves		(2,661,300)

The unaudited accounts were issued on 21 June 2024 and the audited accounts were authorised for issue on 20 September 2024.

For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

Alastair MacArthur
Treasurer

Note 1: Prior Year Restatement

In closing the accounts for 2022/23, rebate income anticipated and not yet received was accrued. During 2023/24 it transpired that the level of rebate income receivable was £224k higher than that accrual. This means that the outturn position was £224k higher than reported in the audited accounts for 2022/23. The 2022/23 accounts require to be restated so that opening reserve balances are correct for the 2023/24 accounts. The effect on the CIES, presented on page 21 is as follows:

CIES	Originally Stated at 31 March 2023 £	Restated as at 31 March 2024 £	Amount of Restatement £
Income from Projects	(2,826,283)	(3,050,659)	(224,376)
Cost of Services	4,533,515	4,309,139	(224,376)
(Surplus)/Deficit on the Provision of Services	720,342	495,966	(224,376)
Total Comprehensive Income and Expenditure	(2,488,658)	(2,713,034)	(224,376)

The Code requires that a third Balance Sheet is presented for the beginning of the preceding financial year when a retrospective restatement affects opening balances. There is no impact on 2022/23 opening balances for this restatement. The effect on the 2022/23 Balance Sheet (and associated Notes) is as follows:

Balance Sheet	Originally Stated at 31 March 2023 £	Restated as at 31 March 2024 £	Amount of Restatement £
Short-term Debtors and Prepayments	1,286,157	1,510,533	224,376
Current Assets	2,100,620	2,324,996	224,376
Net Assets / (Liabilities)	1,797,151	2,021,527	224,376
Usable Reserves	(1,739,886)	(1,964,262)	(224,376)
Total Reserves	(1,797,151)	(2,021,527)	(224,376)

The following restatement was also required for the Movement in Reserves Statement. The restated prior period Movement in Reserves Statement is provided with the current year information on page 22. The Usable Reserve affected was the Small Value Procurement Project.

Usable Reserves	Originally Stated at 31 March 2023 £	Restated as at 31 March 2024 £	Amount of Restatement £
Balance at 1 April 2022	(1,359,130)	(1,359,130)	0
Total Comprehensive Income and Expenditure	720,342	495,966	(224,376)
Adjustments between accounting basis and funding basis under regulations	(1,101,098)	(1,101,098)	0
Increase or (decrease) in year	(380,756)	(605,132)	(224,376)
Balance at 31 March 2023	(1,739,886)	(1,964,262)	(224,376)

Note 2: Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources and provides a reconciliation of the statutory adjustments between the Joint Committee's financial performance on a funding basis and the (surplus) or deficit on the provision of service in the Comprehensive Income and Expenditure Statement. For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

2023/24	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	6,222,758		(47,000)	66,254	6,242,012
Property Costs	216,500				216,500
Supplies and Services	1,145,053	(20,316)			1,124,737
Support Costs	250,250				250,250
Transfer Payments	22,735				22,735
Transport Costs	7,832				7,832
Capital Charges	0	23,866			23,866
Income from Projects	(3,715,393)				(3,715,392)
Government Grants	0			(27,380)	(27,380)
Other Income	(860,305)			43,461	(816,844)
Cost of Services	3,289,430	3,550	(47,000)	82,335	3,328,316
Other income and expenditure	(3,999,008)	0	(2,000)	(16,081)	(4,017,089)
(Surplus) or deficit on the provision of service	(709,578)	3,550	(49,000)	66,254	(688,773)

2022/23 (restated)	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	5,651,949		1,042,000	(19,529)	6,674,420
Property Costs	216,500				216,500
Supplies and Services	1,004,088	(13,532)			990,556
Support Costs	271,925				271,925
Transfer Payments	21,167				21,167
Transport Costs	4,537				4,537
Capital Charges	0	21,159			21,159
Income from Projects	(3,050,659)				(3,050,659)
Government Grants	0			(98,000)	(98,000)
Other Income	(841,634)			99,167	(742,467)
Cost of Services	3,277,874	7,627	1,042,000	(18,362)	4,309,139
Other income and expenditure	(3,883,006)	0	71,000	(1,167)	(3,813,173)
(Surplus) or deficit on the provision of service	(605,132)	7,627	1,113,000	(19,529)	495,966

Note 3: 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 2024/25 Code:

- IFRS 16 Leases
- Classification of liabilities as Current or Non-current (Amendments to IAS1)
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IFRS 16)

There is no material impact anticipated in future years from the implementation of these standards, other than IFRS 16 Leases.

