AGENDA ITEM
4

DRAFT FINANCIAL STATEMENTS
as at 31 MARCH 2016

Assessor for Central Scotland

AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: **DRAFT FINANCIAL STATEMENTS as at 31 MARCH 2016**
Meeting: **CENTRAL SCOTLAND VALUATION JOINT BOARD**
Date: **17th June 2016**
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 Code is based on International Financial Reporting Standards within a framework of the Government Financial Reporting Manual (FReM).

1.4 The Board is legally obliged to complete the draft accounts and submit them by 30th June to the Controller of Audit so that they can be scrutinised by the appointed external auditor for accuracy and completeness.

1.5 A final audited set of accounts, and the auditor’s report, will be presented to the Joint Board at the next appropriate meeting.

2. BACKGROUND

2.1 The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.* The Financial Statements show the actual figures for 2015/16 and the comparable figures for 2014/15.

2.2 The draft deficit on the provision of services reported in the Comprehensive Income and Expenditure Account is £(478)k. However this includes £335k of accounting adjustments which require to be reversed out in the Movement in Reserves Statement to create a deficit of £(143)k for the year.

2.3 The useable surplus brought forward from previous years is £1,023k. The deficit in the year is £(143)k. The surplus carried forward to future years is therefore

£880k. The balance of £880k has been retained as a surplus attributable to constituent authorities in the general fund usable reserve.

2.4 The Board has previously approved the ear-marking of £105k for specific projects, and a refund to constituent authorities of £440k as part of the budget process. This has been reviewed and the amount of ear-marked reserves required at the end of the 15-16 financial year is now considered to be £595k. This comprises £105k to fund the 16/17 Budget, £440k refund to constituent authorities, £20k for telephone system, £30k lift renewal. The balance of un-earmarked reserves is therefore £285k.

2.5 The Board's reserves strategy stipulates that it should retain uncommitted reserves at a minimum level of 4% of net expenditure as agreed in February 2016, which as at March 2016 would translate to a figure of £105k. The outturn position is therefore £180k in excess of this minimum reserve figure and represents a level of 10.9%.

2.6 As discussed at previous board meetings, reserves will be reviewed in line with saving proposals brought forward over the coming year. Reserves may be required to fund spend to save proposals to allow future reduction in spend.

2.7 A summary of the main financial highlights of the year is contained in my report on pages 3 to 12 of the draft accounts.

2.8 A statement recording the remuneration paid to senior employees is also included within the accounts.

3. CONCLUSIONS

3.1 The Valuation Joint Board has outturned a deficit of £(143)k which when added to previous surpluses results in a net surplus of £880k now being held.

4. RECOMMENDATIONS

4.1 The Joint Board is asked to note the 2015/16 Draft Statement of Accounts and agree to their submission to the Controller of Audit

Treasurer
17th June 2016

LIST OF BACKGROUND PAPERS

1. Annual Year End Working Papers.

Any person wishing to inspect the above background papers should contact the Treasurer, Nikki Bridle, on Alloa (01259) 452030.

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2015/16

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MEMBERS AND OFFICIALS

CONVENOR

Councillor C MacDonald, Falkirk Council

VICE CONVENOR

Councillor C Holden, Clackmannanshire Council

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 S Paterson

CLACKMANNANSHIRE COUNCIL

Appointed Members:-
Depute Provost D Balsillie
Depute Provost I Hamilton

OFFICIALS

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

CENTRAL SCOTLAND VALUATION JOINT BOARD

MANAGEMENT COMMENTARY 2015/16

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 2016. 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. This requirement sets aside the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK (the Code) requirement for an Explanatory Foreword. 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 Vice Convener, Councillor Holden 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 11416 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 is due in April 2017. Between revaluations the Assessor must maintain the Roll to reflect new and altered properties. Significant work is now ongoing to prepare for the 2017 Revaluation. This is a major project for the Board. Work is shared with the other Assessors in Scotland to ensure maximum efficiency and avoid duplication. 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. There will need to be a significant and thorough collection of information ahead of their re-introduction.

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. Significant progress has been made during 2015/16 to deal with the appeals from the 2010 Revaluation. Of the original 3,532 properties under appeal 31 properties remain under appeal at the end of March 2016. The appeals on these properties have all been referred to the Lands Tribunal for determination.

