Agenda Item

4

Assessor for Central Scotland

AGENDA ITEM 5

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: **FINAL FINANCIAL STATEMENTS AS AT 31 MARCH 2017 and EXTERNAL AUDIT REPORT**
Meeting: **CENTRAL SCOTLAND VALUATION JOINT BOARD**
Date: **29th SEPTEMBER 2017**
Author: **TREASURER**

1. INTRODUCTION

1.1 The Board is required by law to prepare a statement of accounts in accordance with 'proper practices' which set out its financial position at the end of each financial year. This is defined as meaning compliance with the terms of the Code of Practice in Local Authority Accounting in the United Kingdom prepared by CIPFA/ LASAAC Joint Committee.

1.2 The Code specifies the principles of accounting required to give a 'true and fair' view of the financial position and transactions of the Board, following completion of the audit.

1.3 The Board is legally obliged to complete the draft accounts and submit them by 30th June 2017 to the External Auditor so that they can be scrutinised for accuracy and completeness.

1.4 The Audit of the Accounts is required to be completed and the final accounts approved by the Board for signature by the 30th September 2017. In considering the final accounts, the Board are required to have regard to the report produced by the External Auditor as attached in Appendix 1 – ‘Annual Audit Report to the Board and the Controller of Audit on the 2016/17 Audit’.

2. RECOMMENDATIONS

2.1 The Joint Board is asked to note the 2016/17 Financial Statements and agree to their submission to the Controller of Audit and note the External Auditors report on the Audit.

3. BACKGROUND

3.1 At the Board meeting on the 23rd June 2017 the submission of the draft Accounts to the External Auditor was approved by the Board. It was noted in the report that a final audited set of accounts, and the auditors report, would be presented to the Board at the next appropriate meeting.

3.2 This report now ensures that the Board formally approve the Audited Accounts prior to their submission to the Controller of Audit.

3.3 The main financial statements comprise a:

- Expenditure and Funding Analysis
- Comprehensive Income and Expenditure Account
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

3.4 The deficit on the provision of services reported in the Comprehensive Income and Expenditure Account is (£644k). However this includes £269k of accounting adjustments which require to be reversed out in the Movement in Reserves Statement to create a deficit of (£375k) for the year.

3.5 The useable surplus brought forward from previous years is £880k. The deficit in the year is (£375k). Therefore the surplus carried forward to future years is £505K. There is £310k set-aside for approved earmarked projects. This leaves a useable general reserves balance of £195k. The reserves strategy is to maintain a minimum level of useable general reserves of 6% (£155k). This will be reviewed as part of the budget setting process.

3.6 The external auditors, Audit Scotland, have now completed the audit of the draft accounts and their report on the accounts is included within their Final report to the Board in Appendix 1. This is the first year Audit Scotland is the external auditors for the Board.

3.7 The Board will note that the Partner Introduction indicates an unmodified or ‘clean’ audit opinion on the accounts and as a result of the Audit process there have been no material adjustments made to the draft accounts.

4. CONCLUSIONS

4.1 The Valuation Joint Board has outturned a deficit of (£375k) which when subtracted from previous surpluses results in a net surplus of £505k now being held.

……………………………………..
Treasurer
29th September 2017

LIST OF BACKGROUND PAPERS

Appendix 1 Audit Scotland – Annual Audit Report 2016/17
Appendix 2 Central Scotland Valuation Joint Board Financial Statements 2016/17

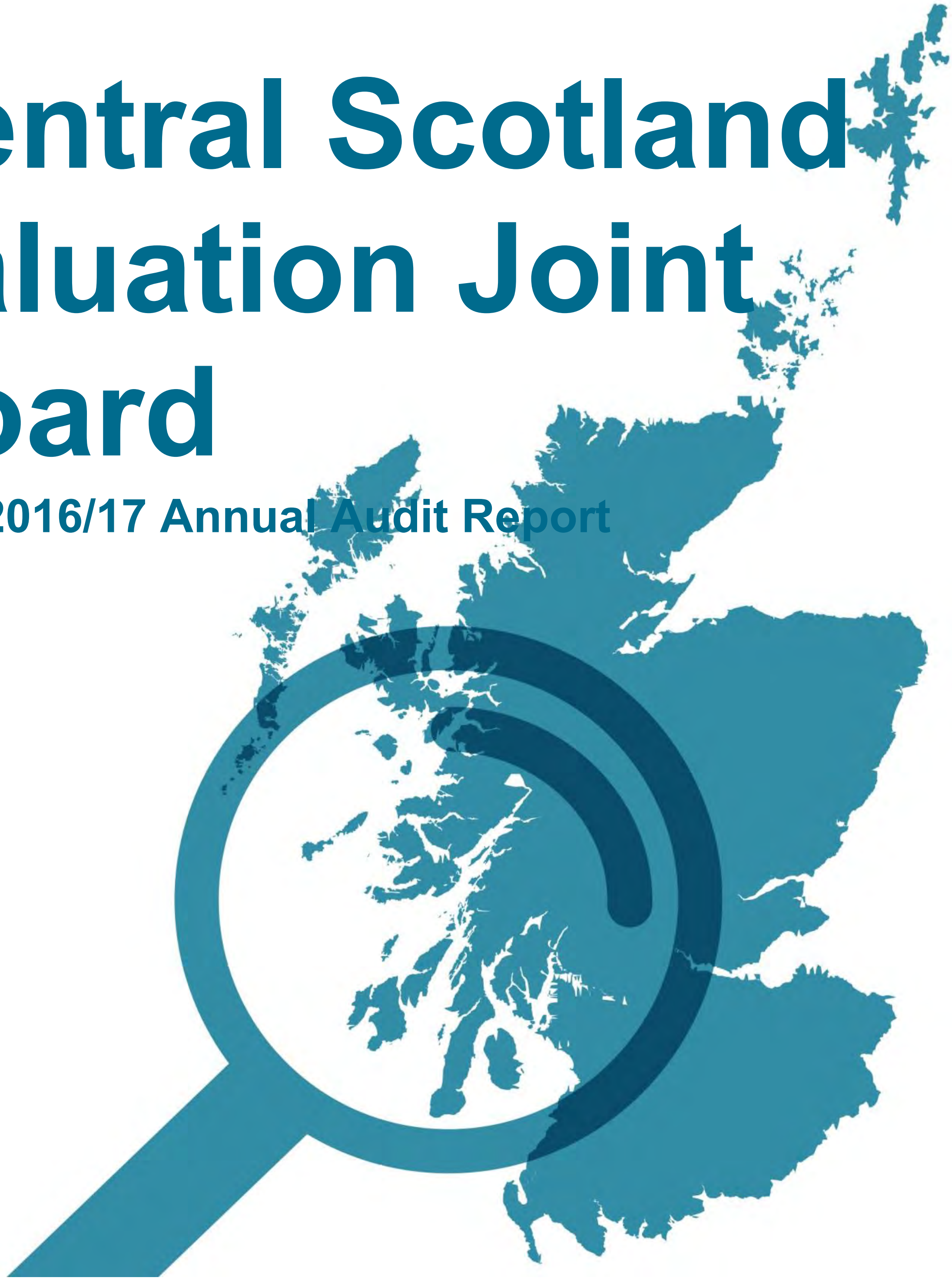
1. Annual Year End Working Papers.

Any person wishing to inspect the above background papers should contact Clackmannanshire Council, Finance Services, on Alloa (01259) 452078 or 226214.

Appendix 1

Central Scotland Valuation Joint Board

Draft 2016/17 Annual Audit Report



AUDIT SCOTLAND

To Members of Central Scotland Valuation Joint Board and the Controller of Audit

September 2017

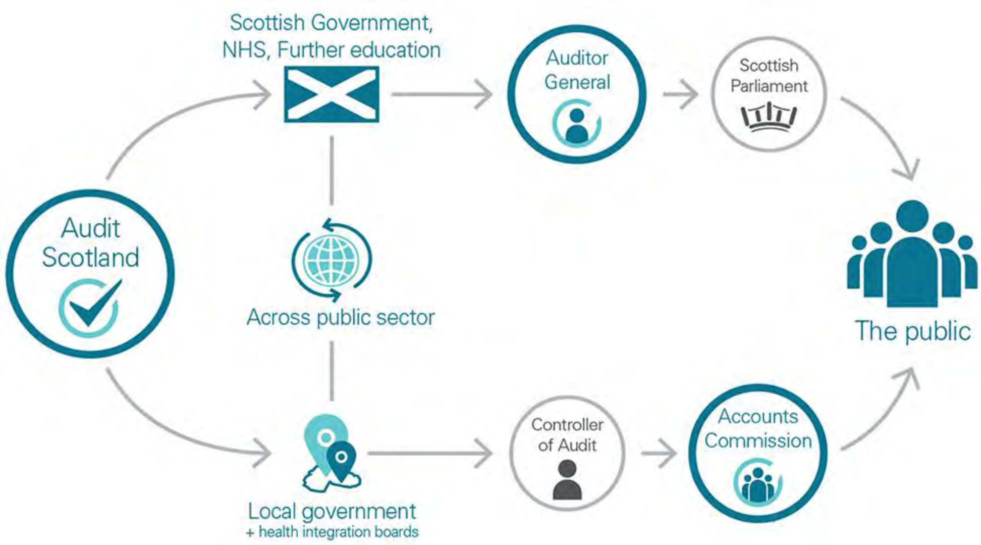
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

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

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Key messages

Audit of the 2016/17 annual accounts

1 **Our audit opinions are unqualified and cover the financial statements, the management commentary, the annual governance statement and aspects of the remuneration report.**

Financial management

2 **The Board's 2016/17 outturn position resulted in a reduction in useable reserves, mainly due to a refund to constituent authorities in line with the agreed budget and reserves policy.**

Financial sustainability

3 **The Board's financial position has been managed through the use of reserves. However, rising demands, increasing costs and reductions to income will continue to place a strain on the Board's capacity to deliver the current level of service.**

Governance and transparency

4 **The Board's governance arrangements provide an appropriate framework for organisational decision-making. However, a number of policies and procedures require to be reviewed and updated.**

5 **The Board is open and transparent in the way it conducts it business, with public access to Board meetings.**

Value for money

6 **Performance management information is reported regularly at Board meetings.**

7 **Business performance has deteriorated in the last year. The Board has highlighted the 2017 revaluation exercise as the main contributing factor.**

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Central Scotland Valuation Joint Board (the Board).

2. The scope of the audit was set out in our Annual Audit Plan. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 1.

Exhibit 1
Audit dimensions

Source: Code of Audit Practice 2016

3. The main element of our audit work in 2016/17 has been an audit of the Board's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.

4. The Board is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the *Code of Audit Practice 2016* guided by the auditing profession's ethical guidance.

6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within the Board to manage its performance and use of resources such as money, staff and assets. Additionally, we consider the Board’s Best Value arrangements. In doing this, we aim to support improvement and accountability.

7. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

9. Our Annual Audit Report contains an action plan at Appendix 1 (page 18). It sets out specific recommendations, responsible officers and dates for implementation.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the Joint Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts

Main judgements

Our audit opinions are unqualified and cover the financial statements, the management commentary, the annual governance statement and aspects of the remuneration report.

Unqualified audit opinions

13. The annual report and financial statements for the year ended 31 March 2017 were approved by the Board on 29 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, the annual governance statement and the remuneration report.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

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

Submission of the Board's annual report and financial statements for audit

15. We received the unaudited annual report and financial statements on 30 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.

16. The working papers provided with the unaudited annual report and financial statements were of a good standard and finance staff provided good support to the audit team during the audit.

Risk of material misstatement

17. Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate. The materiality levels we applied during the audit are summarised in Exhibit 2.

Exhibit 2
Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£28,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality.	£21,000
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£5,000

Source: Audit Scotland

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. All errors identified were adjusted by management.

Significant findings

23. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. There are no significant findings.

Other findings

24. Our audit identified some minor presentational issues which were discussed with management. These were adjusted and reflected in the audited annual report and financial statements.

Part 2
Financial management

Main judgements

The Board's 2016/17 outturn position resulted in a reduction in useable reserves, mainly due to a refund to constituent authorities in line with the agreed budget and reserves policy.

Financial performance in 2016/17

25. In February 2016 the Board approved its budget for 2016/17. Total budgeted expenditure was £2.619 million and total budgeted income was £2.515 million. This resulted in a forecast deficit of £0.104 million which the Board agreed to meet through the use of reserves. The budget was aligned to the Board's statutory objectives to ensure services were delivered.

26. The Board reported a deficit on the provision of services for the year of £0.644 million. This resulted in a reduction in usable reserves of £0.375 million. This was mainly due to a refund of £0.440 million to constituent authorities agreed by the Board in its 2016/17 budget.

27. The Board's management accounts report a surplus for the year of £0.169 million. This differs from the position reported in the financial statements due to impact of statutory accounting adjustments such as pension benefits. The main reasons for the surplus are summarised in Exhibit 3.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Exhibit 3
Summary of significant underspends

Area	Underspend (£)	Main reason(s) for variance
Underspends/over recovery		
Employee related expenditure	£88,331	As a result of the delay in finalising the final elements of the organisational restructure.
Supplies and services	£25,428	Due mainly to delays in the disaster recovery procurement process, and a stationery underspend.
Income	£30,891	Due to additional income received to support Individual Electoral Registration.

Source: CSVJB annual report and accounts 2016/17

Budgetary monitoring and control

28. We noted that the Board's budget is aligned to its statutory objectives. Budget monitoring updates are provided regularly to meetings of the Board. The budget monitoring updates provide details on variances against the budget and forecast year-end positions. This allows members and officers to take actions to address forecast over and under spends.

Internal controls

29. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the Board has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

30. The systems in place at the Board are hosted by Clackmannanshire Council and we assessed them in our role as external auditors of the Council. We identified some areas where controls were not operating as expected or improvements could be made. No significant control weaknesses were identified which could affect the Board's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud

31. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Board's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, and fraud prevention.

32. Based on the evidence reviewed by us, we concluded that the Board has reasonable arrangements in place for the prevention and detection of fraud. However areas for improvement including developing a whistleblowing policy and fraud policy have been identified in the Board's annual governance statement.

Part 3
Financial sustainability

Main judgements

The Board's financial position has been managed through the use of reserves. However, rising demands, increasing costs and reductions to income will continue to place a strain on the Board's capacity to deliver the current level of service.

Financial planning

33. It is important that long-term financial strategies (typically covering five years or more) are in place which link spending to the Board's corporate strategy. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the Board.

34. The Board prepares its budget on an annual basis. Officers prepare a three year service plan and forecasts of the Board's funding position for the next three years. The Board has yet to develop longer-term financial strategies covering at least five years.

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

Funding position

35. The Board approved its 2017/18 budget in February 2017 with proposed total expenditure of £2.584 million. The Board has budgeted for requisitions from member of authorities of £2.464 million. This results in a funding gap for 2017/18 of £0.12 million, which will be funded from uncommitted reserves.

36. The Board is facing challenges in maintaining a sustainable financial position. These include rising demands for services, increasing costs and reductions in income. By 2019/20 the funding gap is forecast to be £0.445 million.

Recommendation 1

The Board should work to develop savings plans to address funding gaps.

Reserves

37. In common with other joint boards, the Board has no specific powers to retain reserves to meet future requirements and the amounts held in reserves belong to the member local authorities. These balances are used to support medium-term financial planning and address any unforeseen costs.

38. In 2016/17 the overall level of useable reserves held by the Board decreased from £0.880 million to £0.505 million. This represented 7.5% of budgeted net expenditure. When the 2017/18 budget was approved the board gave approval for the minimum reserve balance level to increase from 4% to 6% of the budget in anticipation of future years' funding pressures. The current reserves level is 7.5%. The Board has agreed to keep the level of reserves under review and consider further disbursements to constituent authorities.

Part 4

Governance and transparency

Main Judgements

The Board's governance arrangements provide an appropriate framework for organisational decision-making. However, a number of policies and procedures require to be reviewed and updated.

The Board is open and transparent in the way it conducts it business, with public access to Board meetings.

Governance arrangements

39. Members and management of the Board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the Board has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision-making.

40. As part of our audit work we reviewed the Board's governance policies and procedures and found that some, including the scheme of delegation and contract standing orders, had not been updated for a number of years. The Board is aware that policies and procedures need to be updated and has plans to do this.

Recommendation 2

The Board should review and update its policies and procedures to reflect its current arrangements.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Management commentary and the annual governance statement

41. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires Joint Boards to prepare and publish, along with their financial statements, a management commentary (or equivalent) and an annual governance statement that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

42. Based on our knowledge and work performed, we concluded that the management commentary and the annual governance statement are consistent with the financial statements.

Internal audit

43. Internal audit provides senior management and elected members with independent assurance on the Board's overall risk management, internal control and corporate governance processes. The internal audit function is carried out by Clackmannanshire Council's internal audit team.

44. The Council began a one year pilot joint working agreement with Falkirk Council on 1 April 2017 for the provision of a jointly resourced internal audit service to Clackmannanshire Council and Central Scotland Valuation Joint Board. Falkirk Council provides management and resources under the terms of the agreement. Falkirk Council's internal audit manager is responsible for leading the jointly resourced service. We will review how effectively this arrangement is working as part of our 2017/18 review of the adequacy of internal audit.

45. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we did review audit reports that were relevant to our work to help with our understanding of the systems and processes in place.

Transparency

46. Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources such as money, people and assets.

47. There is evidence from a number of sources which demonstrate the Board's commitment to transparency. Members of the public can attend Board meetings and Board papers are available on the Falkirk Council website. This includes a wide range of information on corporate policies, targets and performance and the financial statements; however the location of the papers on the website could be better signposted.

48. Overall, we concluded that the Board conducts its business in an open and transparent manner however the information held online could be made more easily accessible.

Equalities

49. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

50. We reviewed the current Equalities and Mainstreaming report published in April 2017 and concluded the Board has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the Board
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

51. We concluded, on the basis of evidence reviewed, that the Board is proactive in ensuring that equality is mainstreamed.

Part 5

Value for money

Main judgements

Performance management information is reported regularly at Board meetings.

Business performance has deteriorated in the last year. The Board has highlighted the 2017 revaluation exercise as the main contributing factor.

Best Value

52. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Following the public pound

53. Local government bodies have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

54. The Board's financial regulations state that it will continuously strive to secure value for money and economy, efficiency and effectiveness in its use of resources.

Value for money is concerned with using resources effectively and continually improving services.

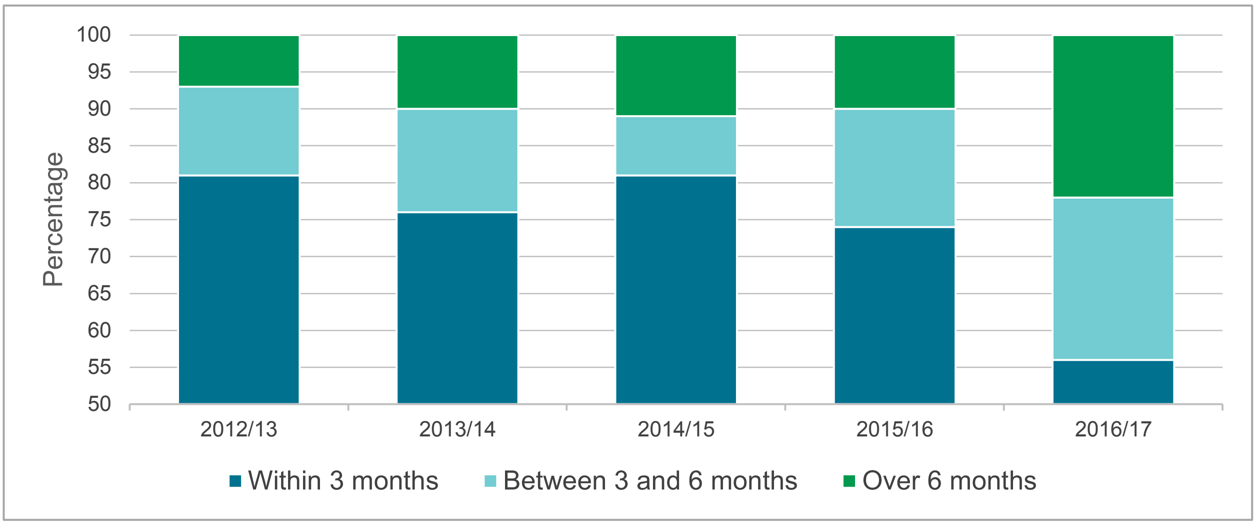
Performance management

55. Performance against key performance indicators is reported regularly to the Board. A Public Performance Report has been produced and this information is also reported in the management commentary in the annual report and financial statements.

56. Exhibit 4 shows the Board's performance against key targets over the last five years. Performance for valuation roll and valuation list work has deteriorated over the last twelve months. This was mainly due to the extra work required to deliver the 2017 revaluation.

Exhibit 4

Analysis of Amendments to Valuation Roll performance over the last five years



Source: CSVJB Best Value Reports 2012/13 - 2016/17

57. Performance standards for electoral registration are set by the Electoral Commission. We have not noted any issues with the Board's performance against these.

National performance audit reports

58. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Joint Board. These are outlined in Appendix 3.

