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**WEST OF SCOTLAND EUROPEAN FORUM**

**ANNUAL ACCOUNTS**

**For the year ended 31 March 2018**

**(Pre-Audit Inspection Copy)**

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# WEST OF SCOTLAND EUROPEAN FORUM

## Financial Statements for the Year ended 31 March 2018

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## ❖ Management Commentary

The West of Scotland European Forum (WSEF) was set up in 2007. Its purpose is to develop positive links between the communities of the region and the institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WSEC). In addition to the local authorities who are members of WSEF, there are a number of other organisations in the region who participate in Forum activities.

Covering a geographically diverse region stretching from the Southern Uplands to the Highlands and Islands, this varied territory covered by forum members includes the Clydeside conurbation, the City of Glasgow, and several important industrial areas.

In 2017/18 the Forum continued to work within its “Smarter Working” framework that had been agreed in 2010. Work focused on 2 main issues – the delivery of the 2014-2020 Scottish EU funding programmes (including the South West Scotland Youth Employment Initiative) and the implications of the EU referendum result for economic regeneration in the West of Scotland. In carrying out these tasks the Forum continued its long standing collaboration with The Industrial Communities Alliance (ICA). It also cooperated closely with other Scottish stakeholders in promoting the opportunities provided to seek support from a number of European Territorial Cooperation programmes.

The accounts have been prepared on a going concern basis.

In respect of its financial affairs, 2017/18 saw the conclusion of the Forum’s long term strategy to set its budgets with the aim of reducing its balance to about one year’s running costs; hence the modest reduction in the overall balance reported in these financial statements. This balance will protect the organization in light of the current economic climate which has put local authority budgets under significant pressure. Future budgets will be prepared on the basis of achieving a general balance between the Forum’s income and expenditure.

### **Financial results**

In 2017/18 total income was £42,385 and total expenditure was £48,498, resulting in a deficit for the year of £6,113, leaving a balance of funds carried forward of £42,820.

## ❖ **Statement of Responsibilities for the Statement of Accounts**

### **1. The lead authority's responsibilities**

The lead authority is required:

- To make arrangements for the proper administration of the Forum's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Glasgow City Council, that officer is the Executive Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets.
- To ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003) and
- To approve the Annual Accounts for signature.

These Annual Accounts will be considered by the Forum before 31 August 2018 and submitted to the Forum to be approved for signature no later than 30 September 2018.

### **2. The Executive Director of Finance responsibilities**

The Executive Director of Finance is responsible for the preparation of the Service's Annual Accounts, in accordance with proper practices, as required by legislation and as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Annual Accounts, the Executive Director of Finance 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 Code.

The Executive Director of Finance has also:

- Kept adequate accounting records, which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a 'true and fair view' of the financial position of West of Scotland European Forum as at 31 March 2018 and the transactions for the year then ended.

Martin Booth BA CPFA MBA  
Executive Director of Finance  
18 June 2018

## ❖ Movement in Reserves Statement for the Year ended 31 March 2018

The Code requires reserves to be summarised as usable and unusable. The balance in WOSEF is the sole usable reserve and represents the accumulated surplus of the organisation.

The balance held by the Forum stands at £42,820 as at 31 March 2018, a decrease of £6,113 from last year, due to the deficit on the provision of services in the year.

	<b>Total Reserves £</b>
<b>Balance at 1 April 2016</b>	<b>58,090</b>
<b>Movement in reserves during 2016/17:</b>	
Surplus or (Deficit) on the Provision of Services	(9,157)
Other Comprehensive Income and (Expenditure)	0
<b>Increase or (Decrease) in the year</b>	<b>(9,157)</b>
<b>Balance at 31 March 2017</b>	<b>48,933</b>
<b>Movement in reserves during 2017/18:</b>	
Surplus or (Deficit) on the Provision of Services	(6,113)
Other Comprehensive Income and (Expenditure)	0
<b>Increase or (Decrease) in the year</b>	<b>(6,113)</b>
<b>Balance at 31 March 2018</b>	<b>42,820</b>

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

2016/17 Net Exp. £	Service	Note	2017/18 Net Expenditure £
51,590	Gross expenditure	3	48,498
(42,198)	Gross income	3	(42,198)
<b>9,392</b>	<b>Cost of Services</b>		<b>6,300</b>
(235)	Interest and investment income		(187)
<b>(235)</b>	<b>Financing and Investment Income and Expenditure</b>		<b>(187)</b>
<b>9,157</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>6,113</b>
<b>0</b>	<b>Other Comprehensive (Income) and Expenditure</b>		<b>0</b>
<b>9,157</b>	<b>Total Comprehensive (Income) and Expenditure</b>		<b>6,113</b>

**Comprehensive Income and Expenditure Statement** – shows income and expenditure incurred in the year relating to the provision of WOSEF services, and other unrealised gains and losses. In total, this reflects the movement in the overall WOSEF reserves shown in the Balance Sheet.