CIPFA LASAAC has issued a formal decision to defer the implementation of IFRS 16 until 1 April 2024 when Scotland Excel will apply IFRS 16 in the 2024/25 accounts. The impact of the new requirement is that arrangements previously accounted for as operating leases, a right of use asset and a lease liability will be brought into the balance sheet at 1 April 2024.

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities will be calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

Recognition exemptions will apply to short-term leases, meaning that right of use assets and lease liabilities that have a term of 12 months or less, as well as leases of low value assets, will not be recognised.

It is anticipated that the application of the Code's adaptation of IFRS 16 will result in the additions to the balance sheet in 2024/25 of Property, Plant and equipment (right of use assets), and corresponding liabilities, amounting to £375,510.

Note 4: Transfers to / from Earmarked Reserves

This note sets out the amounts transferred to and from Revenue and Project balances to meet expenditure in 2022/23 and beyond. For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

	Balance at 1 April 2023 (restated) £	Transfers out £	Transfers in £	Balance at 31 March 2024 £
Revenue Reserve - uncommitted balance	(244,544)	0	(79,820)	(324,364)
The Academy	(159,580)	20,380	0	(139,200)
Digital Transformation	(19,186)	5,116	0	(14,070)
Dumfries & Galloway Project	(36,800)	36,800	0	0
Early Learning and Childcare	(75,482)	75,482	0	0
East Lothian Project	16,782	0	(16,782)	0
East Renfrewshire Project	(16,652)	16,652	0	0
Hosted Procurement	(214,174)	130	(17,769)	(231,813)
National Care Home Contract	(57,498)	22,700	0	(34,798)
New Build Project	169,216	0	(176,883)	(7,667)
South Lanarkshire Council	(123,589)	0	(35,373)	(158,962)
Small Value Procurement	(1,126,464)	0	(592,209)	(1,718,673)
Stirling Council	(18,612)	18,612	0	0
Scottish Government Rehab Project	(44,339)	40,638	0	(3,701)
Dundee City Council	(4,751)	0	(35,840)	(40,591)
SEEMIS	(8,588)	8,588	0	0
Total Usable Reserves	(1,964,261)	245,098	(954,676)	(2,673,839)

	Balance at 31 March 2024 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(324,364)	0	(324,364)	(a)
The Academy	(139,200)	(139,200)	0	(b)
Digital Transformation	(14,070)	(14,070)	0	(b)
Hosted Procurement	(231,813)	(231,813)	0	(b)
National Care Home Contract	(34,798)	(34,798)	0	(b)
New Build Project	(7,667)	(7,667)	0	(b)
South Lanarkshire	(158,962)	(158,962)	0	(b)
Small Value Procurement	(1,718,673)	(1,718,673)	0	(b)
Scottish Government Rehab Project	(3,701)	(3,701)	0	(b)
Dundee City Council	(40,591)	(40,591)	0	(b)
Total Usable Reserves	(2,673,839)	(2,349,475)	(324,364)	

Notes

- a) The balance on the Revenue Reserve represents 5.7% of the Cost of Services in 2023/24 (5.5% in 2022/23);
b) Balances are ring-fenced for continuing 2024/25 Project delivery.

Note 5: 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 at 31 March 2024 (before the asset cap is applied) indicates a net asset position in the Joint Committee's share of Strathclyde Pension Fund resources available to meet the cost of benefits earned by past and current employees (£7.635m at March 2023). Statutory arrangements, such as the triennial valuations, ensure that sufficient funding will have been set aside by the time that benefits come to be paid.

2022/23 £	Pension Reserve	2023/24 £
2,096,000	Balance as at 1 April	0
(10,844,000)	Actuarial (gains) and losses on pension assets and liabilities	212,000
7,635,000	Restriction to pension asset ceiling	(163,000)
1,113,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(49,000)
0	Balance as at 31 March	0

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for compensated absences earned, but not taken at the end of the financial year. However, statutory arrangements, or regulations, require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from this Account.

2022/23 £	Employee Statutory Adjustment Account	2023/24 £
85,036	Balance as at 1 April	65,507
(85,036)	Reversal of prior year accrual for short-term accumulating compensated absences	(65,507)
65,507	Accrual for short-term accumulating compensating absences at 31 March	131,761
65,507	Balance as at 31 March	131,761

Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. It is debited with the cost of acquisition, construction or enhancement as

depreciation, impairment losses and amortisations are charged to the CIES and credited with the amounts set aside as finance for these costs.