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 pace of new building continues to increase. There are now over 138,000 domestic properties on the Council Tax Valuation List in Central Scotland. The Local Taxation Commission proposed reforms to local taxation in Scotland. It is not yet known what reforms will be implemented and what the impact for the Assessor will be.

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 transition from household registration to individual registration was completed with the publication of the new Register of Electors on 1 December 2015 containing some 219,898 Local Government electors. The new Register also saw the inclusion of young electors as a consequence of the Reduction In Voting Age for Scottish Parliamentary and Local Government Elections. Details of registered 15 and 14 year olds are not shown in published copies of the Register.

The first full canvass under the new registration system was carried out during 2015/16. 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 1st December 2015 . registration.

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

The number of online registrations increased ahead of the 2015 UK Parliamentary Election and work is currently ongoing to plan for the 2016 EU Referendum.

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 at the same time as the anticipated funding level being set to reduce. Work is also now ongoing to prepare the 2017 Non Domestic Revaluation. The Board also has to ensure that it complies fully with Health & Safety, Data Protection, Freedom of Information, Equalities and Records Management Duties. These duties represent a sizeable workload for the organisation which continues to increase.

Strategic Financial Planning

In the approved Budget, set in February 2016, the medium term forecast suggests an anticipated funding gap of £426k by 2018/19 and for the first time in recent years, for 2015/16, the Board utilised £105 k of reserves in setting its 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. A full review of the staffing structure was carried out in 2015/16 with the aim to produce a more flexible and streamlined structure. It is anticipated that this restructuring will be complete by summer 2016. The focus for the coming years will be on optimising records management and reviewing internal processes to ensure efficient service delivery. 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 us with a platform from which to address the challenging times ahead and support the necessary transition to new, more efficient models of service delivery for the future.

Strategic Financial Planning (continued)

The balance sheet shows a negative position for 2015/16 due to deficit in the pension scheme. The Assessor has met with the actuaries to discuss the position of the pension scheme and agreed the level of contribution for the next 3 years 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.

Business Performance

The Board receives and monitors performance on a regular basis. The current arrangements have been in place since the core indicators were agreed with the Scottish Government and Accounts Commission in October 2000. Reports also include trend information covering the previous three years' performance. Key performance indicator performance against targets for the last three years are set out in Exhibit 1 below. 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 2013/14 to 2015/16

Indicator	2013/14 Target %	2013/14 Actual %	2014/15 Target %	2014/15 Actual %	2015/16 Target %	2015/16 Actual %
Changes made in less than 3 months	82	76	82	81	82	74
Changes made in less than 6 months	93	90	93	89	93	90
Changes made in more than 6 months	7	10	7	11	7	10
Indicator	2013/14 Target	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2015/16 Actual
In less than 3 months	97	96	97	97	97	97
In less than 6 months	99	99	99	99	99	99
In more than 6 months	1	1	1	1	1	1

Targets for 2016/17 have also been proposed based on consolidating 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 2015/16

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 2016. A brief explanation of each statement and its purpose is provided on page 25. An Annual Governance Statement is also provided at page 14 and a Remuneration Report is included at page 17.

The final Outturn position in the management accounts reports an underspend of £437k of which £208k is as a result of the restructure and vacancies with the remaining underspend mainly attributable to income not budgeted. It was agreed that due to funding uncertainty that we would not budget for income but fund from reserves in 2015/16 with any resultant underspend falling to reserves at the end of the financial year.

On an accounting basis the deficit on the provision of service for the financial year reported in the Comprehensive Income and Expenditure Account is £478k (page 24). However this takes account of £335k of adjustments between the accounting and funding basis. When these are added to the surplus shown in the Comprehensive Income and Expenditure Statement the net deficit is £(143)k.

The usable surplus brought forward from previous years is £1,023k. The usable deficit in the year, per above, is £(143)k. The surplus carried forward to future years is therefore £880k. The balance of £880k has been retained as a surplus attributable to the constituent authorities in the general fund usable reserve.

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 23 and supporting notes.

