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Audited Annual Accounts  
2022/23

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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 2022/23 and to help readers understand its financial position at 31 March 2023. In addition, it outlines the main risks and uncertainties facing the organisation for the financial year 2023/24 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 Wellbeing programme and organising charity and social events.

## Strategic Aims

The Scotland Excel 2018-23 Strategy, “Shared Vision, Shared Success”, sets out how we plan to raise our game further, providing even greater support to councils and other public 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: <https://home.scotland-excel.org.uk/about-us/our-goals/>



The current Scotland Excel Strategy Map is detailed below.

Vision			
To provide innovative, transformative solutions for local and national public services across Scotland			
Mission			
To make the most of our strategic <b>procurement expertise</b> and our experience of developing <b>collaborative solutions</b> which support <b>better outcomes</b> for Scotland's people and communities through <b>early intervention</b> and the delivery of <b>sustainable public services</b>			
Values			
<b>Professional • Courageous • Respectful • Integrity</b>			
Outcomes			
Our services shape the effective and efficient delivery of public services	Our services facilitate the delivery of national and local policy priorities	Our insight and knowledge underpins innovative solutions for our customers	Our customers receive a measurable return on investment through savings
Our expertise leads to continuous improvement in commercial performance	Our services enable positive and sustainable outcomes for people and communities	Our activities are recognised as leading the way in public procurement	Our customers are satisfied with our services and how we deliver them
Goals			
<p>1: Shaping solutions for innovative public services</p> <p><b>Strategic objectives:</b></p> <p>1.1 Deliver a programme of collaborative procurement to support early intervention and the delivery of public services</p> <p>1.2 Deliver programmes which lead and develop professional, organisational and commercial capability</p> <p>1.3 Harness the potential of digital technology and data insight to support the delivery of public services</p> <p>1.4 Use our insight and experience to shape policy and meet the challenges of future public service delivery</p>	<p>2: Being sustainable in everything we do</p> <p><b>Strategic objectives:</b></p> <p>2.1 Deliver positive and measurable social value through our contracts</p> <p>2.2 Deliver positive and measurable local impact through SME and third sector participation in our contracts</p> <p>2.3 Deliver positive and measurable environmental benefits through our contracts</p> <p>2.4 Lead and develop sustainable procurement knowledge and practice</p>	<p>3: Placing people at the heart of our business</p> <p><b>Strategic objectives:</b></p> <p>3.1 Ensure our customers continue to receive maximum value from our services</p> <p>3.2 Engage stakeholders in the delivery of effective local solutions</p> <p>3.3 Represent the collective views of stakeholders at a national level</p> <p>3.4 Implement policies which develop, empower, value and engage our workforce</p>	<p>4: Driving sustainable and scalable growth</p> <p><b>Strategic objectives:</b></p> <p>4.1 Implement a new governance model which supports scalable business growth</p> <p>4.2 Continue to maintain a robust business infrastructure to support our growth ambitions</p> <p>4.3 Use our knowledge and insight to identify new services and/or sectors which provide growth opportunities</p> <p>4.4 Explore opportunities to work with partners on the development and delivery of new business opportunities</p>

Scotland Excel conducted a comprehensive programme of consultation during 2022 with key stakeholder groups, which has informed a new 5-year strategy for the period 2023-2028. At the Joint Committee held on 9 December 2022, the draft Strategy was approved, along with an Organisational Operating Plan for 2023/24. The strategy can be found at the following link: <https://home.scotland-excel.org.uk/about-us/publications/corporate-strategy/>



total value of the contract portfolio managed and administered by Scotland Excel to c£2bn. The graph that follows shows the rise in estimated value of the managed contract portfolio administered by Scotland Excel over the past seven years.



Following recent recruitment freezes aimed at manage resources during the pandemic, a comprehensive Workforce Development Plan, followed by a multi-media recruitment campaign, was undertaken by the organisation. This will continue in to 2023/24.

## COVID-19 Pandemic

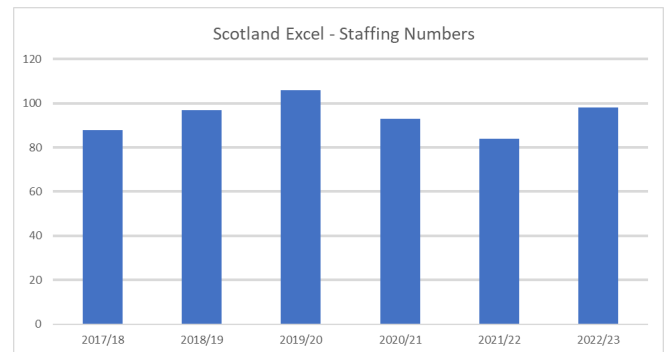
Operational processes across the organisation were refined during the year in light of the prevailing COVID restrictions, taking into account health and safety advice from officers from the lead authority. By the end of 2022/23, required mitigations were minimal with working practices returned to close to normal.