2022/23 £	Capital Adjustment Account	2023/24 £
(130,399)	Balance as at 1 April	(122,772)
21,159	Charges for depreciation of non-current assets	23,866
(13,532)	Capital expenditure charged against Revenue balances	(20,316)
(122,772)	Balance as at 31 March	(119,222)

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

The surplus for the year on the Revenue Reserve was £20,804 more than the surplus shown in the Comprehensive Income and Expenditure Statement. The table below gives a breakdown of the differences between the income and expenditure included in the CIES in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2023/24	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(23,866)	23,866
Capital expenditure charged against Revenue balances	20,316	(20,316)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(777,000)	777,000
Employers contributions payable to the Strathclyde Pension Fund	826,000	(826,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	(66,254)	66,254
Total adjustments	(20,804)	20,804

2022/23	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(21,159)	21,159
Capital expenditure charged against Revenue balances	13,532	(13,532)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(1,858,000)	1,858,000
Employers contributions payable to the Strathclyde Pension Fund	745,000	(745,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	19,529	(19,529)
Total adjustments	(1,101,098)	1,101,098

Note 7: Intangible Assets

2022/23 £	Software	2023/24 £
	Opening balance	
129,660	Gross carrying amounts	129,660
(34,362)	Accumulated amortisation	(47,328)
95,298	Net carrying amount at 1 April	82,332
0	Additions	0
(12,966)	Amortisation for the year	(12,966)
82,332	Net carrying amount at 31 March	69,366
	Comprising:	
129,660	Gross carrying amounts	129,660
(47,328)	Accumulated amortisation	(60,294)
82,332		69,366

Note 8: Plant and Equipment

2022/23 £	Plant and Equipment	2023/24 £
	Cost or Valuation	
55,171	Opening balance at 1 April	68,703
13,532	Additions	20,316
68,703	Gross Book Value at 31 March	89,019
	Depreciation and Impairment	
(20,069)	Accumulated depreciation at 1 April	(28,262)
(8,193)	Depreciation charge for year	(10,900)
(28,262)	Accumulated depreciation at 31 March	(39,162)
35,102	Opening Net Book Value	40,441
40,441	Closing Net Book Value	49,857

Note 9: External audit costs

2022/23 £		2023/24 £
10,510	Fees payable in respect of external audit services	9,790

Note 10: Debtors

As at 31 March 2023 (restated) £	Short-term debtors	As at 31 March 2024 £
108,630	Prepayments	112,694
1,401,903	Other receivable amounts	2,034,148
1,510,533	Total	2,146,842

For information on the 2022/23 restatement, please see Note 1: Prior Year Restatement on page 24.

Note 11: Creditors

As at 31 March 2023 £	Short-term creditors	As at 31 March 2024 £
(61,779)	Trade payables	(46,148)
(364,463)	Other payables	(495,983)
(426,242)	Total	(542,131)

Note 12: Operating Leases

The operating lease for accommodation at Renfrewshire House has been extended until 2029, with a five-year break point in 2024. Lease expenditure charged in year to the CIES was £97,000 (2022/23 £97,000). The 2022/23 figures have been restated to reflect the exact number of days to the end of the lease, which is 12 February 2029.

2022/23 (restated) £	Future Minimum Lease Payments	2023/24 £
97,000	Not later than one year	97,000
388,000	Between one and five years	375,510
84,510	Later than five years	0
569,510	Total	472,510

Note 13: Events after the balance sheet date

The unaudited accounts are issued to the Joint Committee on 21 June 2024. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Events taking place after this date are not reflected in the financial statements or notes.

Note 14: Related parties

Related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Committee, or to be controlled or significantly influenced by the Joint Committee. The Joint Committee is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties.

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

Elected member interests in related parties

Under the relevant Codes of Conduct, elected members and senior officials must declare any registered interests in any bodies or organisations. Each member's Register of Interest can be found by searching for an individual councillor on each of their respective Council's websites, or clicking the link next to their name on the table opposite.

Elected Members and senior officers

Members of the Joint Committee and senior officers have control over Scotland Excel's financial and operating policies. They have the responsibility to adhere to a Code of Conduct, requiring them to declare an interest in matters that directly or indirectly influence, or appear to influence, their judgement or decisions taken during the course of their work. The total senior officers' remuneration allowances paid in 2023/24 is shown in the Remuneration Report on page 13.

There is no specific remuneration paid to elected members by Scotland Excel.

The Joint Committee consists of one or more representative of all 32 councils in Scotland. It meets twice a year and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan.