Appendix 1
Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/responsible officer/timing
11	**1. Financial sustainability** The Board is facing challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing cots of services and reductions in funding. The Board forecasts its funding gap will rise to £0.445 million by 2019/20. **Risk** The Board is unable to deliver its required services.	The Board should work to develop savings plans to address funding gaps.	The Assessor works with his Management Team and the Treasurer to prepare savings options each year. Discussions are already scheduled in respect of 2018/19 Budget setting process including consultation with constituent authorities to ensure the proposals presented to the Board in the Budget are affordable. Responsible officer: Treasurer and Assessor
13	**2. Governance policies and procedures** A number of the Board's policies require to be updated. These include the: • scheme of delegation • contract standing orders • financial regulations and financial codes • employee code of conduct. **Risk** Without up to date policies and procedures there is a risk that services are not delivered effectively and failures in governance could occur.	The Board should review and update its policies and procedures to reflect its current arrangements.	This work has been highlighted during the year. Revised policies and procedures will be presented to the Board for approval during 2017/18. Responsible officer: Assessor

Appendix 2

Significant audit risks identified during planning

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

	Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements			
1	**Risk of management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of significant management estimates and evaluation of the impact of any variability in key assumptions. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. Substantive testing of transactions after the year end to confirm expenditure and income has been accounted for in the correct financial year.	We tested journal entries, accruals and prepayments and found no material errors.
2	**Risk of fraud over expenditure** Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom and the Code of Audit Practice requires consideration of risk of fraud over expenditure (excluding payroll costs which are already a core part of all annual audits). The board incurs significant expenditure on what is described as other operating costs which require audit coverage.	There are a range of measures in place to prevent and detect fraud, including Financial Regulations, Standing Orders and a Code of Conduct for Staff. The board relies on Clackmannanshire Council's fraud policy arrangements. Participation in National Fraud Initiative as part of Clackmannanshire Council.	We tested controls on expenditure recognition and recording and found no significant issues.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice			
3	**Financial sustainability and financial management** The board set its Revenue Budget 2016/17 in February 2016. The budget identified a funding gap of £105k to be	Effective budget monitoring by management. The achievement of underspend monitored through reports to the board.	We carried out focussed cut-off testing at year-end and confirmed expenditure and income has been accounted for in the correct financial year. We reviewed the budget outturn

Audit risk	Assurance procedure	Results and conclusions
addressed by a transfer from uncommitted reserves. The September 2016 outturn report highlighted a projected underspend against budget of £75k, with the underspend relating mainly to employee costs. The likelihood is future funding levels will put added pressure on the budget setting process, and make financial sustainability increasingly challenging to maintain.		at year end and confirmed there was an underspend reported in the management accounts. We reviewed medium term financial plans, following the approval of the 2017/18 budget and concluded that funding gaps have been identified which will have to be addressed if the recommended level of reserves is to be maintained.
4 Transparency of Joint Board committee papers The board does not have its own website. Committee papers are on Falkirk Council's website but are not obviously available. Other content is held on the Scottish Assessors Association (SAA) website. There is a risk that CSVJB does not demonstrate high standards of corporate governance including openness and transparency in decision-making.	The SAA website is moving its content to Wordpress from 1.3.17. This will give more control over content and updates.	We reviewed the availability to the public of committee papers and concluded that improvements are required to allow members of the public to more easily locate Board papers on Falkirk Council's website.

Appendix 3

Summary of national performance reports 2016/17

2016/17 Reports

Apr			
May	Common Agricultural Policy Futures programme: an update		
Jun	South Ayrshire Council: Best Value audit report	The National Fraud Initiative in Scotland	
Jul	Audit of higher education in Scottish universities	Supporting Scotland's economic growth	
Aug	Maintaining Scotland's roads: a follow-up report	Superfast broadband for Scotland: a progress update	Scotland's colleges 2016
Sept	Social work in Scotland	Scotland's new financial powers	
Oct	Angus Council: Best Value audit report	NHS in Scotland 2016	
Nov	How councils work – Roles and working relationships in councils	Local government in Scotland: Financial overview 2015/16	
Dec	Falkirk Council: Best Value audit report	East Dunbartonshire Council: Best Value audit report	
Jan			
Feb	Scotland's NHS workforce		
Mar	Local government in Scotland: Performance and challenges 2017	i6: a review	Managing new financial powers: an update

Local government relevant reports

The National Fraud Initiative in Scotland - June 2016

How councils work - Roles and working relationships in councils - November 2016

Local government in Scotland: Financial overview 2015/16 - November 2016

Local government in Scotland: Performance and challenges 2017 - March 2017

Central Scotland Valuation Joint Board

Draft 2016/17 Annual Audit Report 2016/17 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or **info@audit-scotland.gov.uk**

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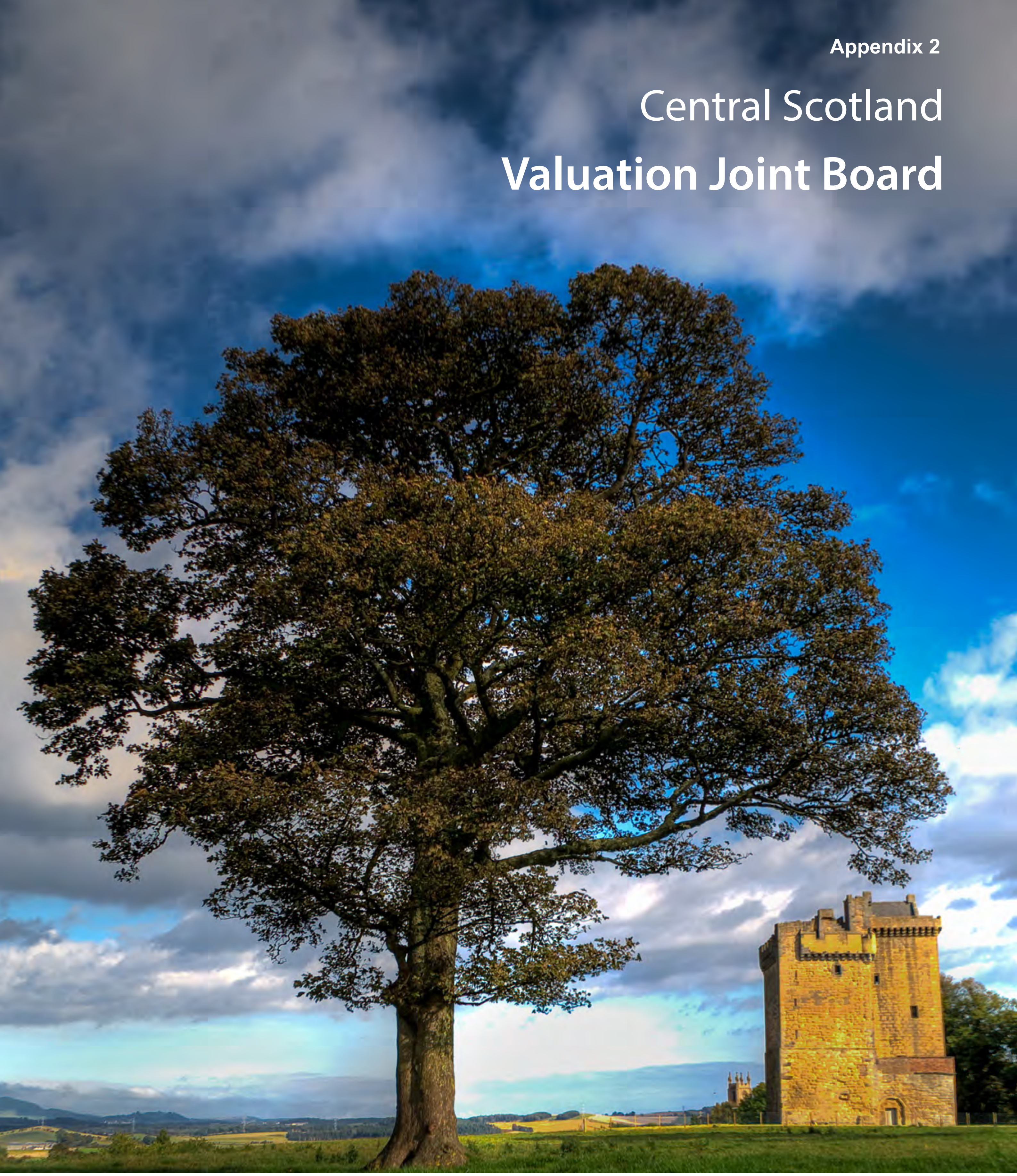
Appendix 2

Central Scotland
Valuation Joint Board



Assessor for Central Scotland

Financial Statements
2016-2017

CENTRAL SCOTLAND VALUATION JOINT BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/17

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CENTRAL SCOTLAND VALUATION JOINT BOARD

MEMBERS AND OFFICIALS

CONVENOR

Councillor C MacDonald, Falkirk Council

DEPUTE CONVENOR

Councillor K Earle, Clackmannanshire Council (From 23 Sept 2016)
Councillor C Holden, Clackmannanshire Council (To 22 June 2016)

FALKIRK COUNCIL

Appointed Members:-
Councillor G Hughes
Councillor A Mahoney
Councillor C Meiklejohn
Councillor R Murray
Councillor A Nimmo
Councillor A Turner

STIRLING COUNCIL

Appointed Members:-
Councillor N Benny
Councillor M Brisley
Councillor C McChord
Councillor J Thomson

CLACKMANNANSHIRE COUNCIL

Appointed Members:-
Councillor D Balsillie (To 22 June 2016)
Councillor I Hamilton (To 22 June 2016)
Councillor J Stalker (From 23 June 2016)
Councillor D Stewart (From 23 June 2016)

OFFICIALS

Assessor	-	Peter Wildman
Clerk	-	Rose Mary Glackin
Treasurer	-	Nikki Bridle

Due to a change within the political administration in Clackmannanshire Council there was a change in membership as at the 23 June 2016. The depute convenor was appointed at the next scheduled board meeting of the 23rd September 2016. All other members were in post during the full financial year.

CENTRAL SCOTLAND VALUATION JOINT BOARD

MANAGEMENT COMMENTARY 2016/17

Introduction
This commentary sets the scene and context for the Financial Statements for Central Scotland Valuation Joint Board (the Board) for the year ended 31 March 2017. This commentary provides specific details in relation to the Board's financial position, its priorities and performance and our strategies and plans for achieving these objectives. The Management Commentary is required to present the collective view of those charged with governance and apply relevant sections of the Companies Act 2006 in respect of the preparation of a Strategic Report. The Annual Accounts have been compiled in accordance with the Code requirements which governs the format and content contained within them.

Strategic context
Central Scotland Valuation Area covers three council areas of Clackmannanshire, Falkirk and Stirling. The Board employs 44 staff who are based in Stirling at the administrative headquarters, Hillside House. The Board comprises 15 elected members drawn from the three constituent authorities of Falkirk, Stirling and Clackmannanshire Councils. The Board Convener is Councillor MacDonald from Falkirk Council and the Depute Convener, Councillor Earle from Clackmannanshire Council.