## Performance

### Review of the Year

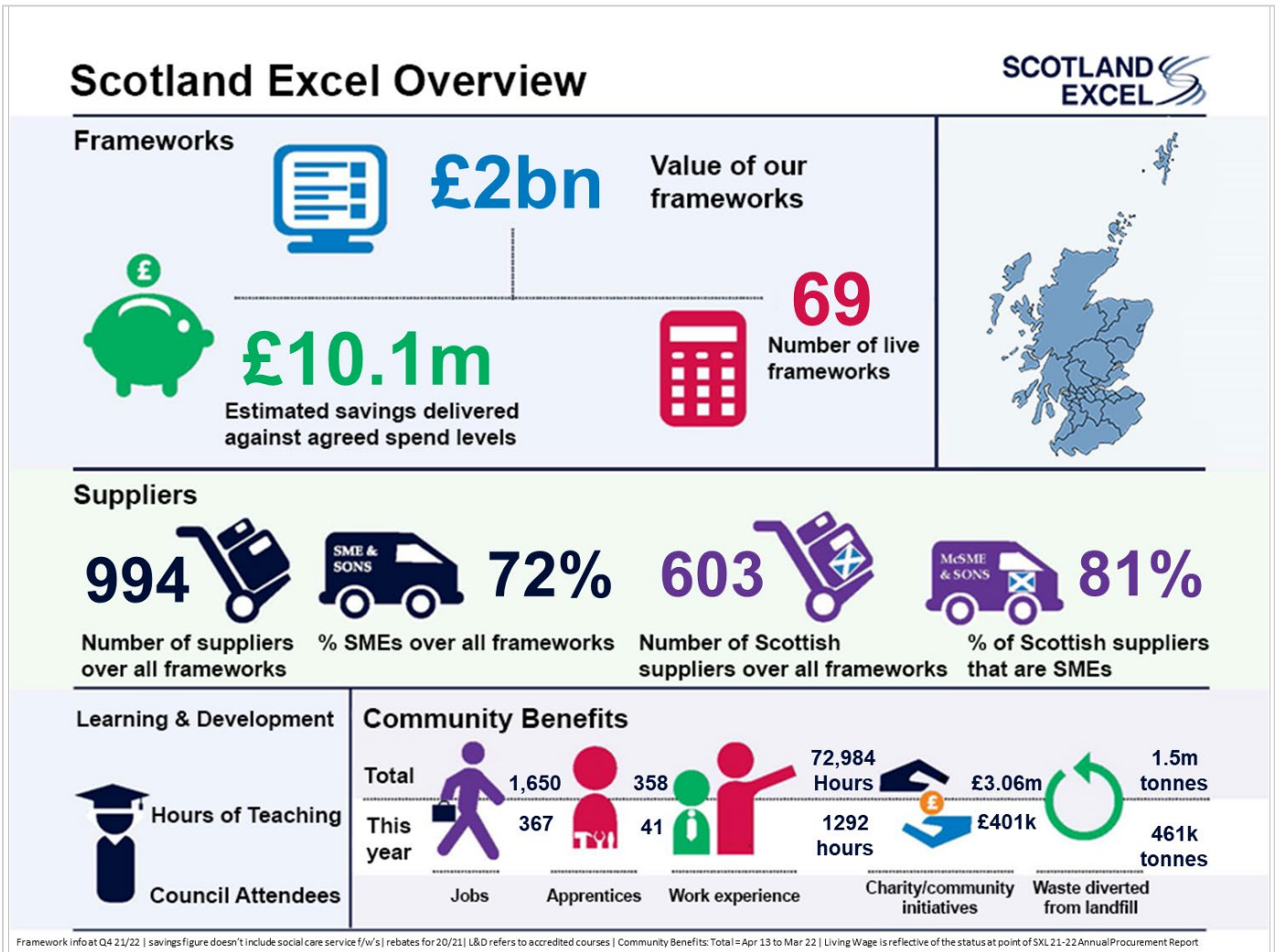
During 2022/23, Scotland Excel continued to deliver against target outcomes detailed within the organisation’s “Shared Vision, Shared Success Corporate Strategy” document for 2018-23. For financial year 2022/23, Scotland Excel concluded 20 national frameworks with an overall anticipated annual value of almost £380m bringing the estimated

The graph below tracks Scotland Excel Staffing Numbers over the past six years.



## Key Performance Indicators

The following Infographic provides an overview of Key Performance Indicators (KPI) for the period 1 April 2021 to 31 March 2022. KPI information for 2022/23 is not yet 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 internal contract governance process, the applicability of the inclusion of rebates is now standard practice within the organisation.

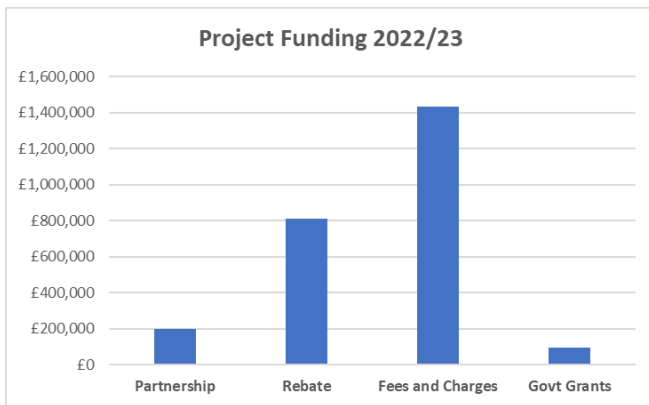
Income from Contract Rebates was budgeted within the core operating budget to deliver a contribution of £543k to core operating costs in financial year 2022/23. This figure has been achieved.

The number of Scotland Excel frameworks with built in rebates increased during 2022/23 and is set to increase during 2023/24. The contribution from Contract Rebates to core operating costs during 2023/24 is budgeted to achieve £583k.

### Consultancy

During 2022/2023, Scotland Excel worked closely with a range of Public, Higher Education, Third and Government sector organisations delivering procurement-related projects and consultancy services. Projects are resourced through a range of funding models, including Scottish Government grant funding, partnership funding across a group of local authority partners, contractual rebate, and specific project fees for individual projects/services.

Sources and levels of project funding for 2022/23 are shown in the chart below.



In total, 18 projects were delivered by Scotland Excel during 2022/23, generating a turnover in excess of £2.5m and achieving a contribution to Core running costs of £262k.

The Flexible Procurement project continued to develop during 2022/23, generating an annual turnover of £365k. 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 2022/23 included a number of local authorities, City Property Glasgow and the Improvement Service.

## Learning and Development

Scotland Excel’s Virtual Learning Environment, ‘The Academy’ has 2020 registered learners, who can access learning and development content including workshop materials and discussion forums. Learners can also access content based on past workshops they have attended.