Of the £880k balance at 31st March 2016, £595k is earmarked for specific purposes. The committed balance can be summarised as follows:

Exhibit 2: Committed reserves 2015/16

	Total
	£000
16/17 Budget Funding	105
Telephone System Investment	20
Lift Renewal	30
Refund to constituent authorities	440
Net Committed Reserves	**595**

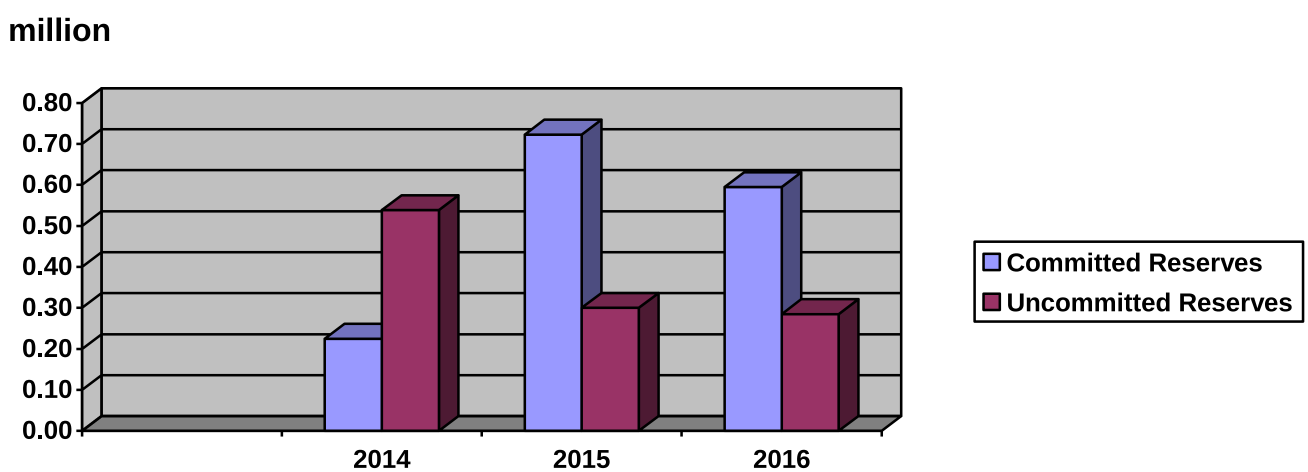
Financial Performance 2015/16 (continued)

The Board's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 4% of net expenditure. The current reserves represent a level of 10.9%. During 2015/16 £277k was refunded to the constituent authorities and a further £440k is earmarked to be refunded in 2016/17.

When the Board approved the 2016/17 Budget on 12th February 2016 approval was given to increase the minimum reserve balance to 4% from 3% of the Budget in recognition of the finalisation of the restructure in summer of 2016 and to allow for anticipated future years pressures.

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

Exhibit 3: Trend in reserves position 2013/14-2015/16



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 Council 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	2015/16	2014/15
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 4% of annual budgeted net expenditure which is considered appropriate in the context of the Board's financial and ongoing risk profile. A temporary increase in this level is commented on in the Financial performance section above.	10.9%	10.9%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Board is using its Uncommitted General Fund Reserve. In 2014/15 there was a significant proportion of reserves earmarked to fund voluntary severance as a result of restructure and the uncertainty around future funding. There was also a refund of reserves to constituent authorities and a further refund will be made in 2016/17.	(4.7)%	(44.3)%
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 £437k underspend.	85.7%	89.8%

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 2015/16, the Board invested £35k on intangible assets which meets 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 2016 disclosed a deficit of £6.208m. 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 2019.

The pension deficit records a deterioration of £1.450m on the position recorded in March 2015 because the financial assumptions are less favourable than last year.

Business Environment and Risks

During 2015/16, in response to initial signs of economic recovery in the UK, the Chancellor in the July 2015 Budget announced that an additional £83billion would be available for public service revenue budgets over the next 4 years. This created some optimism that anticipated reductions in pressured revenue budgets would in part, be mitigated.

However, this position was subsequently revised by the March 2016 UK Budget announcement when the Office for Budgetary Responsibility (OBR) indicated that economic growth projections had been revised downwards, resulting in a loss of the previously anticipated increases in public finances. As a consequence, the UK Government has increased the planned reductions in public service resourcing post 2018/19.

Overall the UK's fiscal outlook has worsened during the course of 2015/16, though the distribution of the impacts has changed, with greater reductions being planned for 2019/20 and a lessening of the impacts in 2016/17 and 2017/18. Greatest pressure over the 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 grant 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.

Business Environment and Risks (continued)

The Scottish Spending Review announcement is due in early October 2016 and it is anticipated that figures could be provided for 3 years. This would considerably assist medium term financial planning given the trend of annual settlement notifications experienced over the last few years.