The Executive Sub-Committee is a sub-group of elected members from the Joint Committee who meet regularly to approve contract awards and other business decisions. At 31 March 2024, it was comprised of the following councillors:

Member	Link to Member Interests
John Shaw (Convener)	Renfrewshire Council
Altany Craik (Vice)	Fife Council
David Keating	Aberdeenshire Council
Brenda Durno	Angus Council
Mandy Watt	City of Edinburgh Council
Kenny MacLeod	Comhairle nan Eilean Siar
Carolynne Wilson	Dumfries and Galloway Council
Ruairi Kelly	Glasgow City Council
Derek Loudon	Highland Council
Christina Larsen	North Ayrshire Council
Michael McPake	North Lanarkshire Council
Dennis Leask	Shetland Islands Council
Chris Cullen	South Ayrshire Council
Walter Brogan	South Lanarkshire Council

Key Related Parties – member authorities

Scotland Excel is funded principally by requisitions from all 32 local authorities in Scotland, who have contributed in the following proportions to enable the Joint Committee to carry out its objectives:

2022/23 £	Council	%	2023/24 £
154,289	Aberdeen City	3.9%	157,769
172,791	Aberdeenshire	4.5%	178,354
90,340	Angus	2.3%	92,786
73,094	Argyll and Bute	1.9%	75,330
53,574	Clackmannanshire	1.4%	55,083
108,910	Dumfries and Galloway	2.8%	111,858
109,171	Dundee City	2.8%	111,234
93,643	East Ayrshire	2.4%	96,230
86,041	East Dunbartonshire	2.2%	88,571
85,160	East Lothian	2.2%	88,967
78,587	East Renfrewshire	2.0%	81,378
322,741	City of Edinburgh	8.3%	332,351
39,462	Eilean Siar	1.0%	40,547
115,750	Falkirk	3.0%	118,812
236,667	Fife	6.1%	243,764
384,257	Glasgow City	9.9%	395,787
158,361	Highland	4.1%	163,975
68,506	Inverclyde	1.7%	69,772
76,841	Midlothian	2.0%	80,269
78,752	Moray	2.0%	81,279
100,881	North Ayrshire	2.6%	103,352
218,370	North Lanarkshire	5.6%	224,305
36,932	Orkney Islands	1.0%	38,153
110,667	Perth and Kinross	2.9%	114,789
126,104	Renfrewshire	3.3%	130,044
89,947	Scottish Borders	2.3%	92,727
37,301	Shetland Islands	1.0%	38,387
88,298	South Ayrshire	2.3%	90,643
206,520	South Lanarkshire	5.3%	213,347
77,836	Stirling	2.0%	79,562
74,834	West Dunbartonshire	1.9%	76,246
128,379	West Lothian	3.3%	133,337
3,883,006	Total	100%	3,999,008

A number of councils participated in targeted procurement projects over the course of 2023/24, as well as contributing towards participation in work related to the National Care Home Contract- (NCHC). Income received for 2023/24 was as follows:

Council	NCHC	Projects
	£	£
Aberdeen City	8,868	151,995
Aberdeenshire	10,014	140
Angus	5,248	0
Argyll and Bute	4,276	0
Clackmannanshire	3,148	813
Dumfries and Galloway	6,311	47,649
Dundee City	6,276	166,450
East Ayrshire	5,440	0
East Dunbartonshire	5,014	0
East Lothian	5,036	1,130
East Renfrewshire	4,613	0
City of Edinburgh	18,591	9,000
Eilean Siar	2,339	0
Falkirk	6,698	0
Fife	13,657	0
Glasgow City	22,125	5,800
Highland	9,213	845
Inverclyde	3,967	532
Midlothian	4,551	130
Moray	4,607	813
North Ayrshire	5,837	1,659
North Lanarkshire	12,574	4,450
Orkney Islands	0	140
Perth and Kinross	6,474	140
Renfrewshire	7,324	0
Scottish Borders	5,245	820
Shetland Islands	0	3,750
South Ayrshire	5,129	850
South Lanarkshire	11,963	278,203
Stirling	4,512	32,000
West Dunbartonshire	4,327	565
West Lothian	7,507	0
Total	220,884	707,874

Renfrewshire Council is the lead authority for Scotland Excel, providing Treasurer and Clerking services, as well as support services, such as HR, Legal and Internal Audit. Scotland Excel has a service level agreement with Renfrewshire Council that sets out how much this support should cost each year. In

2023/24, Scotland Excel paid Renfrewshire Council £159,250 for support services (2022/23 £159,250). Scotland Excel also received £16k from Renfrewshire Council for interest earned on cash balances (reserves) held by the Council on its behalf.