In addition to this, the Academy also has a public-facing source of material accessible to all. This includes scheduled courses, areas of learning, professional development and bitesize learning through our ‘Stay Connected’ sessions.

For our accredited programmes, which include Chartered Institute of Procurement & Supply (CIPS), Chartered Management Institute (CMI) and the Scottish Qualifications Authority (SQA), there are currently 54 learners participating in 7 accredited

cohorts. The Academy also delivers a programme of workshops under the Scottish Government Procurement and Commercial Training Framework (SGPCTF) for which a total of 1016 people have attended 64 workshops.

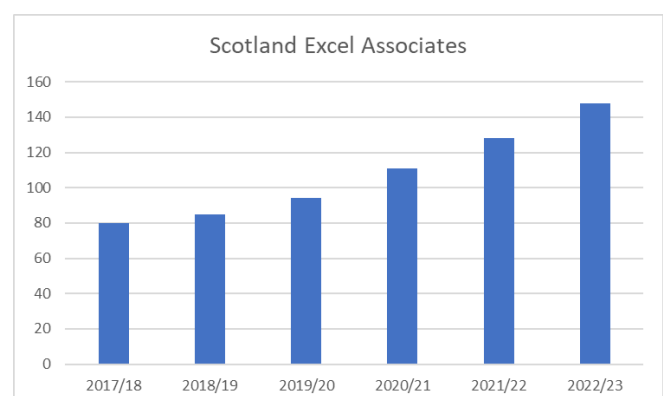
Other sessions delivered during 2022/23 include two cohorts of DETER Serious Organised Crime and two hybrid Procurement, Leadership and Management development programmes across five NHS Health Boards.

The Academy contribution to Core running costs for 2022/23 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 148 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 122 Associate Members are drawn from a range of sectors including Social Housing, Charitable Trusts and 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 2022/23 was £220k. This figure has not been achieved, with the actual contribution to Core from Associate members totaling £199k in 2022/23 (£187k in 2021/22).

## New Build Housing

The uptake of the new build residential construction framework continues to be impacted by a range of factors, including recovery from the COVID-19 pandemic, the ongoing impact of Brexit, and the conflict in Ukraine. Temporary closure of construction sites, scarcity, and resultant rising prices of raw materials and reprioritisation of resources within local authorities have all contributed to a delay for new build projects. However, the new build residential framework is now actively being used across the public sector as construction sites re-open with 24 projects already awarded, and a further 28 expected to be awarded over the course of 2023/24.

Extensive engagement continues to be undertaken with contractors, members, housing associations and other key stakeholders to support effective framework use.

While the anticipated budgetary contribution from the New Build Housing framework did not fully materialise during 2022/23, a contribution to Core running costs of £21k was achieved. It is anticipated that the levels of contribution to Scotland Excel running costs will increase in future years, albeit at a slower pace than originally projected.

## Primary Financial Statements

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

The annual accounts summarise the Joint Committee's transactions for the year and its year-end position at 31 March 2023. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet. These statements are accompanied by Notes to the Accounts, which provide more details on the figures shown in the statements and set out the Accounting Policies adopted by the Joint Committee.

The Joint Committee does not have a bank account. Apart from petty cash, all transactions are accounted for through Renfrewshire Council as the administering authority. The cash balance at 31 March 2023 of £150 in the Balance Sheet represents petty cash held by officers of the Joint Committee.

## Financial Performance

Excluding Project expenditure and income, the Joint Committee returned a net overspend in 2022/23 of £2k against a budgeted break-even position.

There were material underspends in the year within Employee Costs (£29k), due mainly to turnover within the team, and in Transport Cost (£16k), arising from less travel to meetings, training and conferences. The net result was an underspend in gross expenditure for 2022/23 of £42k.

Income from requisitions was fully recovered in the year, however Income from Projects slightly under-recovered in Core owing to the challenges within the construction industry, which resulted in the New Build Project unable to achieve its target rebate contribution.

Scotland Excel's Projects ended the year at 31 March 2023 with a surplus of income over expenditure of £383k. This balance is committed for future Project spend, as outlined in Note 3: Transfers to / from Earmarked Reserves on page 24.

The Comprehensive Income and Expenditure Statement (CIES) on page 16 summarises the total



costs of providing services and the income available to fund those services.

The difference between Employee Costs in the figure below and the figure reported in the CIES is due to accounting adjustments for pension costs (£1,042k) and accrued employee benefits £20k.

The difference between the Other Income figure below and the figure reported in the CIES is a Government Grant of £98k and interest receivable of £1k.

The CIES also records capital charges and capital grants that affect the accounting deficit. These reporting differences are presented in Note 1: Expenditure and Funding Analysis on page 23.

	Core Budget £	Actual £	Variance £	Projects Actual £	Total Actual £
Employee Costs	4,097,809	4,069,177	28,632	1,582,772	5,651,949
Property Costs	216,490	216,500	(10)	0	216,500
Transport Costs	20,000	4,417	15,583	120	4,537
Supplies and Services	311,010	312,523	(1,513)	691,565	1,004,088
Transfer Payments	16,000	15,767	233	5,400	21,167
Support Costs	271,100	271,925	(825)	0	271,925
<b>Total Expenditure</b>	<b>4,932,409</b>	<b>4,890,310</b>	<b>42,099</b>	<b>2,279,857</b>	<b>7,170,167</b>
Requisitions from Member Authorities	(3,883,006)	(3,883,006)	0	0	(3,883,006)
Income from Projects	(286,000)	(261,800)	(24,200)	(2,564,483)	(2,826,283)
Other Income	(763,403)	(743,634)	(19,769)	(98,000)	(841,634)
<b>Total Income</b>	<b>(4,932,409)</b>	<b>(4,888,440)</b>	<b>(43,969)</b>	<b>(2,662,483)</b>	<b>(7,550,923)</b>
<b>Net Draw on/(Contribution to) Reserves</b>	<b>0</b>	<b>1,870</b>	<b>(1,870)</b>	<b>(382,626)</b>	<b>(380,756)</b>
Temporary Use of Project Balances	0	0	0	0	0
<b>Net Draw on/(Contribution to) Reserves</b>	<b>0</b>	<b>1,870</b>	<b>(1,870)</b>	<b>(382,626)</b>	<b>(380,756)</b>

## The Balance Sheet at 31 March 2023

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 2023 to that of the prior year, an overall increase in net worth of the organisation of £2.488m can be seen. This is primarily due to the increase in pension liability explained below.