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 the indications are that both RPI and CPI will now start to increase, 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 2015/16 and beyond, following pay restraint in recent years, alongside increasingly frequent reports of above inflation pay inflation 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. The Board also has other external factors which are likely to influence the availability of funding for the public sector including elections in each of the next two years and the introduction of a Single Tier Pension Scheme in 2016 affecting employers' national insurance contributions.

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 17th June 2016. 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 recognise 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 relates to premises costs and the costs of employment and the statutory nature of the Assessor and ERO duties. 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 delivery of the 2017 Non Domestic Revaluation. The focus will also be on increasing the efficiency of Individual Electoral Registration within the confines of a prescriptive statutory framework.

Plans for the Future (continued)

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 Procurement and Employee Policies during 2016/17.

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.

Charles MacDonald	**Peter Wildman**	**Nikki Bridle**
Convenor of the Board	**Assessor**	**Treasurer**
17th June 2016	**17th June 2016**	**17th June 2016**

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.

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Valuation Joint Board's Annual Report and 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; and

(3) complied with legislation

(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.

The Financial Statements present a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2015.

Nikki Bridle	**Charles MacDonald**
Treasurer	**Convenor of the Board**
17th June 2016	**17th June 2016**

ANNUAL GOVERNANCE STATEMENT

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

The 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 the period 2015-16 Professional support is 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 function, 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 in place. 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 2016 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 the Register of Electors with Postal and Proxy Vote Applications and the follow up of recommendations from the previous governance audit; 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:

- Updating of Health and Safety Policy in light of changing business practices;
- Review Health and Safety Risk Assessments
- Review of Procurement procedures
- Records Management Policy to be updated
- Efficiencies to offset funding gaps due to reduced budgets to be looked at; and
- Consider an SLA covering the services provided by Clackmannanshire.

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
17th June 2016

Charles MacDonald
Convenor of the Board
17th June 2016

REMUNERATION REPORT

All information disclosed in the tables of the remuneration report has been audited by Deloitte LLP 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 2015/16 £	Total Remuneration 2014/15 £
P Wildman Assessor	94,136	-	-	-	94,136	93,181
Jane Wandless Assistant Assessor (appointed 01/04/2015)	69,228	-	-	-	69,228	-

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 2016 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 2016 £**	**For Year to 31 March 2015 £**		**As at 31 March 2016 £**	**As at 31 March 2015 £**	**Difference From 31 March 2015 £**
P Wildman Assessor	19,769	19,192	Pension Lump Sum	34,000 68,000	32,000 67,000	2,000 1,000
Jane Wandless Assistant Assessor (appointed 01/04/2015)	14,538	-	Pension Lump Sum	17,000 26,000	- -	17,000 26,000

*J Wandless has no prior year comparator as this is her first financial year as a Chief Officer.

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 2016 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	**2015/16**	**2014/15**
£50,000 - £54,999	-	1
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	1	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	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 an officer's decision committed to the termination of employment of an officer or group of officers or making an offer 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 and costs of exit packages is shown below.

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**		**Total cost of exit**	
	2014/15	**2015/16**	**2014/15**	**2015/16**
£0 - £40,000	-	5	-	69,157
	-	**5**	-	**69,157**

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 Vice-Convenor of the Joint Board. The council of which the Convenor or Vice-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**	**2015/16 Reimbursement £**	**2014/15 Reimbursement £**
Councillor C McDonald	Falkirk Council	Convenor (from 22 June 2012)	2,252	2,230
Councillor C Holden	Clackmannanshire Council	Vice Convenor (from 7 September 2012)	3,138	2,859

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CENTRAL SCOTLAND VALUATION JOINT BOARD AND THE ACCOUNTS COMMISSION FOR SCOTLAND

TO FOLLOW

James Boyle, CA (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

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 other 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 General Fund Balance. The Net Increase/(Decrease) shows the statutory General Fund Balance.