The Valuation Joint Board appoints an Assessor for the Valuation Area and bears the costs of the Assessor carrying out his statutory duties. The three Councils have also appointed the Assessor as Electoral Registration Officer. The Assessor is Pete Wildman.

The Board is supported by its Clerk, Rose Mary Glackin from Falkirk Council and its Treasurer, Nikki Bridle from Clackmannanshire Council. Finance, Legal and HR services are currently provided by Clackmannanshire Council.

The Assessor has three core statutory duties. These are:

1. **Valuation of Lands and Heritages**

   The Valuation Roll contains every non-domestic property (unless exempted by statute) in the Valuation Area showing the rateable value of the property. Rateable value is effectively the estimated rental value of the property. There are approximately 11,500 non-domestic properties in Central Scotland with a total rateable value of just under £325 million. The Roll includes commercial properties like shops and offices, industrial properties from small workshops to giants like the petrochemical works and the refinery at Grangemouth, and publicly owned properties such as schools and sport centres. The Assessor maintains survey records of each property and is obliged by law to carry out regular revaluations of non-domestic properties. The next revaluation comes into effect on 1 April 2017. Between revaluations the Assessor must maintain the Roll to reflect new and altered properties. Significant work was carried out during the course of the year to revalue the non-domestic subjects for the 2017 Revaluation. This was a major project for the Board and work was shared with the other Assessors in Scotland to ensure maximum efficiency and avoid duplication. Draft valuations were published in December 2016 and the new Valuation Roll was made up on 15 March 2017 and will come in to force on 1 April 2017. The 2017 Revaluation will see the inclusion of Shooting Rights and Deer Forests in the Valuation Roll again. They were excluded from the Valuation Roll in April 1995. Work is still progressing on this both locally and nationally and it is anticipated that entries will be made by 30 September 2017

Strategic Context (continued)

The vast majority of valuation appeals from the 2005 Revaluation have been dealt with. There are a few appeals from the 2005 Revaluation still to be heard by the Lands Tribunal. Of the original 3,532 properties under appeal following the 2010 Revaluation 29 properties remain under appeal at the end of March 2017. The appeals on these properties have all been referred to the Lands Tribunal for determination. Work has also continued to deal with the appeals arising from changes to the 2010 Roll since it was first made up. Appeals against the new 2017 Valuation Roll entries can be made up to 30 September 2017 and it is anticipated that the number of appeals will be in line with previous revaluations resulting in a significant workload. All appeals against the new values must be disposed of by 31 December 2020.

2. Compiling the Valuation List

All domestic properties are shown in the Valuation List. The Assessor places every domestic property in a valuation band based on the capital value that the property would have had at April 1991 and in line with statutory assumptions. The construction of new building continues resulting in new entries being made to the Valuation List. Work also continues to review the bandings of properties which have sold and have been extended since they were last banded. There are now nearly 140,000 domestic properties on the Council Tax Valuation List in Central Scotland.

3. Compiling the Register of Electors

The Register of Electors is published annually and is a listing of every declared eligible elector in each local authority area set against the local address that satisfies the residence qualification. The Register is used for all Local Government, United Kingdom, Scottish and European Parliamentary Elections. It is also used for Community Councils' elections and for referendums. In combination with data from other Electoral Registration Officers it is used to compile a register as required for National Park Elections. The Electoral Registration Officer is also required to publish an Open Register and to maintain Absent Voter Lists.

The new Register of Electors was published on 1 December 2016 with the number of Local Government electors increasing to 225,933. Details of registered 15 and 14 year olds are not shown in published copies of the Register.

The second full canvass under the new registration system was carried out during 2016/17. We sent Household Enquiry Forms to every residential property in our area. The canvass process is now a two stage process with a Household Enquiry Form forming the first phase. This is used to identify any electors who have moved in or out of the property. The form is only an enquiry form and changes cannot be made to the Register as a result of this form being returned. For any new names on the form we must issue a personal Invitation to register which is accompanied by a personalised registration form. For any name scored off on the Household form we must either identify a second source of information to confirm this or carry out a statutory review of registration. Every Invitation to Register and every Household Enquiry Form must be followed up with two reminders and a personal visit. We are not required to personally visit under 16 year olds. The household enquiry phase was completed as required by the 1st December 2016 deadline.

Strategic Context (continued)

The Invitation to Register phase follows on from this. The process is heavily prescribed and the follow up requirements are resource intensive, this has significantly increased the administrative and postage costs of electoral registration.

The number of online registrations increased ahead of the 2016 Scottish Parliamentary Election and significant work was carried out in preparation for the 2016 EU Referendum which took place in June 2016. Work was completed to prepare for both the Scottish Local Government Elections held on 4 May 2017 and the UK General Election on the 8 June 2017.

In common with other public sector organisations, the Board has seen additional expenditure pressures arising from legislative changes such as the implementation of Individual Electoral Registration & a Records Management Plan whilst at the same time the anticipated funding level is set to reduce. The Board also has to ensure that it complies fully with Health & Safety, Data Protection, Freedom of Information and Equalities Duties. These duties represent a sizeable workload for the organisation and during 2016/17 a revised Records Management plan was submitted to the National Records of Scotland for approval.

Strategic Financial Planning

In the approved Budget for 2017/18, set in February 2017, the medium term forecast suggests an anticipated funding gap of £445k by 2019/2020. The Board utilised £120k of reserves in setting its 2017/18 budget.

The Assessor/Electoral Registration Officer (ERO) is taking steps to ensure that the Board's cost base is sustainable for the medium to long term, though this remains challenging given the limited areas for review. A full review of the staffing structure was carried out in 2015/16 with the aim of producing a more flexible and streamlined structure. This restructure was completed by December 2016. The focus for the coming years will be on optimising records management and reviewing internal business processes to ensure that the efficiency of service delivery is maximised. These priorities and actions are all reflected in the Management Team's three year service plan.

The financial position presented in the financial statements provides the basis from which the Board and the Assessor will address the challenging times ahead and support the necessary transition to new, more efficient models of service delivery for the future.

The balance sheet shows a net liability position for 2016/17 due to a deficit in the pension scheme. The level of contributions was agreed with the actuaries in 2014 and will be reviewed during the course of 2017/18 in line with the funding requirements. The pension position is not expected to have a short term impact on the financial viability of the Board. During the triennial valuation in 17-18 the assessor and treasurer will review the actuarial advice to ensure the long term sustainability of the of the Board to meet the pension contributions and reduce the pension deficit.

Business Performance

The Board receives and monitors performance reports on a regular basis. The current arrangements have been in place since the core indicators were agreed with the then Scottish Executive and Accounts Commission in October 2000. Reports also include trend information covering the previous three years' performance. Key performance indicators measuring performance against targets for the last three years are set out in Exhibit 1 below. This summary indicates a reduction in performance over the last 12 months, which reflects the extra work of delivering the 2017 Revaluation, the long term absence of two qualified surveyors and the number of trainee surveyors. More details is set out in the Best Value Report to the VJB on 23 June 2017.The Annual Public Performance Report is also published on the Assessors' Portal at www.saa.gov.uk.

The ERO also met the performance standards set by the Electoral Commission.

Exhibit 1: Performance against key targets 2014/15 to 2016/17

Indicator – Valuation Roll	2014/15 Target %	2014/15 Actual %	2015/16 Target %	2015/16 Actual %	2016/17 Target %	2016/17 Actual %
Changes made in less than 3 months	82	81	82	74	75	56
Changes made in less than 6 months	93	89	93	90	90	78
Changes made in more than 6 months	7	11	7	10	10	22
Indicator – Valuation List	2014/15 Target	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target %	2016/17 Actual %
In less than 3 months	97	97	97	97	97	89
In less than 6 months	99	99	99	99	99	99
In more than 6 months	1	1	1	1	1	1

Targets for 2017/18 have also been proposed based on returning to the historic trend of high performance. However, one area the Board may look at in the future is the cost of maintaining these levels of performance and whether there is the potential to reduce costs by taking explicit decisions to reduce service standards. Should such proposals be considered, these would involve consultation with our key partners and stakeholders. It should be noted that all the functions of the Assessor and ERO are statutory and prescribed.

Financial Performance 2016/17

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and they present a true and fair view of the financial position of the Board and its income and expenditure for the year ended 31 March 2017. A brief explanation of each statement and its purpose is provided on pages 27-31. An Annual Governance Statement is also provided at page 16 and a Remuneration Report is included at page 19.

The final Outturn position in the management accounts reports an underspend of £169k of which £88k is as a result of the delay in finalising the final elements of the restructure which was completed in December 2016, with the remaining underspends attributable to staff travel expenses being lower than budget (£14k), computer expenses (£25k) and an additional £30k of income being received during the year above that already budgeted for.

On an accounting basis the deficit on the provision of services for the financial year reported in the Comprehensive Income and Expenditure Statement is £644k (page 28). However this takes account of £269k of technical adjustments between the accounting and funding basis. When these are added to the deficit shown in the Comprehensive Income and Expenditure Statement the net deficit is reduced to £375k.

The usable reserves surplus brought forward from previous years is £880k. The usable reserves deficit in the year, per above, is £375k. The surplus carried forward to future years is, therefore, £505k. The balance of £505k has been retained as a surplus attributable to the constituent authorities in usable reserves.

A comprehensive analysis of the Board's reserves is provided in the Movements in Reserves Statement on page 29 and supporting notes.

Of the £505k balance at 31 March 2017, £310k is earmarked for specific purposes as approved by the Board in February 2017 when setting the budget. The committed balance can be summarised as follows:

Exhibit 2: Committed reserves 2016/17

	Total
	£000
17/18 Budget Funding	120
Spend to Save Fund	60
Property Maintenance Fund	130
Net Committed Reserves	**310**

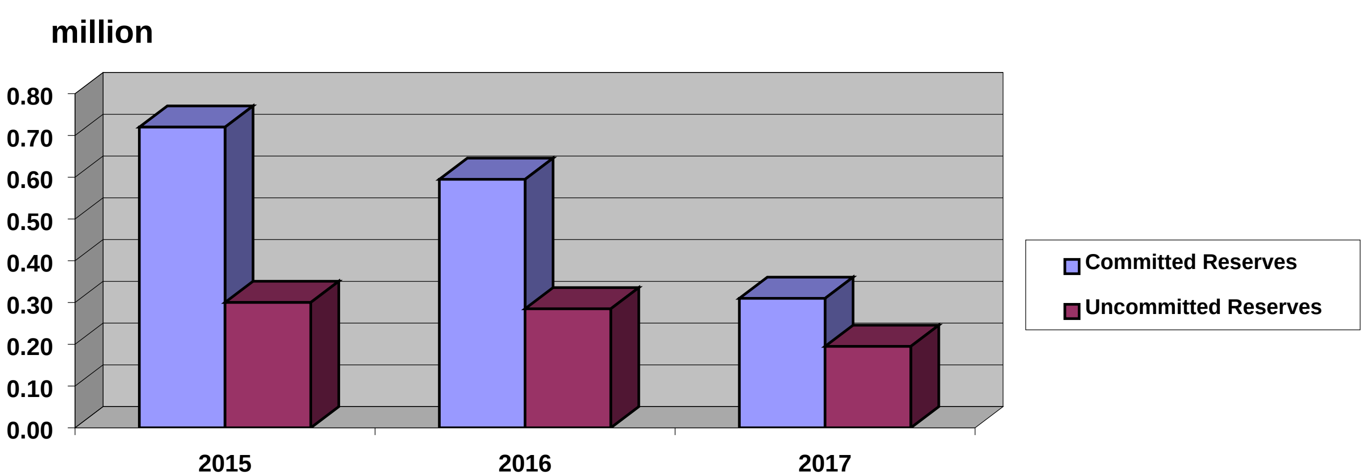
Financial Performance 2016/17 (continued)

When the Board approved the 2017/18 Budget on 17th February 2017 approval was given to increase the minimum reserve balance to 6% from 4% of the Budget in recognition of anticipated future years' pressures.