Non-current assets held by the Joint Committee include IT equipment and software. Details can be found in Note 6: Intangible Assets and Note 7: Plant and Equipment on page 27.

## Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 14: Retirement Benefits on page 31.

The appointed actuaries have confirmed a net asset of £7.635m (£2.096m liability in 2021/22), an improvement of £9.731m, in their assessment of the position of the pension fund. This is largely attributable to the corporate bond yield (upon which the pension discount rate is derived) rise over the past year, which served to reduce the employer's pension obligations and led to the gain on the balance sheet. However, there is a cap on the value of a pension asset that can be reported for accounting purposes. For 2022/23, this adjusts the value of the pension asset shown in the balance sheet to £0.

A potential change to pension rules is outlined in Note 15: Contingent Liabilities on page 34; 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 3: Transfers to / from Earmarked Reserves on page 24. The closing balance of Usable Reserves at 31 March 2023 was £1.740m.













## Principal Risks and Uncertainty

Scotland Excel maintains a Strategic Risk Register to assess any risk 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; it is presented four times per year 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 ongoing 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 following quarterly review.

<b>Residual Risk Movement Over the Last 4 Periods</b>					
<b>Risk Name:</b>	<b>Assessed Residual Risk Score</b>				<b>4 Quarter Trend</b>
	Q2	Q3	Q4	Q1	
Supply Chain Resilience	20	20	20	20	
Redesign of Scottish Public Services	n/a	n/a	20	16	
Political, Legislative and Policy Change	16	16	16	16	
Staff Recruitment and Retention	9	9	16	16	
ICT and Cyber Security	n/a	n/a	n/a	16	
Organisational Sustainability	15	15	15	15	
National Emergency including Pandemic	15	15	15	12	
Managing Growth and Diversity	12	12	12	12	
Reputational Risk	12	12	12	12	
Environmental Impact & Climate Change	6	6	12	12	
Meeting Member and Stakeholder Expectations	8	8	8	12	
Corporate Social Responsibility	6	6	6	9	

## Outlook and Future Plans

While 2022/23 presented a range of continuing challenges for Scotland Excel, the organisation has performed well during the year, both financially and operationally. As the country and the economy recovers from the pandemic, operations within Scotland Excel continue to be delivered to a high standard. Income streams during 2022/23 have continued to develop and perform to expectations.

While the sector adapts to operating within a post COVID-19, post Brexit environment, and within 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 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](mailto: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 Joint Committee at its meeting on 15 September 2023.

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 2023.

**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 Council's 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 2022/23 and no actions arising for the 2021/22 governance statement that require to be reported on.

This governance framework has been in place throughout the year. Processes have been refined during the year in light of the prevailing COVID restrictions at the time, taking into account health and safety advice from officers from the lead authority. By the end of 2022/23 required mitigations were minimal and working practices were close to normal.

## Assurance

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

**Councillor John Shaw**  
Convener

**Julie Welsh**  
Chief Executive

## Remuneration Report

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

## Remuneration of elected members

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

## Remuneration of senior employees

2021/22 Total Salary, fees and allowances £	Name	Post Held	2022/23 Total Salary, fees and allowances £
115,377	Julie Welsh	Chief Executive	120,592
95,172	Hugh Carr	Head of Strategic Procurement	99,438
95,172	Stephen Brannagan	Head of Customer & Business Services	99,438

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 2023, 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 2022/23		Equivalent bandings for 2021/22
Up to £23,000	5.5%	Up to £22,300
£23,001 to £28,100	7.25%	£22,301 to £27,300
£28,101 to £38,600	8.5%	£27,301 to £37,400
£38,601 to £51,400	9.5%	£37,401 to £49,900
Over £51,401	12%	Over £49,901

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 1/49<sup>th</sup> 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 1/60<sup>th</sup> of final pensionable salary).

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

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

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

Name	Post Held	Accrued Pension Benefits				Pension Contributions made by Scotland Excel	
		As at 31 March 2023		Change from 31 March 2022		2022/23	2021/22
		Pension	Lump Sum	Pension	Lump Sum	£	£
		£000	£000	£000	£000		
Julie Welsh	Chief Executive	32	2	3	0	23,274	22,268
Hugh Carr	Head of Strategic Procurement	22	0	2	0	19,191	18,368
Stephen Brannagan	Head of Customer & Business Services	14	0	1	0	19,191	18,368

## 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 2022/23, in bands of £5,000. Bands not shown contain nil employees.

2021/22 Number of employees	Remuneration Band	2022/23 Number of employees
7	£50,000 - £54,999	14
1	£55,000 - £59,999	6
1	£60,000 - £64,999	3
1	£65,000 - £69,999	1
2	£95,000 - £99,999	0
0	£100,000 - £104,999	2
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1
13		27

## Exit packages

The Joint Committee did not agree any exit packages in either 2021/22 or 2022/23.