	Usable Reserves £000	Unusable Reserves £000	**Total Reserves £000**
Balance at 1 April 2014	**763**	**(5,041)**	**(4,278)**
Movement in Reserves during 2014/15			
Surplus on provision of Services	17	-	17
Other Comprehensive Income and Expenditure	-	(2,321)	(2,321)
Total Comprehensive Income and Expenditure	**17**	**(2,321)**	**(2,304)**
Adjustments between Accounting basis & funding basis under regulations (note 6)	243	(243)	-
Increase/(Decrease) in Year	**260**	**(2,564)**	**(2,304)**
Balance at 31 March 2015 carried forward	**1,023**	**(7,605)**	**(6,582)**
Movement in Reserves during 2015/16			
Surplus on provision of Services	(478)	-	(478)
Other Comprehensive Income and Expenditure	-	1,790	1,790
Total Comprehensive Income and Expenditure	**(478)**	**1,790**	**1,312**
Adjustments between Accounting basis & funding basis under regulations (note 6)	335	(335)	-
Increase/(Decrease) in Year	**(143)**	**1,455**	**1,312**
Balance at 31 March 2016 carried forward	**880**	**(6,150)**	**(5,270)**

CENTRAL SCOTLAND VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

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

2014/15 Gross Expend £000	2014/15 Gross (Income) £000	2014/15 Net (Income) £000		2015/16 Gross Expend £000	2015/16 Gross (Income) £000	2015/16 Net Expend £000
2,782	**(3,003)**	**(221)**	**Cost of Services (A)** (note 8)	2,794	(2,559)	235
		204	Financing Expenditure (note 7)			243
		(17)	(**Surplus)/Deficit on Provision of Services** (note 8)			**478**
		2,321	Actuarial (gains)/losses on pension assets/liabilities (note 17)			(1,790)
		2,304	**Total Comprehensive (Income) and Expenditure**			**(1,312)**

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.

BALANCE SHEET AS AT 31 MARCH 2016

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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). 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 unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000		**Note**	**31 March 2016 £000**
63	Property, Plant & Equipment	9	71
10	Intangible Assets	10	5
73	**Long Term Assets**		**76**
55	Debtors	11	23
1,225	Cash and Cash Equivalents – bank current accounts		1,064
1,280	**Current Assets**		**1,087**
(277)	Creditors	12	(225)
(277)	**Current Liabilities**		**(225)**
(7,658)	Deficit in pension scheme	17	(6,208)
(7,658)	**Long Term Liabilities**		**(6,208)**
(6,582)	**Net Liabilities**		**(5,270)**
1,023	Usable reserves – General Fund		880
(7,605)	Unusable Reserves	13	(6,150)
(6,582)	**Total Reserves**		**(5,270)**

The unaudited Financial Statements were issued on 17 June 2016.

Nikki Bridle
Treasurer
17th June 2016

CENTRAL SCOTLAND VALUATION JOINT BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

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.

2014/15 £000		2015/16 £000
17	Net Surplus/(Deficit) on the Provision of Services	(478)
386	Adjust net Surplus/(Deficit) on the Provision of Services for Non Cash Movements (note 14)	351
(5)	Adjustments for Items in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities - Interest Received	(4)
398	Net Cash Flows from Operating Activities	(131)
(37)	Investing Activities – Purchase of Equipment	(35)
5	Financing Activities – Interest Received – Short/Long-term Borrowing	4
366	Net increase/(decrease) in Cash and Cash equivalents	(162)
859	Cash and Cash equivalents at the beginning of the reporting period	1,225
1,225	**Cash and Cash equivalents at the end of the reporting period**	**1,064**

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) General Principles

The Statement of Accounts summarises the Board's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, 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 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories at non-contract assets. 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, ie, 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;
- revaluation and impairment losses on assets used by the Board where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; 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)

<u>Post Employment Benefits</u>

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

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.

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.

<u>Recognition</u>

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.

<u>Measurement</u>

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

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 – these reserves are explained in the relevant policies below.

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 new Standards, Amendments and Interpretations became effective in 2015/16 for the first time:

- IFRS13 Fair Value Measurement (May 2011) - IFRS13 provides a common definition of fair values which takes into account the characteristics of the assets or liabilities which would be considered by market participants in determining the price of the asset or liability;
- IFRIC 21 Levies - provides guidance on when to recognise a liability for a levy imposed by a government; and
  Annual Improvements to IFRS 2011-2013 Cycle - IFRS improvements are generally minor, principally providing clarification.
- IAS36 Impairment of Assets (amended) – measurement of the recoverable amount of impaired assets based on Fair Value less costs of disposal.