❖ **Balance Sheet as at 31 March 2018**

31 March 2017 £		Note	31 March 2018 £
50,186	Net short-term debtors	6	44,100
<b>50,186</b>	<b>Current Assets</b>		<b>44,100</b>
(1,253)	Short-term creditors	7	(1,280)
<b>(1,253)</b>	<b>Current Liabilities</b>		<b>(1,280)</b>
<b>48,933</b>	<b>Net Assets / (Liabilities)</b>		<b>42,820</b>
<b>48,933</b>	<b>Usable Reserves</b>		<b>42,820</b>
0	Unusable Reserves		0
<b>48,933</b>	<b>Total Reserves</b>		<b>42,820</b>

**Balance Sheet** – represents the value of the assets and liabilities of WOSEF as at 31 March. The net assets (assets less liabilities) are matched by the total Usable and Unusable Reserves.

The unaudited accounts were issued  
on 18 June 2018

Martin Booth BA CPFA MBA  
Executive Director of Finance  
18 June 2018

❖ **Cash Flow Statement for the Year ended 31 March 2018**

2016/17 £	Revenue Activities	2017/18 £
(9,157)	Surplus or (Deficit) on the Provision of Services	(6,113)
	Adjustments for non-cash items:	
9,177	(Increase) / decrease in debtors	6,086
(20)	Increase / (decrease) in creditors	27
9,157		6,113
0	<b>Net cash inflow / (outflow) from activities</b>	0

**Cash Flow Statement** – details the changes in cash and cash equivalents of the Forum. The statement shows the Forum generated a negative cash balance through an operating deficit in the year 2017/18. This is matched by a movement in debtors (balance held by Glasgow City Council on behalf of WOSEF) and creditors to leave a net nil balance.

## ❖ Notes to the accounts

The main objective of these notes is to provide further explanation for certain aspects of the core Financial Statements.

### 1. Statement of accounting policies

- 1.1 The Financial Statements for the year ended 31 March 2018 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of the Forum.
- 1.2 The accounting concepts of materiality, accruals, going concern and primacy of legislative requirements have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that the Forum will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict, the latter shall apply.
- 1.3 The accounting convention adopted is historical cost modified by the revaluation of certain categories of long-term assets and the fair value of investments and pensions.
- 1.4 Suppliers' invoices received up to 31 March 2018 have been included in the accounts. In addition, various items of expenditure have been accrued in accordance with the Code where the goods or services were received prior to 31 March 2018. Salaries and wages earned to 31 March 2018 are included in the accounts for 2017/18 irrespective of when the actual payments were made.
- 1.5 Income includes all sums due in respect of subscriptions from member authorities and other organisations and interest earned on fund balances for the year ended 31 March 2018.
- 1.6 There were no complex transactions or potential future uncertainties requiring critical judgements or estimations of uncertainty in preparing the 2017/18 accounts.

## **2. New standards issued but not yet adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS9 Financial Instruments
- IFRS15 Revenue from Contracts with Customers
- IAS12 Income Taxes
- IAS7 Statement of Cash Flows

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 annual accounts.

IFRS9 is a new standard that authorities are required to adhere to in relation to financial instruments. IFRS15 is a new standard that authorities are required to adhere to in relation to contracts with customers. IAS12 recognises amendments in relation to recognition of deferred tax assets for unrealised losses. IAS7 recognises amendments in relation to disclosure initiatives. Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

### 3. Income and expenditure statement

The table below provides a detailed breakdown of income and expenditure of the Forum during 2017/18:

2016/17 Net Exp. £		Note	2017/18 Net Expenditure £
<b>Income</b>			
(235)	Interest		(187)
(42,198)	Contributions from participating local authorities	4	(42,198)
<b>(42,433)</b>	<b>Total income</b>		<b>(42,385)</b>
<b>Expenditure</b>			
18,125	Employee costs		18,186
	Administration costs:		
26,000	Subscriptions		26,000
2,027	Travel and operational costs		1,413
3,558	Miscellaneous		979
1,880	Audit fee	10	1,920
<b>51,590</b>	<b>Total expenditure</b>		<b>48,498</b>
9,157	(Surplus) or deficit for year		6,113
(58,090)	(Surplus) brought forward		(48,933)
<b>(48,933)</b>	<b>Accumulated (surplus) or deficit</b>		<b>(42,820)</b>

#### 4. Local authority subscriptions

The majority of income received by WOSEF is derived from contributions received from the local authorities and other organisations who are members of the Forum.