**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 2023 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 significant accounting policies. 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 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Scotland Excel as at 31 March 2023 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 2022/23 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 five years, 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 the Scotland Excel Executive Sub-Committee for the financial statements**

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

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

The Scotland Excel 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 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 the 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](http://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 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

## 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.

2021/22			Note	2022/23		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
6,148,176	0	6,148,176	Employee Costs	6,674,420	0	6,674,420
216,500	0	216,500	Property Costs	216,500	0	216,500
627,307	0	627,307	Supplies and Services	990,556	0	990,556
271,925	0	271,925	Support Costs	271,925	0	271,925
18,350	0	18,350	Transfer Payments	21,167	0	21,167
237	0	237	Transport Costs	4,537	0	4,537
14,921	0	14,921	Capital Charges	21,159	0	21,159
0	(2,227,301)	(2,227,301)	Income from Projects	0	(2,826,283)	(2,826,283)
0	(127,547)	(127,547)	Government Grants	0	(98,000)	(98,000)
0	(404,154)	(404,154)	Other Income	0	(742,467)	(742,467)
<b>7,297,416</b>	<b>(2,759,002)</b>	<b>4,538,414</b>	<b>Cost of Services</b>	<b>8,200,264</b>	<b>(3,666,750)</b>	<b>4,533,515</b>
			<b>Financing and Investment Income and Expenditure</b>			
0	(528)	(528)	Interest receivable	0	(1,167)	(1,167)
105,000	0	105,000	Pension interest cost 14	71,000	0	71,000
			<b>Taxation and Non-Specific Grant Income</b>			
0	(3,770,000)	(3,770,000)	Requisitions from Member Authorities 13	0	(3,883,006)	(3,883,006)
<b>7,402,416</b>	<b>(6,529,530)</b>	<b>872,886</b>	<b>Deficit on the provision of services</b>	<b>8,271,264</b>	<b>(7,550,923)</b>	<b>720,342</b>
			<b>Other Comprehensive Income and Expenditure</b>			
		(3,796,000)	Actuarial (Gains) or losses on pension assets and liabilities 14			(3,209,000)
		<b>(2,923,114)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(2,488,658)</b>

Note that figures in brackets represent income or gains and figures without brackets represent expenditure or losses.

## 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 2022		(1,359,130)	2,050,637	691,507
Total Comprehensive Income and Expenditure		720,342	(3,209,000)	(2,488,658)
Adjustments between accounting basis and funding basis under regulations	5	(1,101,098)	1,101,098	0
<b>Increase or (decrease) in year</b>		<b>(380,756)</b>	<b>(2,107,902)</b>	<b>(2,488,658)</b>
Balance at 31 March 2023		(1,739,886)	(57,265)	(1,797,151)

Comparative movements in 2021/22	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 1 April 2021		(1,018,619)	4,633,240	3,614,621
Total Comprehensive Income and Expenditure		872,886	(3,796,000)	(2,923,114)
Adjustments between accounting basis and funding basis under regulations	5	(1,213,397)	1,213,397	0
<b>Increase or (decrease) in year</b>		<b>(340,511)</b>	<b>(2,582,603)</b>	<b>(2,923,114)</b>
Balance at 31 March 2022		(1,359,130)	2,050,637	691,507

## Balance Sheet

The balance sheet shows the value as at 31 March 2023 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 2022 £		Note	As at 31 March 2023 £
95,298	Intangible Assets	6	82,332
35,102	Plant and Equipment	7	40,441
<b>130,400</b>	<b>Long-term Assets</b>		<b>122,773</b>
873,054	Funds held by Renfrewshire Council		814,313
699,708	Short-term Debtors and Prepayments	9	1,286,157
150	Cash in Hand		150
<b>1,572,912</b>	<b>Current Assets</b>		<b>2,100,620</b>
(298,819)	Creditors And Accruals	10	(426,242)
<b>(298,819)</b>	<b>Current Liabilities</b>		<b>(426,242)</b>
(2,096,000)	Pension (liability)/Asset	14	0
<b>(2,096,000)</b>	<b>Long Term Liabilities</b>		<b>0</b>
<b>(691,507)</b>	<b>Net Assets / (Liabilities)</b>		<b>1,797,151</b>
(1,359,130)	Usable Reserves	3	(1,739,886)
2,050,637	Unusable Reserves	4	(57,265)
<b>691,507</b>	<b>Total Reserves</b>		<b>(1,797,151)</b>

The unaudited accounts were issued on 16 June 2023 and the audited accounts were authorised for issue on 15 September 2023.

**Alastair MacArthur**  
Treasurer



## Note 1: Expenditure and Funding Analysis

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

2022/23	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	(2,826,283)				(2,826,283)
Government Grants	0			(98,000)	(98,000)
Other Income	(841,634)			99,167	(742,467)
<b>Cost of Services</b>	<b>3,502,250</b>	<b>7,627</b>	<b>1,042,000</b>	<b>(18,362)</b>	<b>4,533,515</b>
Other income and expenditure	(3,883,006)	0	71,000	(1,167)	(3,813,173)
<b>(Surplus) or deficit on the provision of service</b>	<b>(380,756)</b>	<b>7,627</b>	<b>1,113,000</b>	<b>(19,529)</b>	<b>720,342</b>

2021/22	Net Expenditure chargeable to Scotland Excel £	Adjustments for capital £	Adjustments for pensions £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	5,023,507		1,114,000	10,669	6,148,176
Premises Related Costs	216,500				216,500
Supplies & Services	627,307				627,307
Support Costs	271,925				271,925
Transfer Payments	18,351				18,350
Transport Costs	237				237
Capital Charges	31,192	(16,272)			14,921
Income from Projects	(2,227,301)				(2,227,301)
Government Grants	0			(127,547)	(127,547)
Other Income	(532,228)			128,075	(404,154)
<b>Cost of Services</b>	<b>3,429,490</b>	<b>(16,272)</b>	<b>1,114,000</b>	<b>11,197</b>	<b>4,538,414</b>
Other income and expenditure	(3,770,000)	0	105,000	(528)	(3,665,528)
<b>(Surplus) or deficit on the provision of service</b>	<b>(340,510)</b>	<b>(16,272)</b>	<b>1,219,000</b>	<b>10,669</b>	<b>872,886</b>

## Note 2: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards are adopted within the 2022/23 Code:

- IFRS 16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Code allows implementation from 1 April 2023 and there is therefore no impact on the 2022/23 accounts.