There were no further material transactions between Scotland Excel and its member authorities.

Other public bodies

Strathclyde Pension Fund is the principal administrators of the post-retirement funds held on behalf of the current and former employees of Scotland Excel. Information about transactions during the year and outstanding assets and liabilities in relation to Scotland Excel's pension fund can be found in Note 15: Retirement Benefits.

Scotland Excel has a number of public bodies, including Housing Associations who are associate members and pay an annual fee to access its frameworks. In addition, a number of public bodies participated in targeted procurement projects over the course of 2023/24. Those bodies contributing a material level of income for 2023/24 were as follows:

Other Public and Associated Bodies	£
City Property Glasgow LLP	23,000
Crown Estate Scotland	10,000
Department of Health Northern Ireland	75,482
Forestry and Land Scotland	21,590
Highlands and Islands Airports Ltd	12,050
Kingdom Housing Association Ltd	23,616
Link Group Ltd	14,770
North Glasgow Housing Association Ltd	8,457
River Clyde Homes	9,126
Scottish Government	54,813
SEEMiS Group LLP	35,550
Strathclyde Partnership for Transport	10,815
The Scottish Parliament Corporate Body	33,550
Wheatley Housing Group Limited	42,700
Total	375,519

There were no other material transactions between Scotland Excel and other public bodies.

Note 15: Retirement Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The scheme for employees is Strathclyde Pension Fund, which is administered by Glasgow City Council. This is a funded defined benefit final salary scheme, meaning that the Joint Committee and its employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

15a: Transactions relating to retirement benefits

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

The net change in the pension liability is recognised in the Movement in Reserves Statement for pension payments made by the Joint Committee to the Strathclyde Pension Fund during the year. The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2023/24 these amounted to £27,938 (2022/23 £25,530).

The following transactions have been made in the accounting statements in 2023/24:

2022/23 £		2023/24 £
	Comprehensive Income & Expenditure Statement (CIES)	
1,787,000	Current service cost	779,000
1,787,000		779,000
	Financing & Investment Income & Expenditure	
71,000	Net Interest	(2,000)
1,858,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	777,000
	Other post employment benefit charged to the CIES	
1,022,000	Return on assets excluding amounts included in net interest	(1,240,000)
(11,866,000)	Actuarial (gains) and losses arising on changes in financial assumptions	1,452,000
(10,844,000)	Total Actuarial (gains) and losses	212,000
(8,986,000)	Total post employment benefit charged to the CIES	989,000
	Movement in Reserves Statement	
9,731,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(163,000)
745,000	Employers Contributions paid to Strathclyde Pension Fund	826,000

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

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

Net Interest is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

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 net asset is as follows:

2022/23 £000		2023/24 £000
25,688	Opening present value	16,304
1,787	Current service cost	779
717	Interest Cost	790
266	Contributions from employees	292
(288)	Benefits Paid	(468)
	Remeasurement (gains)/losses:	
(11,866)	Actuarial (gains)/losses arising from changes in financial assumptions	107
16,304	Balance as at 31 March	17,804

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

2022/23 £000		2023/24 £000
23,592	Opening Fair Value	23,939
646	Interest Income	1,155
745	Contributions from employer	826
266	Contributions from employees	292
(288)	Benefits Paid	(468)
	Remeasurement gain/(loss):	
(1,022)	Return on assets excluding amounts included in net interest	(105)
23,939	Closing fair value of scheme assets	25,639

15c: Fund history

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Present Value of Liabilities	(18,074)	(25,995)	(25,688)	(16,304)	(17,804)
Fair value of assets	16,152	21,322	23,592	23,939	25,639
Restriction to asset ceiling	0	0	0	(7,635)	(7,835)
Surplus/(deficit) in the Fund	(1,922)	(4,673)	(2,096)	0	0

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

The total asset of £7.835m has a significant impact on the net worth of the Joint Committee, as recorded in the Balance Sheet. However, any deficit (as in 2021/22) on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

However, this surplus of scheme assets is restricted to the 'asset ceiling' i.e. the net present value of future service costs less net present value of future contributions over the future working lifetime as at 31 March 2024. This ceiling, or cap, has been calculated to be £0.