A detailed breakdown of each member's contribution to the Forum in respect of 2017/18 and the previous year is shown in the table below:-

<i>Annual Subscription 2016/17 £</i>	<b>Local Authority</b>	<i>Annual Subscription 2017/18 £</i>
2,176	East Ayrshire Council	2,176
2,004	South Ayrshire Council	2,004
2,552	Renfrewshire Council	2,552
1,822	West Dunbartonshire Council	1,822
2,004	East Dunbartonshire Council	2,004
2,552	North Ayrshire Council	2,552
1,632	East Renfrewshire Council	1,632
10,880	Glasgow City Council	10,880
1,632	Argyll and Bute Council	1,632
5,440	South Lanarkshire Council	5,440
5,440	North Lanarkshire Council	5,440
1,632	Inverclyde Council	1,632
1,632	Strathclyde Partnership for Transport	1,632
800	Other contributions	800
<b>42,198</b>	<b>Total</b>	<b>42,198</b>

#### 5. Employee benefits

The staff member of the Forum is a Glasgow City Council employee and the council is an admitted body of the Strathclyde Pension Fund.

In accordance with International Accounting Standard 19 (IAS 19) – Employee Benefits, the council is required to disclose certain information concerning assets, liabilities, income and expenditure, of the pension scheme. The Forum's staff pension costs are reflected in the figures disclosed in Glasgow City Council's financial statements.

The Code requires that employee benefits are recognised in the accounts when they are earned rather than when they are paid. As a result, there is a requirement to consider notional entitlements to annual leave earned but not taken as at 31 March. The employee working on the Forum's activities is contracted to Glasgow City Council and therefore any notional liability has been included within the accounts of Glasgow City Council who holds the contract of employment.

## 6. Short-term debtors

The net short-term debtors figure of £44,100 for 2017/18 is comprised of the following:-

31 March 2017 £	Short-term debtors	31 March 2018 £
50,186	Balance held by GCC on behalf of WOSEF	44,100
<b>50,186</b>	<b>Total sundry debtors</b>	<b>44,100</b>

## 7. Short-term creditors

The short-term creditors figure for 2017/18 of £1,280 (2016/17 £1,253) comprises the following:-

31 March 2017 £	Short-term creditors	31 March 2018 £
1,253	Accrued audit fees	1,280
<b>1,253</b>	<b>Total sundry creditors</b>	<b>1,280</b>

## 8. Remuneration Report

West of Scotland European Forum is a Joint Committee comprised of several local authorities and other organisations. Given that Glasgow City Council (GCC) is the lead authority, the senior management are deemed to be from GCC. Details of remuneration paid to senior management at GCC is available in the remuneration report included within GCC's financial statements. The employee working on the project does not earn more than £50,000. No remuneration was paid to the members of the Forum.

## 9. Related Parties

Glasgow City Council is the administering body responsible for WOSEF. The related party transactions between WOSEF and Glasgow City Council are shown in the table below:

2016/17 Net Exp/(Inc) £	Debtor/(Creditor) at 31 March 2017 £	Related Party transactions and balances	2017/18 Exp £	2017/18 Inc £	Debtor/(Creditor) at 31 March 2018 £
		<b>Related bodies</b>			
(10,880)	50,186	Glasgow City Council	0	10,880	44,100

## **10. Auditor remuneration**

WOSEF incurred fees of £1,920 (2016/17 £1,880) for the statutory inspection of the financial statements by Audit Scotland. Fees payable in respect of other services provided by the appointed auditor were £nil (2016/17 £nil).

## **11. Events after the balance sheet date**

There were no material events between 31 March 2018 and the date of signing that require to be reflected in the Financial Statements.

## **12. Accounts issued for authorisation**

The unaudited Financial Statements will be considered by the Forum before 31 August 2018.



## **Governance Statement**

### **Scope of responsibility**

The West of Scotland European Forum 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 and properly accounted for. The Forum also has a statutory duty to make arrangements to secure best value, to ensure public funds are used economically, efficiently and effectively and to ensure continuous improvement in the way its functions are exercised.

In discharging this responsibility, members are responsible for ensuring proper arrangements for the governance of the Forum's affairs and facilitating the effective exercise of its functions, which includes the management of risk.