Implementation of *IFRS 16: Leases* has been deferred to 1 April 2024 and there is therefore no impact on the 2022/23 accounts. The impact in future years from the implementation of this standard is that the value of any leased asset, along with the corresponding lease liability, will appear on the balance sheet.

## Note 3: 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.

	Balance at 1 April 2022 £	Transfers out £	Transfers in £	Balance at 31 March 2023 £
Revenue Reserve - uncommitted balance	(246,414)	1,870	0	(244,544)
COSLA Project	(21,019)	21,018	0	(1)
The Academy	(92,321)	0	(67,259)	(159,580)
Digital Transformation	(19,524)	338	0	(19,186)
Dumfries & Galloway Project	(82,081)	45,281	0	(36,800)
Early Learning and Childcare	(17,100)	0	(58,382)	(75,482)
East Lothian Project	(27,367)	44,149	0	16,782
East Renfrewshire Project	(16,652)	0	0	(16,652)
Hosted Procurement	(158,919)	0	(55,255)	(214,174)
National Care Home Contract	(62,619)	5,121	0	(57,498)
New Build Project	88,073	81,143	0	169,216
South Lanarkshire Council	(44,727)	0	(78,861)	(123,588)
Small Value Procurement	(644,850)	0	(257,238)	(902,088)
Stirling Council	(13,609)	0	(5,003)	(18,612)
Scottish Government Rehab Project	0	0	(44,339)	(44,339)
Dundee City Council	0	0	(4,751)	(4,751)
SEEMIS	0	0	(8,588)	(8,588)
<b>Total Usable Reserves</b>	<b>(1,359,130)</b>	<b>198,920</b>	<b>(579,676)</b>	<b>(1,739,886)</b>

	Balance at 31 March 2023 £	Committed £	Uncommitted Balance £	Note
Revenue Reserve - uncommitted balance	(244,544)	0	(244,544)	(a)
COSLA Project	(1)	(1)	0	(b)
The Academy	(159,580)	(159,580)	0	(b)
Digital Transformation	(19,186)	(19,186)	0	(b)
Dumfries & Galloway Project	(36,800)	(36,800)	0	(b)
Early Learning and Childcare	(75,482)	(75,482)	0	(b)
East Lothian Project	16,782	16,782	0	(b)
East Renfrewshire Project	(16,652)	(16,652)	0	(b)
Hosted Procurement	(214,174)	(214,174)	0	(b)
National Care Home Contract	(57,498)	(57,498)	0	(b)
New Build Project	169,216	169,216	0	(b)
South Lanarkshire	(123,588)	(123,588)	0	(b)
Small Value Procurement	(902,088)	(902,088)	0	(b)
Stirling Council	(18,612)	(18,612)	0	(b)
Scottish Government Rehab Project	(44,339)	(44,339)	0	(b)
Dundee City Council	(4,751)	(4,751)	0	(b)
SEEMIS	(8,588)	(8,588)	0	(b)
<b>Total Usable Reserves</b>	<b>(1,739,886)</b>	<b>(1,495,342)</b>	<b>(244,544)</b>	

## Notes

- a) The balance on the Revenue Reserve represents 5.4% of the Cost of Services in 2022/23 (5.5% in 2021/22);  
b) Balances are ring-fenced for continuing 2023/24 Project delivery.

## Note 4: 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 2023 (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. In March 2022 this was a debit balance, indicating a shortfall in Scotland Excel's share of future pension obligations at that time. Statutory arrangements, such as the triennial valuations, ensure that funding will have been set aside by the time that benefits come to be paid.

2021/22 £	Pension Reserve	2022/23 £
4,673,000	Balance as at 1 April	2,096,000
-3,796,000	Actuarial (gains) and losses on pension assets and liabilities	(10,844,000)
0	Restriction to pension asset ceiling	7,635,000
1,219,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,113,000
2,096,000	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.

2021/22 £	Employee Statutory Adjustment Account	2022/23 £
74,367	Balance as at 1 April	85,036
(74,368)	Reversal of prior year accrual for short-term accumulating compensated absences	(85,036)
85,037	Accrual for short-term accumulating compensating absences at 31 March	65,507
85,036	Balance as at 31 March	65,507

## 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.

2021/22 £	Capital Adjustment Account	2022/23 £
(114,127)	Balance as at 1 April	(130,399)
14,920	Charges for depreciation of non-current assets	21,159
(31,192)	Capital expenditure charged against Revenue balances	(13,532)
(130,399)	Balance as at 31 March	(122,772)

## Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserve was £1,101,098 more than the deficit shown in the Comprehensive Income and Expenditure Statement. The table below gives a breakdown of the differences between the income and expenditure included in the CIES in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2022/23	Usable Reserves £	Unusable Reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Charges for depreciation of non-current assets	(21,159)	21,159
Capital expenditure charged against Revenue balances	13,532	(13,532)
<b>Adjustments primarily involving the Pension Reserve:</b>		
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)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>		
Net charges for employment short-term accumulating absences	19,529	(19,529)
<b>Total adjustments</b>	<b>(1,101,098)</b>	<b>1,101,098</b>

2021/22	Usable Reserves £	Unusable Reserves £
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Charges for depreciation of non-current assets	(14,920)	14,920
Capital expenditure charged against Revenue balances	31,192	(31,192)
<b>Adjustments primarily involving the Pension Reserve:</b>		
Net charges made for retirement benefits in accordance with IAS19	(1,855,000)	1,855,000
Employers contributions payable to the Strathclyde Pension Fund	636,000	(636,000)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>		
Net charges for employment short-term accumulating absences	(10,669)	10,669
<b>Total adjustments</b>	<b>(1,213,397)</b>	<b>1,213,397</b>