2022/23 £000		2023/24 £000
(16,304)	Present value of defined benefit obligation	(17,804)
23,939	Fair Value of scheme assets	25,639
(7,635)	Restriction to asset ceiling	(7,835)
0	Net asset/(liability) arising from defined benefit obligation	0

15d: Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so

that rates are standard across all participating employers. The rate for employer contributions is set at 19.3% for 2023/24 and £6.5% for 2024/25.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2025 is £278k.

15e: Basis for estimating assets and liabilities

The Joint Committee's share of the assets and liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, which estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2023. The principal assumptions used by the actuary have been:

2022/23	Mortality assumptions	2023/24
Longevity at 65 for current pensioners (years)		
19.3	Men	19.6
22.2	Women	22.3
Longevity at 65 for Future pensioners (years)		
20.5	Men	20.6
24.2	Women	24.2
Other assumptions		
3.65%	Rate of increase in salaries	3.50%
2.95%	Rate of increase in pensions	2.80%
4.75%	Rate for discounting scheme liabilities	4.80%
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 value of the pension fund liability is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Impact on Pension Scheme Liability	%	£000
0.1% decrease in Real Discount Rate	2.0%	400
1 Yr increase in member life expectancy	4.0%	712
0.1% increase in Salary Increase Rate	0.0%	20
0.1% increase in Pension Increase Rate	2.0%	387

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

2022/23 £000		%	2023/24 £000
10,601	Equity instruments	44.1%	11,305
1,974	Real Estate	7.9%	2,016
10,910	Investment Funds and Unit Trusts	46.2%	11,843
454	Cash and Cash Equivalents	1.9%	475
23,939	Total	100.0%	25,639

Note 16: Contingent Liabilities

Following two court cases, including Mrs Goodwin v Department for Education, it is expected that proposed changes to public service pension schemes will be required, to ensure that surviving same-sex spouses and civil partners receive benefits equivalent to those received by the surviving spouses of opposite-sex marriages. Strathclyde Pension Fund's actuary estimates that the potential impact may be in the range of 0.1% of gross obligations, around £26k for Scotland Excel. This estimate is not reflected in the Primary Financial Statements because the remedy is still uncertain.

The actuary is aware of two further two court cases that may affect future LGPS benefits (Walker and O'Brien), however, these are not expected to have a significant impact on the pension fund obligations.

Note 17: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the Joint Committee's transactions for the 2023/24 financial year and its financial position as at 31 March 2024. The Joint Committee is required to prepare Annual Accounts by the Local Authority (Scotland) Regulations 2014 and section 12 of the Local

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

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

B Accruals of Expenditure and Income

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

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

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

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

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

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

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

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

D Contingent Liabilities

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

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

E Employee Benefits

Benefits payable during employment

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

Post-employment benefits

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

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

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

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

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

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

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

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit

liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

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

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

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

F Events after the Balance Sheet date

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

There are two types of events:

- **Adjusting events** – those that provide evidence of conditions that existed at the end of the reporting

period and the accounts are adjusted to reflect such events; and

Non-adjusting events – those that are indicative of conditions that arose after the reporting period and the accounts are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

G Government Grants and other Contributions

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

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

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

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

H Leases

Operating Leases: Joint Committee as Lessee

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the

commencement of the lease). The risks and rewards of ownership remain with the lessors along with the title of the property.

I Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Impairment

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

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated, an impairment loss is

recognised for the shortfall and the carrying amount of the asset is written down in the CIES.

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

Disposals

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

Depreciation

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

J Intangible Assets

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

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

An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted in the CIES. Any gain

or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Revenue Reserve. The gains and losses are therefore reversed out of the Revenue Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and a Capital Receipts Reserve. All capital expenditure is charged to the constituent authorities, meaning that the Joint Committee has no requirement to borrow. A notional capital grant is applied to the CIES in the year of spend and removed from affecting the Revenue Reserve through the Movement in Reserves Statement. Software costing less than £9,000 is not treated as an intangible asset and is charged to the CIES. This de minimis does not apply where certain categories of assets are grouped together.

K Reserves

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

Usable Reserves

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

Unusable Reserves

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

L Value Added Tax (VAT)

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

Note 18: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 17, 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, any item with the most significant effect is detailed below.

Leases

An analysis of the terms of the lease for the office accommodation at Renfrewshire House has concluded that it is an operating lease. Details can be found in Note 12: Operating Leases.

Note 19: Assumptions made about the future

The Annual Accounts contain estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table below.

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £0.400m, equating to a 2% increase. The carrying value of the pension liability was £7.835m as at 31 March 2024 (capped at £0). For further details see Note 15: Retirement Benefits.