The current reserves represent a level of 7.5%. During 2016/17, £440k was refunded to the constituent authorities. The level of reserves held is kept under review by the Board's Treasurer to ensure that they are not excessive. Further disbursements to the constituent authorities will be considered relative to the maintenance of a prudent level of reserves within the prevailing operating context.

The movement in the Board's reserve position over the last three years (trend) is shown below:

Exhibit 3: Trend in reserves position 2014/15-2016/17



Financial Ratios

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends that certain financial ratios are included in the Management Commentary to assist the reader to assess the performance of the Board over the financial year and of the affordability of its ongoing commitments. The following table provides the indicators with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	Commentary	2016/17	2015/16
Reserves			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Board's Policy is 6% of annual budgeted net expenditure which is considered appropriate in the context of the Board's financial and ongoing risk profile.	7.5%	10.9%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Board is using its Uncommitted General Fund Reserve. This movement is due to the planned reduction of reserves over the last 2 years to be in line with the minimum reserve level.	(31.9%)	(4.7%)
Financial Management			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. The final outturn position was £169k underspend.	93.6%	85.7%

Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. It is the duty of the Board to determine and keep under review the maximum amount that it can afford to allocate to capital expenditure together with the associated revenue implications. In 2016/17, the Board invested £32k on assets including a telephone system, computer monitors and hard drives which meet the definition of capital expenditure. The costs of this investment were met by Capital from Current Revenue contributions (CFCR), i.e. from usable reserves. The new asset is reflected in the Board's Balance sheet as an addition under Property, Plant and Equipment.

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at March 2017 disclosed a deficit of £8.711m. The calculation is prepared for the purposes of International Accounting Standard 19 (IAS 19) reporting requirements and is not relevant for funding purposes. This is simply a snapshot of the position at that time. The latest long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2014 and contributions to the fund continue in line with current actuarial advice which is consistent with planned annual stepped increases until March 2018.

The pension deficit records an increase of £2.503m which is an adverse movement in the year due to the impact of changes in the discount rate applied in the year. The discount rate is calculated on a prescribed basis.

Business Environment and Risks

A key economic variable during 2016/17 has been the impact of Brexit on the UK economy. Thus far, the impact has been muted with share prices remaining relatively positive and the pound demonstrating some recovery against the dollar after the initial slump. However, it is still very early in the process and it remains likely that uncertainty will continue to prevail until Brexit actually commences in more practical terms, though the timescales for this remain uncertain too.

In February 2017, the Office for National statistics (ONS) reported UK price inflation of 2.3% which is above the Government’s 2% target for the first time since September 2013. Future inflation rates are difficult to predict. However, it is clear that Brexit and the consequential devaluation of the pound have made imports more expensive. As a consequence, there is economic evidence to suggest that businesses are now passing on some of their increased costs to consumers. These conditions suggest that inflation is likely to increase further during 2017.

As well as the potential impact on the prices of procured and commissioned goods and services, further increases in inflation also has implications for future wages. After a period of low wage increases for a number of years, particularly in the public sector, it is likely that workers, through pay negotiations, will be seeking higher wages to compensate for increasing prices

The Office for Budget responsibility (OBR) forecasts that:

- the UK economy will grow at a faster pace in 2017/18, offset by slower growth thereafter

Business Environment and Risks (continued)

- public finances have improved during 2016/17 but largely due to one-offs rather than fundamental reprioritisation

- the UK Government has still not met its target of a balanced budget by 2021/22 and there are suggestions that more difficult decisions are to come.

Scottish economic performance has been weaker when compared with the UK as a whole. In 2016, the Scottish economy grew by 0.4% compared with 1.8% in the UK as a whole. This in turn suggests a poorer short to medium term economic outlook for Scotland, largely down to a poorly performing economy resulting in lower tax revenues with a consequential knock on impact of lower public spending.

The next Scottish Budget seems likely to be a one year settlement which makes it difficult to undertake medium term financial planning and get a clearer sense of the Scottish Government's spending priorities. Post Brexit, there will need to be a revised UK Spending Review. This will, in particular need to consider the budgets associated with returned spending areas such as Agriculture and Regional Assistance. From a Scottish perspective, many of these returned powers may become the responsibility of the Scottish Parliament, putting greater pressure on the resources available.
As previously highlighted, it is also anticipated that the greatest pressure over the current Spending Review Period will continue to fall on day to day revenue expenditure.

As in recent years, this operating environment presents the key challenge of developing and sustaining medium to longer term financial planning. As for the wider public sector, a key area of uncertainty for the Board remains the future levels of funding it will receive. Its constituent authorities, on which the Board relies for a significant proportion of its funding, continue to anticipate cash reduction in funding levels, placing additional pressure on the Board to reduce its operating costs further, thereby providing a reduction in the level of council contributions required in future years. Additionally the Cabinet Office has indicated that the transitional funding for Individual Electoral Registration will potentially cease at the end of the UK Parliament term. This would mean that the Board would once again be wholly reliant on funding from its Constituent authorities.

The Scottish Spending Review/ Draft Budget announcement is anticipated in December 2017 and it is likely that this will only provide figures for the next financial year, potentially further frustrating efforts to develop medium to longer term financial planning.

Given this operating context, the preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With funding at best, static and the prospect of cash reductions in the next few years, managing the effects of inflation, given there is now evidence that both RPI and CPI will increase further, will be a challenge for the public sector. RPI inflation levels are one of the main factors which impacts many public sector contracts for the delivery of goods and services. This must be considered alongside the prospect of raised expectations in respect of continuing wage inflation in 2017/18 and beyond, following pay restraint in recent years, there are increasingly frequent reports of above inflation pay increases in the private sector.

The Board has to manage the financial and service delivery risks associated with the impact of real and potential cash term reductions in public sector funding, balanced against increasing demands for services and new responsibilities.

Business Environment and Risks (continued)

The Annual Governance Statement (AGS) details the Board's corporate governance arrangements and its arrangements for the management of risk have also been reviewed and reported to the Board at its meeting on the 23rd June 2017. The AGS explains the system of internal control and highlights the key areas for improvement actions arising from the ongoing review of these arrangements, alongside the Management Team's regular review of the Board's Risk Register.

The Board recognises the need to ensure there are reasonable levels of data security for all functions. The Assessors is currently reviewing the business continuity arrangements for the Valuation Joint Board.

Plans for the Future

The combination of anticipated cost pressures, coupled with reduced income, presents significant challenges and financial risks to the Board over the medium term. It is recognised that the scale of the financial challenge will require a fundamental review of aspects of service delivery if the Board is to maintain its financial stability moving forward. This is more challenging given the high proportion of total expenditure which is concentrated in a few areas, the most significant of which is the Board’s costs of employment, coupled with the statutory nature of the Assessor and ERO duties. This situation accentuates the need for a continued focus on financial sustainability. On this basis, the Assessor and Treasurer will engage with the chief financial officers of each of the constituent authorities and the Pension Fund Manager to review sustainability issues, against the background of the statutory requirement for the constituent authorities to defray the Board’s expenses, ahead of budget setting for 2018/19. In the meantime, the ongoing funding pressures highlight the need for the Board to maintain stringent financial control and to continue to drive out efficiencies through the budget process.

Looking ahead, key priorities for the Assessor and ERO include the successful disposal of the appeals arising from the 2017 Non Domestic Revaluation. The focus will also be on increasing the efficiency of both the Valuation and Individual Electoral Registration Services within the confines of a prescriptive statutory framework. The Barclay Review is due to complete its review of the non-domestic rates system in July 2017 and it is not known what the impact of this review will be for the Assessor and the Board.

A review of the Records Management provisions within the Board is ongoing to ensure that it is operating efficiently, effectively and meets the requirements of the Public Records (Scotland) Act 2011.

Work is also planned to review the Board’s key financial policies including, Financial Regulations, and Contract Standing Orders during 2017/18 along with an ongoing rolling programme of employment and data protection policy review, alongside a review of the Board’s Standing Orders. Work is also ongoing to finalise a Service Level Agreement between the Board and Clackmannanshire Council for the provision of support services.

Where to Find More Information

An explanation of the financial statements which follow and their purpose are shown at the top of each page. Further information about the Central Scotland Valuation Joint Board can be found at www.centralscotland-vjb.gov.uk.

Acknowledgements

We would like to take this opportunity to acknowledge the significant effort in producing the Annual Report and Financial Statements and to record our thanks to our colleagues for their continued hard work and support. We greatly appreciate the significant efforts of all who were involved.

Councillor Balfour	**Peter Wildman**	**Nikki Bridle**
Convenor of the Board	**Assessor**	**Treasurer**
29th September 2017	**29th September 2017**	**29th September 2017**

STATEMENT OF RESPONSIBILITIES

The Valuation Joint Board's responsibilities

The Joint Board is required:-

(1) to make arrangements for the proper administration of its financial affairs, and to ensure that one of its officers has responsibility for the administration of those affairs. In respect of the Valuation Joint Board that officer is the Treasurer;

(2) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

(3) Ensure the Annual Accounts are prepared in accordance with relevant legislation, and in accordance with proper accounting practices; and

(4) Approve the Annual Accounts for signature.

I confirm that the Annual Accounts were approved for signature by the Board at its meeting on 29th September 2017.

Councillor Balfour
Convenor of the Board
29th September 2017

STATEMENT OF RESPONSIBILITIES (continued)

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Valuation Joint Board's Financial Statements which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Valuation Joint Board at the accounting date and its income and expenditure for the year then ended.

In preparing the Annual Report and Financial Statements, the Treasurer has:

(1) selected suitable accounting policies and then applied them consistently;

(2) made judgements and estimates that were reasonable and prudent;

(3) complied with legislation; and

(4) complied with the Code of Practice.