## Note 6: Intangible Assets

2021/22 £	Software	2022/23 £
	<b>Opening balance</b>	
129,660	Gross carrying amounts	129,660
(21,396)	Accumulated amortisation	(34,362)
<b>108,264</b>	<b>Net carrying amount at 1 April</b>	<b>95,298</b>
0	Additions	0
(12,966)	Amortisation for the year	(12,966)
<b>95,298</b>	<b>Net carrying amount at 31 March</b>	<b>82,332</b>
	<b>Comprising:</b>	
129,660	Gross carrying amounts	129,660
(34,362)	Accumulated amortisation	(47,328)
<b>95,298</b>		<b>82,332</b>

## Note 7: Plant and Equipment

2021/22 £	Plant and Equipment	2022/23 £
	<b>Cost or Valuation</b>	
<b>23,979</b>	<b>Opening balance at 1 April</b>	<b>55,171</b>
31,192	Additions	13,532
<b>55,171</b>	<b>Gross Book Value at 31 March</b>	<b>68,703</b>
	<b>Depreciation and Impairment</b>	
<b>(18,115)</b>	<b>Accumulated depreciation at 1 April</b>	<b>(20,069)</b>
(1,954)	Depreciation charge for year	(8,193)
<b>(20,069)</b>	<b>Accumulated depreciation at 31 March</b>	<b>(28,262)</b>
<b>5,864</b>	<b>Opening Net Book Value</b>	<b>35,102</b>
<b>35,102</b>	<b>Closing Net Book Value</b>	<b>40,441</b>

## Note 8: External audit costs

2021/22 £		2022/23 £
6,320	Fees payable in respect of external audit services	10,510

## Note 9: Debtors

As at 31 March 2022 £	Short-term debtors	As at 31 March 2023 £
86,234	Prepayments	108,630
613,474	Other receivable amounts	1,177,527
699,708	<b>Total</b>	<b>1,286,157</b>

## Note 10: Creditors

As at 31 March 2022 £	Short-term creditors	As at 31 March 2023 £
(37,960)	Trade payables	(61,779)
(260,859)	Other payables	(364,463)
<b>(298,819)</b>	<b>Total</b>	<b>(426,242)</b>

## Note 11: 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 (2021/22 £97,000).

2021/22 £	Future Minimum Lease Payments	2022/23 £
97,000	Not later than one year	97,000
388,000	Between one and five years	388,000
194,000	Later than five years	97,000
<b>679,000</b>	<b>Total</b>	<b>582,000</b>

## Note 12: Events after the balance sheet date

The audited accounts are issued to the Joint Committee on 16 June 2023. Where events taking place before this date provided information about conditions existing at 31 March 2023, 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 13: 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.

## 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 2022/23 is shown in the Remuneration Report on page 14.

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 2023, it was comprised of the following councillors:

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
Carolyn 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
Peter Henderson	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:

2021/22 £	Council	%	2022/23 £
149,800	Aberdeen City	4.0%	154,289
167,763	Aberdeenshire	4.4%	172,791
87,710	Angus	2.3%	90,340
70,967	Argyll and Bute	1.9%	73,094
52,013	Clackmannanshire	1.4%	53,574
105,741	Dumfries and Galloway	2.8%	108,910
105,993	Dundee City	2.8%	109,171
90,918	East Ayrshire	2.4%	93,643
83,537	East Dunbartonshire	2.2%	86,041
82,681	East Lothian	2.2%	85,160
76,300	East Renfrewshire	2.0%	78,587
313,348	City of Edinburgh	8.3%	322,741
38,313	Eilean Siar	1.0%	39,462
112,382	Falkirk	3.0%	115,750
229,780	Fife	6.1%	236,667
373,073	Glasgow City	9.9%	384,257
153,752	Highland	4.1%	158,361
66,512	Inverclyde	1.8%	68,506
74,603	Midlothian	2.0%	76,841
76,460	Moray	2.0%	78,752
97,946	North Ayrshire	2.6%	100,881
212,013	North Lanarkshire	5.6%	218,370
35,857	Orkney Islands	1.0%	36,932
107,447	Perth and Kinross	2.9%	110,667
122,434	Renfrewshire	3.2%	126,104
87,330	Scottish Borders	2.3%	89,947
36,216	Shetland Islands	1.0%	37,301
85,729	South Ayrshire	2.3%	88,298
200,511	South Lanarkshire	5.3%	206,520
75,571	Stirling	2.0%	77,836
72,657	West Dunbartonshire	1.9%	74,834
124,643	West Lothian	3.3%	128,379
<b>3,770,000</b>	<b>Total</b>	<b>100%</b>	<b>3,883,006</b>

A number of councils participated in targeted procurement projects over the course of 2022/23, as well as contributing towards participation in work related to the National Care Home Contract- (NCHC). Income received for 2022/23 was as follows:

Council	NCHC	Projects
	£	£
Aberdeen City	8,288	133,216
Aberdeenshire	9,231	0
Angus	4,862	20,811
Argyll and Bute	4,000	565
Clackmannanshire	2,872	140
Dumfries and Galloway	5,909	304,081
Dundee City	5,847	127,000
East Ayrshire	5,046	0
East Dunbartonshire	4,534	0
East Lothian	4,411	45,962
East Renfrewshire	4,103	813
City of Edinburgh	16,310	0
Eilean Siar	2,134	0
Falkirk	6,114	0
Fife	12,577	0
Glasgow City	19,653	2,452
Highland	8,452	30,502
Inverclyde	3,754	0
Midlothian	3,898	0
Moray	4,185	0
North Ayrshire	5,498	2,245
North Lanarkshire	11,694	1,730
Orkney Islands	0	130
Perth and Kinross	5,826	2,439
Renfrewshire	6,647	0
Scottish Borders	4,780	36,300
Shetland Islands	0	1,943
South Ayrshire	4,103	410
South Lanarkshire	11,079	229,350
Stirling	4,656	82,260
West Dunbartonshire	4,042	565
West Lothian	6,709	0
<b>Total</b>	<b>201,214</b>	<b>1,022,914</b>