WOSEF's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) by virtue of the adoption by Glasgow City Council of a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government.

The Code is regularly reviewed and evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended standards.

The Forum relies on the Council which has embedded a system of risk management and internal control. While providing reasonable assurance, these systems cannot, however, provide absolute assurance or certainty in entirely eliminating the risk of the Council failing to achieve its aims and objectives; incurring material errors; losses; fraud or breaches of laws and regulations.

### **The Joint Committee's Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Forum is directed and controlled. Through the framework it is accountable to, engages with and leads the community. It enables the Forum to monitor the achievement of its objectives against its plans and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The governance framework will be continually updated to reflect best practice, new legislative requirements and the expectations of stakeholders.

The Forum has responsibility for ensuring the continuing effectiveness of its governance framework and system of internal control. The main features of the Forum's governance arrangements are as follows:-

- A formal document outlining the Forum's objectives, membership, lead and support authority arrangements, budgetary processes and meeting frequency
- The Forum is supported by a Steering Group of officers from the member councils and other bodies
- Compliance with Glasgow City Council's Standing Orders, Scheme of Delegation and Financial Regulations
- Regular meetings of WOSEF
- A budget setting process which includes the agreed local authority and other bodies contributions to the annual running costs of the organisation
- The regulation of employee matters through the Council's Code of Conduct for employees

### **Review of Effectiveness**

The Council's governance arrangements continue to be regarded as fit for purpose in accordance with the new legislative requirements and the expectations of stakeholders. The effectiveness of the framework, including the system of internal control, is considered at least annually and is informed by:

- (a) The work of the members of the Extended Corporate Management Team, who have responsibility for the development and maintenance of the governance environment.
- (b) Oversight by the Director of Governance and Solicitor to the Council.
- (c) The Head of Audit and Inspection's annual report. Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions and complies with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- (d) Observations made by external auditors and other review agencies and inspectorates.
- (e) The completion of a self-assessment questionnaire by Service Executive Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates. This questionnaire is aligned to the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires assessments to be made of the extent to which arrangements within each Service/organisation comply with these principles. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme of corporate governance reviews.
- (f) The completion of signed statements of internal control by all Service Directors and the Managing Directors/Chief Executives of subsidiaries and relevant associates. Such statements were received for 2017/18, declaring that "There are, in my opinion, no significant matters that require to be raised in this Certificate, which is provided to

support Glasgow City Council's Statement of Internal Control for the financial year 2017/18, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately”.

- (g) The exercising, by the two Scrutiny Committees, of respective remits including scrutiny of the performance of Services, subsidiaries and relevant associates, including financial management, statutory and other performance, and outcomes set through the SOA, which are relevant to partnership working and monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports.

Senior officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by Internal and External Audit, and plans to address weaknesses and ensure continuous improvement of the systems are in place.

### **Governance Developments and Future Activity**

The following activity is planned, in relation to the governance framework, in 2018/19:

- The Corporate Procurement and Commercial Improvement Strategy 2018 to 2022 will be presented for approval with the aim of being implemented in June 2018.
- Following its review and re-launch in May 2018, the Corporate Risk Management Policy and Framework will be fully implemented and applied for all risk management activities.
- Continued review of the Performance Management Framework and progression of the agreed improvement activities.
- Review of the Corporate Asset Management Plan.
- Review and re-launch of the Whistleblowing Policy.
- Continuation of the Council Family Review including implementation of the decisions in relation to Cordia and CSG and further consideration of Council services and structures.

### **Update on significant governance issues previously reported**

During 2015/16 an Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and identified a number of improvement actions for the Council and its (then) ICT partner ACCESS. In 2017/18, the Council continued to implement measures to strengthen resilience, including migration to a new purpose built back-up site, providing more storage capacity and scalability to meet future Disaster Recovery and resilience needs; the implementation of a new Business Continuity Management Framework; and the inclusion of Disaster Recovery provision and recovery priorities and timescales within the Council's new ICT contract. A Council wide Business Continuity test was also completed in June 2017. Internal Audit will undertake further assurance work in this area during 2018/19.

### **Significant Governance Issues**

Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2017/18 there were no unsatisfactory opinions issued relating to the Council's assurance.

### **Internal audit Opinion**

Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates and, excluding the significant issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and internal control environment which operated during 2017/18 in the West of Scotland European Forum.

### **Certification**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in the West of Scotland European Forum and that these arrangements were in place for the whole of 2017/18.

We will continue to review and enhance, as necessary, our governance arrangements.