The Treasurer has also:

(1) kept proper accounting records which were up to date; and

(2) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Financial Statements present a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2017.

Nikki Bridle
Treasurer
29th September 2017

Scope of Responsibility

The Valuation Joint Board and the Assessor are responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Board and the Assessor have a responsibility to make arrangements to secure continuous improvement in the way in which the organisation's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Board and Assessor are responsible for putting in place proper arrangements for the governance of the organisation's affairs, and facilitating the effective exercise of their functions, which includes arrangements for the management of risk.

The Board and the Assessor have in place governance arrangements which are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework 'Delivering Good Governance in Local Government'. The Board has noted revisions to this guidance published in 2016 and the Scottish country guidance that was also published and will incorporate changes to its governance framework as required during 2017-18. These arrangements are defined within the Valuation Joint Board's Code of Corporate Governance. This statement explains how the Board and the Assessor has complied with the Framework.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values, by which the organisation is directed and controlled and its activities through which it accounts to, and engages with, the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It 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 an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives and 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 Governance Framework

The responsibilities of the Valuation Joint Board and the Assessor are laid out in statute. These responsibilities, together with the corporate governance framework, are contained within the Code of Corporate Governance. The Code is further supported by the Standing Orders, Scheme of Delegation, Financial Regulations and Contract Standing Orders. During 2016-17 professional support was provided by Clackmannanshire Council and Falkirk Council on financial and clerk matters, respectively.

The Governance Framework (continued)

The Assessor is supported in meeting his statutory responsibilities by his Management Team, which has responsibility for all aspects of planning, managing, monitoring and reporting of statutory functions, service delivery and performance improvement.

The Three Year Service Plan is the key corporate tool for making best use of financial, technological, human and other resources available. From the Three Year Service Plan, the annual operational and services plans are prepared with progress monitored by the Management Team. A performance framework is in place with standards and targets agreed. Ongoing monitoring against targets is undertaken by the Management Team and Valuation Joint Board.

The Board's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Role of Treasurer is fulfilled by the Section 95 Officer from Clackmannanshire Council. The Board approve a financial budget annually, prior to the start of the financial year, and performance against budget is monitored regularly by both the Management Team and the Board, on a regular basis.

The Board has an approved Risk Management Strategy, which ensures that key strategic, business and operational risks are defined, monitored and mitigated against. Key business risks are regularly considered and reviewed by both the Management Team and the Board. In relation to the day to day operations, a framework of internal controls is in operation, which further mitigates against risks.

The governance framework has been in place at the Valuation Joint Board for the year ended 31 March 2017 and up to the date of approval of the Annual Report and Financial Statements.

Review of Effectiveness

The Board and the Assessor have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- the internal management processes, including performance, risk and financial management and monitoring;
- an annual self assessment of the adequacy of the governance arrangements;
- work undertaken by Internal Audit during the year, including a review of the processes for the administration of Overseas Electors and a review of procurement processes; and
- external audit review of the work of internal audit and comment on the corporate governance, risk management and performance management arrangements.

A plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

I have been advised of the outcome of the review of the effectiveness of the governance arrangements and am satisfied that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There have been no governance issues identified to date during the year that are considered significant in relation to the overall governance framework. Specific opportunities for improvements in governance and internal control identified as part of the assurance processes detailed above have been addressed or are included in improvement plans allocated to the relevant member of the Management Team.

The key areas for improvement identified during the annual review include:

- Introduction of a “Whistleblowing” Policy;
- Introduction of a Fraud Policy;
- Records Management Plan implementation;
- Planned ongoing review of Employment Policies;
- Updating Business Continuity and Disaster Recovery plans;
- Review of Data Protection Policies ahead of GDPR commencement;
- Agreement of the SLA covering the services provided by Clackmannanshire;
- Review of contracts that are over 5 years old;
- Update of Standing Orders, Financial Regulations and Contract Standing Orders.

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
29thSeptember 2017

Councillor Balfour
Convenor of the Board
29th September 2017

REMUNERATION REPORT

All information disclosed in the tables of the remuneration report will be audited by Audit Scotland to ensure that the information is consistent with the financial statements.

The remuneration of Senior Officers of the Board is regulated by The Local Government (Scotland) Act. Section 27/5 states that the Assessor be appointed on reasonable terms by the Valuation Authority. The Local Valuation Joint Board (Scotland) Order 1995 Regulations 2 (2), Section 27 transferred the authority to the Board. Appointments of Senior Officers are approved by the Board.

The following tables provide details of the remuneration paid to the Board's Senior Employees.

Remuneration of Senior Employees of the Board

Name and Post Title	**Salary, fees and allowances £**	**Taxable Expenses £**	**Compensation For loss of Employment £**	**Benefits other than in cash £**	**Total Remuneration 2016/17 £**	**Total Remuneration 2015/16 £**
P Wildman Assessor	95,078	-	-	-	95,078	94,136
Jane Wandless Assistant Assessor (appointed 01/04/2015)	69,920	-	-	-	69,920	69,228

Note to Table above:
1. No taxable expenses were paid to senior employees during 2016/17.

The Senior Employees included in the table include any Joint Board employee:
- who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities (including activities involving the expenditure of money) during the year to which the Report relates whether solely or collectively with other persons;
- who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- whose annual remuneration is £150,000 or more.

The Section 95 Officer is Nikki Bridle, Depute Chief Executive, Clackmannanshire Council. Her remuneration is paid by Clackmannanshire Council.

Pension Benefits
Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year.

	In-Year Pension Contributions			Accrued Pension Benefits		
Name and Post Title	**For Year to 31 March 2017 £**	**For Year to 31 March 2016 £**		**As at 31 March 2017 £**	**As at 31 March 2016 £**	**Difference From 31 March 2016 £**
P Wildman Assessor	20,442	19,769	Pension	36,000	34,000	2,000
			Lump Sum	68,000	68,000	0
Jane Wandless Assistant Assessor	15,033	14,538	Pension	19,000	17,000	2,000
			Lump Sum	26,000	26,000	0

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

Where staff are no longer in employment at 31 March 2017 there is no increase in accrued pension benefit attributable.

REMUNERATION REPORT (continued)

Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees	
Remuneration band	**2016/17**	**2015/16**
£50,000 - £54,999	-	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
	2	2

Termination Benefits and Exit Packages

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date, or where officer's commit to the termination of employment of an officer or group of officers, or where an offer is made to encourage voluntary redundancy.

In implementing a planned rationalisation of the Valuation Joint Board, the Board agreed the voluntary termination of the contracts of a number of employees in 2015/16 and summary information regarding the number exit packages is shown below. This process was completed in 2016/17.

Disclosed costs include, where applicable; payments in lieu of notice, redundancy and pension costs in relation to lump sum, strain payments and capitalised added years. Any early terminations which might arise on the grounds of health or dismissal fall outside the regulatory disclosure requirement and would not be disclosed. There were no compulsory redundancies in the current or previous year.

Exit package cost band (including special payments) packages by cost band	**Total number of exit packages by cost band**	
	2016/17	**2015/16**
£0 - £40,000	1	5
	1	**5**

REMUNERATION REPORT (continued)

Senior Councillors

The remuneration of councillors is regulated by the 2007 regulations and these set out the remuneration payable to councillors with a responsibility of Convenor or Depute-Convenor of the Joint Board. The council of which the Convenor or Depute-Convenor is a member is required to pay their total remuneration and is then reimbursed for the element of the payment made on behalf of the joint board.

Name	Council	Position	2016/17 Reimbursement £	2015/16 Reimbursement £
Councillor C McDonald	Falkirk Council	Convenor (from 22 June 2012)	2,276	2,252
Councillor C Holden	Clackmannanshire Council	Depute Convenor (from 7 September 2012 to 23 June 2016)	731	3,138
Councillor K Earle	Clackmannanshire Council	Depute Convenor (from 23 September 2016)	1,654	0

*Councillor K Earle replaced Councillor C Holden as Depute Convenor during 2016/17 due to a change in political administration at Clackmannanshire Council during the year.

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
29th September 2017

Councillor Balfour
Convenor of the Board
29th September 2017

Independent auditor's report to the members of Central Scotland Valuation Joint Board and the Accounts Commission

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Central Scotland Valuation Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis Statement, the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the board as at 31 March 2017 and of the deficit on the provision of services of the board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Treasurer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission.

Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

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

Other information in the annual accounts

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.
In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Tom Reid
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT
29 September 2017

CENTRAL SCOTLAND VALUATION JOINT BOARD

EXPENDITURE AND FUNDING ANALYSIS STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

This statement shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16 Net Expenditure Chargeable To Reserves	2015/16 Adjustments between Funding and Accounting Basis	2015/16 Net Expenditure In the CI&E Statement		2016/17 Net Expenditure Chargeable to Reserves	2016/17 Adjustments between Funding and Accounting Basis	2016/17 Net Expenditure in the CI&E Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
147	**88**	**235**	**Cost of Services**	**380**	**51**	**431**
(4)	247	243	Other Income & Expenditure	(5)	218	213
143	335	**478**	**(Surplus)/Deficit on Provision of Services (note 6)**	**375**	**269**	**644**
		1,023	Opening Balance on Reserves	880		
		(143)	Less Deficit on usable reserves balance in year	(375)		
		880	**Closing Balance at 31st March 2017**	**505**		

CENTRAL SCOTLAND VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2015/16 Restated				2016/17		
Gross Expenditure	**Gross (Income)**	**Net (Income)/ Expenditure**		**Gross Expenditure**	**Gross (Income)**	**Net (Income)/ Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,794	**(2,559)**	**235**	**Cost of Services (A)** (note 9)	**2,753**	**(2,322)**	**431**
		243	Financing Expenditure (note 8)			213
		478	**(Surplus)/Deficit on Provision of Services** (note 9)			**644**
		(1,790)	Actuarial (gains)/losses on pension assets/liabilities			2,250
		(1,312)	**Total Comprehensive (Income) and Expenditure**			**2,894**

Cost of Services (A)

All costs flow through the Central Services line at financial statement level, and therefore there is no further breakdown of Service costs.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (those 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 services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Reserves Balance. The Net Increase/(Decrease) shows the statutory Reserves Balance.