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 2022/23, Scotland Excel paid Renfrewshire Council £159,250 for support services (2021/22 £159,250). Scotland Excel also received £2k 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 14: 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 2022/23. Those bodies contributing a material level of income for 2022/23 were as follows:

Other Public and Associated Bodies	£
City Property Glasgow LLP	17,500
COSLA	74,944
Department of Health Northern Ireland	127,100
Forestry and Land Scotland	19,870
Link Group Ltd	14,340
NHS Greater Glasgow and Clyde	13,200
NHS Highland	8,452
River Clyde Homes	8,860
Scottish Government	10,440
Scottish Police Authority	11,940
SEEMiS Group LLP	9,088
Strathclyde Partnership for Transport	10,500
Wheatley Housing Group Limited	40,000
<b>Total</b>	<b>366,234</b>

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



## Note 14: 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.

### 14a: Transactions relating to retirement benefits

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

The following transactions have been made in the accounting statements in 2022/23:

2021/22 £		2022/23 £
	<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	
1,750,000	Current service cost	1,787,000
<b>1,750,000</b>		<b>1,787,000</b>
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	
105,000	Net Interest	71,000
<b>1,855,000</b>	<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,858,000</b>
	<b>Other post employment benefit charged to the CIES</b>	
(1,241,000)	Return on assets excluding amounts included in net interest	1,022,000
(2,555,000)	Actuarial (gains) and losses arising on changes in financial assumptions	(11,866,000)
<b>(3,796,000)</b>	<b>Total Actuarial (gains) and losses</b>	<b>(10,844,000)</b>
<b>(1,941,000)</b>	<b>Total post employment benefit charged to the CIES</b>	<b>(8,986,000)</b>
	<b>Movement in Reserves Statement</b>	
2,577,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	9,731,000
<b>636,000</b>	<b>Employers Contributions paid to Strathclyde Pension Fund</b>	<b>745,000</b>

**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.

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 2022/23 these amounted to £25,530 (2020/21 £22,661).

## 14b: 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:

2021/22 £000		2022/23 £000
25,995	Opening present value	25,688
1,750	Current service cost	1,787
537	Interest Cost	717
231	Contributions from employees	266
(270)	Benefits Paid	(288)
	<b>Remeasurement (gains)/losses:</b>	
(2,555)	Actuarial (gains)/losses arising from changes in financial assumptions	(11,866)
<b>25,688</b>	<b>Balance as at 31 March</b>	<b>16,304</b>

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

2021/22 £000		2022/23 £000
21,322	Opening Fair Value	23,592
432	Interest Income	646
636	Contributions from employer	745
231	Contributions from employees	266
(270)	Benefits Paid	(288)
	<b>Remeasurement gain/(loss):</b>	
1,241	Return on assets excluding amounts included in net interest	(1,022)
<b>23,592</b>	<b>Closing fair value of scheme assets</b>	<b>23,939</b>

## 14c: Fund history

	2018/19 £000	2019/20 £000	2020/21 (restated) £000	2021/22 £000	2022/23 £000
Present Value of Liabilities	(19,788)	(18,074)	(25,995)	(25,688)	(16,304)
Fair value of assets	16,167	16,152	21,322	23,592	23,939
Restriction to asset ceiling	0	0	0	0	(7,635)
<b>Surplus/(deficit) in the Fund</b>	<b>(3,621)</b>	<b>(1,922)</b>	<b>(4,673)</b>	<b>(2,096)</b>	<b>0</b>

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

The total asset of £7.635m 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 2023. This ceiling, or cap, has been calculated to be £0.

2021/22 £000		2022/23 £000
(25,688)	Present value of defined benefit obligation	(16,304)
23,592	Fair Value of scheme assets	23,939
0	Restriction to asset ceiling	(7,635)
(2,096)	Net asset/(liability) arising from defined benefit obligation	0

## 14d: 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 2021/22 and 2022/23.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2024 is £745k.

## 14e: 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:

2021/22	Mortality assumptions	2022/23
<b>Longevity at 65 for current pensioners (years)</b>		
19.6	Men	19.3
22.4	Women	22.2
<b>Longevity at 65 for Future pensioners (years)</b>		
21.0	Men	20.5
24.5	Women	24.2
<b>Other assumptions</b>		
3.90%	Rate of increase in salaries	3.65%
3.20%	Rate of increase in pensions	2.95%
2.70%	Rate for discounting scheme liabilities	4.75%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
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%	405
1 Yr increase in member life expectancy	4.0%	652
0.1% increase in Salary Increase Rate	0.0%	48
0.1% increase in Pension Increase Rate	2.0%	363

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

2021/22 £000		%	2022/23 £000
9,817	Equity instruments	44.3%	10,601
1,990	Real Estate	8.2%	1,974
11,185	Investment Funds and Unit Trusts	45.6%	10,910
600	Cash and Cash Equivalents	1.9%	454
<b>23,592</b>	<b>Total</b>	<b>100.0%</b>	<b>23,939</b>

## Note 15: 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%-0.2% of gross obligations, which equates to between £25.9k and £51.8k for Scotland Excel. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

## Note 16: Summary of Significant Accounting Policies

### A General Principles

The Annual Accounts summarise the Joint Committee's transactions for the 2022/23 financial year and its financial position as at 31 March 2023. 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 17: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 16, 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 11: Operating Leases.

## Note 18: 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 2023 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 £0.405m, equating to a 2% increase. The carrying value of the pension liability was £7.635m as at 31 March 2023 (capped at £0). For further details see Note 15: Retirement Benefits.