	Usable Reserves £000	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2015 Restated	**1,023**	**(7,605)**	**(6,582)**
Movement in Reserves during 2015/16			
Total Comprehensive Income and Expenditure	(478)	1,790	1,312
Adjustments between Accounting basis & funding Basis under regulations (note 7)	335	(335)	-
Increase/(Decrease) in Year	**(143)**	**1,455**	**1,312**
Restated Balance at 31 March 2016 carried forward	**880**	**(6,150)**	**(5,270)**
Balance at 1 April 2016	**880**	**(6,150)**	**(5,270)**
Movement in Reserves during 2016/17			
Total Comprehensive Income and Expenditure	(644)	(2,250)	(2,894)
Adjustments between Accounting basis and funding Basis under regulations (note 7)	269	(269)	-
Increase/(Decrease) in Year	**(375)**	**(2,519)**	**(2,894)**
Balance at 31 March 2017 carried forward	**505**	**(8,669)**	**(8,164)**

BALANCE SHEET AS AT 31 MARCH 2017

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net liabilities (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the Board 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 is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £000		Note	31 March 2017 £000
71	Property, Plant & Equipment	10	68
5	Intangible Assets	11	-
76	**Non-Current Assets**		**68**
71	Debtors	12	49
1,012	Cash and Cash Equivalents – bank current accounts		647
1,082	**Current Assets**		**696**
(220)	Creditors	13	(217)
(220)	**Current Liabilities**		**(217)**
(6,208)	Deficit in pension scheme	18	(8,711)
(6,208)	**Long Term Liabilities**		**(8,711)**
(5,270)	**Net Liabilities**		**(8,164)**
880	Usable reserves – General Fund		505
(6,150)	Unusable Reserves	14	(8,669)
(5,270)	**Total Reserves**		**(8,164)**

The Financial Statements were issued on 29th September 2017.

Nikki Bridle
Treasurer
29th September 2017

CENTRAL SCOTLAND VALUATION JOINT BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of grant income or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the Board.

2015/16 £000		**2016/17 £000**
(478)	Net Surplus/(Deficit) on the Provision of Services	(644)
300	Adjust net Surplus/(Deficit) on the Provision of Services for Non Cash Movements (note 15)	312
(4)	Adjustments for Items in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities - Interest Received	(5)
(182)	Net Cash Flows from Operating Activities	(337)
(35)	Investing Activities – Purchase of Equipment	(33)
4	Financing Activities – Interest Received – Short/Long-term Borrowing	5
(213)	Net increase/(decrease) in Cash and Cash equivalents	(365)
1,225	Cash and Cash equivalents at the beginning of the reporting period	1,012
1,012	**Cash and Cash equivalents at the end of the reporting period**	**647**

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) General Principles

The Statement of Accounts summarises the Board's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act..

The accounting policies have been applied consistently in the current and prior years.

b) Accruals of Income and Expenditure

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 Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board;
- revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board;
- expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received, rather than when payments are made; and
- where revenue 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.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Board's cash management.

1) Accounting Policies (continued)

d) Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made 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 Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior year figures are corrected retrospectively by amending opening balances and comparative amounts for the prior year.

e) Charges to Revenue for Non-Current Assets

The following amounts are debited to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets; and
- amortisation of intangible assets.

The Board is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement depreciation, revaluation and impairment losses and amortisations are therefore replaced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Board. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits

Employees of the Authority are members of The Local Government Pension Scheme administered by Falkirk Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Board.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Falkirk Pension Fund attributable to the Board 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, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the iBoxx Sterling Corporate Index, AA cover 15 years;
- The assets of the Falkirk pension fund attributable to the Board are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price; and
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - expected return on assets – the annual investment return on the fund assets attributable to the Board, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits (continued)

- gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement; and
- contributions paid to the Falkirk Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.
The Valuation Joint Board is a recognised 'employing authority' within the meaning of the Local Government Superannuation (Scotland) Regulations.

g) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Board as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Board.
Intangible assets are measured at cost less amortisation and any provisions for impairment. Amounts are only revalued where the fair value of the assets are held by the Board can be determined by reference to an active market.

1) Accounting Policies (continued)

g) Intangible Assets (continued)

The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account. The Board's policy is to write off intangible assets over five years.

h) Property, 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 Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Board and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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 in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using fair value, the amount determined by that which would be paid for the asset in its existing use (existing use value - EUV) or where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. The assets within these financial statements are carried at depreciated replacement cost.

1) Accounting Policies (continued)

h) Property, Plant and Equipment (continued)

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The Board's policy is to write off the assets over three years.

i) Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources.

j) Events After the Reporting Period

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

1) Accounting Policies (continued)

j) Events After the Reporting Period (continued)

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

k) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

l) Government Grants and Contributions

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

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

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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 Comprehensive Income and Expenditure Statement.

2) Changes to Accounting Standards

Accounting Standards Adopted in the Year

The following Amendment became effective in 2016/17 for the first time:

- IAS 1 Presentation of Financial Statements (amendments) – issued December 2014.

The amendments to IAS 1 included changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and introduction of the new Expenditure and Funding Analysis and related notes. The new Expenditure and Funding Analysis statement and related notes provide a comparison between the net expenditure chargeable to revenue funding and the surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement.

The 2015/16 comparator information for the new Expenditure and Funding Analysis Statement and related notes has been provided. This information has also been restated to reflect the new format of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. There were no changes to the Balance Sheet or Cashflow statement as a result of this amendment.

Other new standards, amendments and interpretations that became effective in 2016/17 for the first time were:

- Updated concepts section for the understandability and users of LA financial statements;
- Amendment to related parties definition in relation to key management personnel;
- Adaptation for treatment of accumulated depreciation and impairment for PPE;
- IFRS11 Joint Arrangements – accounting for acquisitions of interests in Joint Operations; and
- Interpretation of IAS 27 Separate Financial Statements where option to equity account for investments in subsidiaries in LA Single entity financial statements is removed.

There is no impact on the financial statements as a result of the above.

Accounting Standards Issued 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 or amended standard that has been issued but not yet adopted. The key standards that are new or amended within the 2017/18 or future Codes to which this applies are listed below:

- IAS 7 Disclosure Initiative – amendments to IAS 7, effective date 1 January 2017;
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – amendments to IAS 12, effective date 1 January 2017;
- IFRS 9 – Financial Instruments, effective date 1 January 2018;
- IFRS 15 – Revenue from Contracts with Customers, effective date 1 January 2018;
- IFRS 2 Classification and measurement of share-based payment transactions – amendments to IFRS 2, effective date 1 January 2018;
- IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments amendments to IFRS 4, effective date 1 January 2018; and
- IFRS 16 – Leases, effective date 1 January 2019.

The above changes require implementation from 1 January 2017 or later and therefore there is no impact on the information provided in the 2016/17 financial statements.

3) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Financial Statements is:

- There is a high degree of uncertainty about future levels of funding from Local Government. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the activities of the Board might be impaired as a result of a need to reduce levels of service provision.

4) Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that which are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Board's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £2.492m, and a 0.5% increase in the pension rate would result in an increase in the pension liability of £1.510m.

5) Events after the Reporting Period

The Financial Statements were authorised for issue by the Treasurer on 29th September 2017. Events taking place after this date are not reflected in the Financial Statements or Notes.

There have been no material events since the date of the Balance Sheet which necessitates revision to the figures in the Financial Statements or notes thereto.

6) Expenditure and Funding Analysis

The Expenditure and Funding Analysis brings together the net expenditure based on the management reporting structure and compares this against the net expenditure that is reported in the Comprehensive Income and Expenditure Statement in line with the Accounting Framework.

2016/17	**Adjustments For Capital Purposes £000**	**Adjustments for Pensions Adjustments £000**	**Total Adjustments £000**
Net Cost of Services	8	43	**51**
Other income and Expenditure From the Funding Analysis	-	218	**218**
Difference between surplus or Deficit and CI&E Surplus or Deficit	**8**	**261**	**269**

2015/16	**Adjustments For Capital Purposes £000**	**Adjustments for Pensions Adjustments £000**	**Total Adjustments £000**
Net Cost of Services	(3)	91	**88**
Other income and Expenditure From the Funding Analysis	-	247	**247**
Difference between surplus or Deficit and CI&E Surplus or Deficit	**(3)**	**338**	**335**

7) Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2016/17	Usable Reserves	
	General Fund Balance £000	**Movement in Unusable Reserves £000**
Adjustments to Revenue Resources:		
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:		
Charges for depreciation and impairment of non-current assets	(40)	40
Adjustments involving the Pensions Reserve:		
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 18)	(535)	535
Employer's pensions contributions and direct payments to pensioners payable in the year (see note 18)	282	(282)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	8
Adjustments between Revenue and Capital Resources:		
Insertion of items not debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:		
Capital expenditure financed from Revenue Balances	32	(32)
Total Adjustments	**(269)**	**269**

7) Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16	Usable Reserves	
	General Fund Balance £000	Movement in Unusable Reserves £000
Adjustments to Revenue Resources:		
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:		
Charges for depreciation and impairment of non-current assets	(32)	32
Adjustments involving the Pensions Reserve:		
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 18)	(618)	618
Employer's pensions contributions and direct payments to pensioners payable in the year (see note 18)	278	(278)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	(2)
Adjustments between Revenue and Capital Resources:		
Insertion of items not debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:		
Capital expenditure financed from Revenue Balances	35	(35)
Total Adjustments	**(335)**	**335**

8) Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
247	Pensions interest cost and expected return on pensions assets	218
(4)	Interest receivable and similar income	(5)
243		**213**

9) Expenditure and Income Analysed by Nature

Within costs of services there are costs included of £48k (2015/16: £30k) that were not reported during the in-year monitoring. These are as a result of Capital Financing Costs, £40k (2015/16: £32k) and Compensating Absences Account Adjustments, £8k (2015/16: £(2)k).

Within the accounts are the costs and related income of the Portal. The Portal is a website administered by all Assessors in Scotland that provides information on Valuation Rolls and Council Tax lists. Costs are fully met by income therefore there is no impact on the (Surplus)/Deficit on provision of services.

The following costs incurred by the Portal are included in the table below; Supplies and Services costs of £122k for Professional Fees. These costs are fully offset by income of £122k having no impact on the overall Surplus for the Board in the year.

9) Expenditure and Income Analysed by Nature (continued)

Amounts reported for resource allocation

Income and Expenditure

	2015/16 £000	2016/17 £000
Fees, charges and other income	(292)	(252)
Council Contributions	(2,271)	(2,075)
Grant Income	-	-
Total Income	**(2,563)**	**(2,327)**
Employee Costs	1,865	1,874
Other operating costs	841	828
Total Operating Expenses	**2,706**	**2,702**
Net Cost of Services	**143**	**375**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	2015/16 £000	2016/17 £000
Net Cost of Services	143	375
Add amounts not reported in service management accounts*	335	269
	478	**644**

*This includes depreciation and IAS19 pension adjustments

Reconciliation to Subjective Analysis 2016/17

	Management Accounts £000	Not Reported In Management Accounts £000	Net Cost of Service £000
Fees, charges and other income	(252)	-	(252)
Council Contributions	(2,075)	-	(2,075)
Total Income	**(2,327)**	**-**	**(2,327)**
Employee Costs	1,874	43	1,917
Other operating costs	828	(32)	796
Depreciation		40	40
Interest Payments		218	218
Total Operating Expenses	**2,702**	**269**	**2,971**
Net Cost of Services	**375**	269	**644**

9) (Expenditure and Income Analysed by Nature (continued)

Reconciliation to Subjective Analysis 2015/16

	Management Accounts £000	Not Reported In Management Accounts £000	Net Cost of Service £000
Fees, charges and other income	(292)	-	(292)
Council Contributions	(2,271)	-	(2,271)
Total Income	**(2,563)**	**-**	**(2,563)**
Employee Costs	1,865	91	1,956
Other operating costs	841	(35)	806
Depreciation		32	32
Interest Payments		247	247
Total Operating Expenses	**2,706**	**335**	**3,041**
Net Cost of Services	**143**	**335**	**478**

10) Property, Plant and Equipment

	2015/16 £000	2016/17 £000
Opening Gross Book Value	**170**	**205**
Additions	35	32
Closing Gross Book Value	**205**	**237**
Opening Accumulated Depreciation		
Opening Depreciation	107	134
Depreciation for the year	27	35
Closing Accumulated Depreciation	**134**	**169**
Net Book Value at 31 March	**71**	**68**

Depreciation
Within Property Plant and Equipment the Board holds computer equipment, furniture and other equipment. The deemed useful life and depreciation rate for these assets is 3 years.

Disposals
There were no asset disposals during 2016/17.

11) Intangible Assets

The Board accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. The useful life assigned to the new software purchase in the year is three years and the carrying amount of intangible assets is amortised on a straight-line basis.
There were no additions or disposals of assets in 2016/17.

Software	**2015/16**	**2016/17**
	£000	**£000**
Opening Gross Book Value	**89**	**89**
Additions	-	-
Disposals	-	-
Closing gross book value	**89**	**89**
Opening Accumulated Amortisation		
Opening amortisation	79	84
Amortisation for the year	5	5
Disposals	-	-
Closing Accumulated Amortisation	**84**	**89**
Net Book Value at 31 March	**5**	**-**

12) Debtors

31 March 2016 £000		31 March 2017 £000
-	Central Government Bodies	8
71	Other Entities and individuals	41
71	**Total**	**49**

13) Creditors

31 March 2016 £000		31 March 2017 £000
95	Central government bodies	37
44	Other local authorities	42
-	Public Corp & Trading Funds	9
81	Other entities and individuals	129
220	**Total**	**217**

14) Unusable Reserves

31 March 2016 £000		31 March 2017 £000
76	Capital Adjustment Account	68
(6,208)	Pensions Reserve	(8,711)
(18)	Accumulating Compensated Absences Adjustment Account	(26)
(6,150)	**Total Unusable Reserves**	**(8,669)**

14) Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the 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. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

Note 6 provides details of the source of all the transactions posted to the account.

2015/16 £000		2016/17 £000
73	**Balance at 1 April**	**76**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(32)	- Charges for depreciation and impairment of non current assets	(40)
35	- Capital Expenditure charged against the General Fund	32
76	**Balance at 31 March**	**68**

Pensions Reserve

The Pensions 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 Board 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 investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

14) Unusable Reserves (continued)

2015/16 £000		2016/17 £000
(7,658)	**Balance at 1 April**	**(6,208)**
1,790	Actuarial gains or (losses) on pensions assets and liabilities	(2,250)
(618)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(535)
278	Employer's pensions contributions and direct payments to pensioners payable in the year	282
(6,208)	**Balance at 31 March**	**(8,711)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account represents holiday entitlement earned but not yet taken and absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	(20)	**Balance at 1 April**		**(18)**
20		Settlement or cancellation of accrual made at the end of the preceding year	18	
(18)		Amounts accrued at the end of the current year	(26)	
	2	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(8)
	(18)	**Balance at 31 March**		**(26)**

15) Non Cash Movements

2015/16 £000		2016/17 £000
(32)	Depreciation & Amortisation	(40)
57	Increase/(Decrease) in Creditors	3
14	(Increase)/Decrease in Debtors	(22)
(339)	Movement in Pension Liability	(253)
(300)	**Net cash flows from non cash movements**	**(312)**

16) Material Items of Income and Expense

Council Contributions

2015/16 £000		2016/17 £000
(1,119)	Falkirk Council	(1,022)
(801)	Stirling Council	(731)
(351)	Clackmannanshire Council	(321)
(2,271)		**(2,074)**

17) External Audit Costs

2015/16 £000		2016/17 £000
7	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7
7		**7**

18) Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Board makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Board has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Board participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Falkirk Council – this is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

The Board recognise the cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Board is required to make is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

18) Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	370	317
• past service costs	1	-
Financing and Investment Income and Expenditure		
• Interest expense - defined benefit obligation	679	683
• Interest income on scheme assets	(432)	(465)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**618**	**535**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising		
• return on pension fund assets (excluding interest income above)	237	(2,344)
• Actuarial (gains)/losses arising on changes in financial assumptions	(1,745)	4,591
• Actuarial (gains) arising on changes in demographic assumptions	-	-
• Other experience (gains)/losses	(282)	3
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(1,172)**	**2,785**
Actuarial (gains)/losses on pension fund assets and liabilities	**(1,790)**	**2,250**

18) Defined Benefit Pension Schemes (continued)

Local Government

	Pension Scheme 2015/16 £000	2016/17 £000
Movement in Reserves Statement		
• reversal of net charges made to the Total Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the Code	(618)	(535)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers contributions payable to scheme	278	282

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Board's obligation in respect of its defined benefit plan is as follows:

	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation*	(19,678)	(24,626)
Fair value of pension fund assets	13,470	15,915
Net Liability arising from Defined Benefit Obligation	**(6,208)**	**(8,711)**

* unfunded liabilities included in the figure for present value of liabilities

Unfunded liabilities for Pension Fund	357	378

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The net liability of £8.711m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall negative balance of £8.164m. However, statutory arrangements for funding the deficit means that the financial position of the Board remains positive:

- the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

18) Defined Benefit Pension Schemes (continued)

A reconciliation of the Board's share of the present value of Falkirk Pension Fund's defined benefit obligation (liabilities) is as follows:

	2015/16 £000	2016/17 £000
Opening balance at 1 April	**(45,355)**	**(43,640)**
Current service cost	(370)	(317)
Interest cost	(679)	(683)
Contributions by scheme participants	(79)	(81)
Re-measurement gains and (losses)		
Actuarial gains from change in demographic assumptions	-	-
Actuarial gains/(losses) from change in financial assumptions	1,745	(4,591)
Actuarial gains/(losses) from other experiences	282	(3)
Past Service	(1)	-
Benefits paid	817	727
Closing value at 31 March	**(43,640)**	**(48,588)**

A reconciliation of the Board's share of the fair value of Falkirk Pension Fund's assets are as follows:

	2015/16 £000	2016/17 £000
Opening fair value of pension fund assets	**13,735**	**13,470**
Interest Income	432	465
Return on pension assets (excluding amounts included in net interest)	(237)	2,344
Contributions from employers	278	282
Contributions by employees into the scheme	79	81
Benefits paid	(817)	(727)
Closing fair value of pension fund assets	**13,470**	**15,915**

18) Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund Assets

The Board's share of the Pension Fund comprised:	31 March 2016	31 March 2017
Equity instruments (by industry type)		
- Consumer	1,414	1,655
- Manufacturing	761	776
- Energy & Utilities	481	642
- Financial Institutions	871	1,074
- Health & Care	689	718
- Information Technology	816	1,095
- Other	-	314
Sub Total Equity	**5,032**	**6,274**
Debt Instruments		
-Corporate bonds (investment guide)	218	609
Property (by type)		
- UK	1,047	994
- Overseas	32	27
Sub Total Property	**1,079**	**1,021**
Private Equity		
- UK	980	1,220
Sub Total Private Equity	**980**	**1,220**
Other Investment Funds		
- Equities	2,865	3,535
- Bonds	928	766
- Infrastructure	176	191
- Other	1,555	1,649
Sub Total Other Investment Funds	**5,525**	**6,141**
Cash and Cash Equivalents	**636**	**650**
Total Assets	**13,470**	**15,915**

18) Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

The Board's share of the net obligations of the Falkirk Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates that the pensions will be payable in future years dependant upon assumptions about mortality rates, salary levels and employee turnover rates.

The fund's obligation has 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 2014. The significant assumptions used by the actuary are shown in the table below. The note includes a sensitivity analysis for the pension obligation based on reasonably possible changes in these assumptions occurring at the reporting date.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	**2016/17**
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.5%	2.6%
Bonds	3.5%	2.6%
Property	3.5%	2.6%
Cash	3.5%	2.6%
Mortality assumptions:		
Longevity at 65 for current pensions		
- Men	22.1 years	22.1
- Women	23.8 years	23.8
Longevity at 65 for future pensioners		
- Men	24.3 years	24.3
- Women	26.3 years	26.3
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.7%	3.9%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting fund liabilities	3.5%	2.6%

18) Defined Benefit Pension Schemes (continued)

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have 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. The method and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

Change in Assumptions at 31 March 2017

	Approximate % Increase to Employer	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	2,492
0.5% increase in the Salary Increase Rate	4%	906
0.5% increase in the Pension Increase Rate	6%	1,510

Impact on the Authority's Cash Flow

The objective of the Falkirk Pension Fund is to keep employers contributions at as constant a rate as possible. Employers' contributions have been provisionally set at the following proportion of employees' rates for the three years: 2015-16 (21%) and 2016-17 (21.5%) and 2017-18 (22%). The next triennial valuation is due to be completed on 31 March 2017 where these rates may be required to be updated. The fund will need to take account of impending national changes to the LGPS such as the move to a new career average revalued earnings (CARE) scheme. The total contributions expected to be made by the Board to Falkirk Pension Fund in the year to 31 March 2018 is £266k.

19) Nature and Extent of Risks arising from Financial Instruments

As at 31 March 2017 the Valuation Joint Board has Debtors of £49k, cash and cash equivalents of £646k and Creditors of £217k. There is no provision for bad debts. The transactions entered into do not give rise to any market or liquidity risk and credit risk is considered below.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Board's customers.

The Board's finances are controlled by Clackmannanshire Council. This risk is minimised through the Council's Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria. Details of the Investment Strategy can be found on the Clackmannanshire Council's website. The full Investment Strategy for 2016/17 was approved by Full Council on 3rd March 2016 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. Clackmannanshire Council's maximum exposure to credit risk, in relation to its investments in banks and building societies of £3.640m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

20) Related Parties

The Board is required to disclose material transactions with the related parties - bodies or individuals that have potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows leaders to assess the extent to which the Board 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 Board. In this context related parties include:

Related Parties (continued)

- Other Local Authorities: and

- Elected Members and Chief Officers.

The following related party transactions in 2016/17 are disclosed elsewhere within the Annual Report and Financial Statements:

a) Requisitions from other Local Authorities are shown in Note 16 to the Comprehensive Income and Expenditure Statement on page 53; and

b) Payments to Elected Members and Chief Officers are shown in the Remuneration Report on page 20.