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 2016/17 Code to which this applies are listed below:

- Amendments to IAS 19 Employee Benefits (defined benefits plans: employee contributions) – issued November 2013;
- Annual Improvements to IFRS's 2010-2012 Cycle – issued December 2013;
- Amendment to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in joint operations) – May 2014;
- Amendment to IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation) – May 2014;
- Annual Improvements to IFRS's 2012-2014 Cycle – issued September 2014;
- Amendment to IAS1 Presentation of Financial Statements – issued December 2014;
- Changes to format of Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and introduction of the new Expenditure and Funding Analysis; and
- Changes to Pension Fund Account and Net Assets Statement.

The Code requires implementation from 1 April 2016 and therefore there is no impact on the information provided in the 2015/16 financial statements.

It is anticipated that these amendments will not have a material impact on the information provided in the 2016/17 financial statements however the comparator 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement will be reflected in the new format.

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 2016 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 £1.883m, and a 1 year increase in member life expectancy would result in an increase in the pension liability of £0.590m.

5) Events after the Reporting Period

The unaudited Financial Statements were authorised for issue by the Treasurer on 17 June 2016. 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) 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.

2015/16	Usable Reserves	
	General Fund Balance £000	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(32)	32
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Capital expenditure charged against the General Fund	35	(35)
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 17)	(618)	618
Employer's pensions contributions and direct payments to pensioners payable in the year	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)
Total Adjustments	**(335)**	**335**

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

2014/15	Usable Reserves	
	General Fund Balance £000	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:		
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation and impairment of non-current assets	(20)	20
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Capital expenditure charged against the General Fund	37	(37)
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 17)	(533)	533
Employer's pensions contributions and direct payments to pensioners payable in the year	271	(271)
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)
Total Adjustments	**(243)**	**243**

7) Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
209	Pensions interest cost and expected return on pensions assets	247
(5)	Interest receivable and similar income	(4)
204		**243**

8) Surplus on Provision of Services

Amounts Reported for Resource Allocation Decisions

As the Board operates as a single entity, the reporting during the year is that specified by the Service Reporting Code of Practice (SERCOP). Thus there is no requirement to include a reconciliation between that reported during the year and that reported in the Comprehensive Income and Expenditure Statement.

Within Continuing Operations costs there are costs included of £30k (2014/15: £18k) that were not reported during the in-year monitoring. These are as a result of Capital Financing Costs, £32k (2014/15: £20k) and Compensating Absences Account Adjustments, £(2)k (2014/15: £2k).

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 on provision of services.

The following costs incurred by the Portal are included in the table below; Supplies and Services costs of £112k for Professional Fees. These costs are fully offset by income of £112k having no impact on the overall Surplus for the Board in the year.

8) (Surplus)/ Deficit on Provision of Services (continued)

	2014/15 £000	2015/16 £000
Gross Expenditure		
Staff Costs	1,818	1,955
Property Costs	232	224
Transport Costs	24	27
Supplies & Services	602	472
Third Party Payments	15	15
Support Services	71	69
Capital Financing Costs	20	32
	2,782	**2,794**
Income		
Sales of Electoral Roll	(6)	(7)
Sales of Valuation Roll	(26)	(41)
Grant Income	(55)	-
Other Income	(377)	(240)
Council Contributions	(2,539)	(2,271)
	(3,003)	**(2,559)**
Net Income	**(221)**	**235**
Financing Expenditure (note 7)	204	243
(Surplus)/ Deficit on Provision of Services	**(17)**	**478**

9) Property, Plant and Equipment

	2014/15	2015/16
	£000	**£000**
Opening Gross Book Value	**133**	**170**
Additions	37	35
Disposals	-	-
Closing Gross Book Value	**170**	**205**
Opening Accumulated Depreciation		
Opening Depreciation	92	107
Depreciation for the year	15	27
Disposals	-	-
Closing Accumulated Depreciation	**107**	**134**
Net Book Value at 31 March	**63**	**71**

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 2015/16.

10) 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 2015/16.

Software	2014/15 £000	2015/16 £000
Opening Gross Book Value	**89**	**89**
Additions	-	-
Disposals	-	-
Closing gross book value	**89**	**89**
Opening Accumulated Amortisation		
Opening amortisation	74	79
Amortisation for the year	5	5
Disposals	-	-
Closing Accumulated Amortisation	**79**	**84**
Net Book Value at 31 March	**10**	**5**

11) Debtors

31 March 2015 £000		31 March 2016 £000
55	Other Entities and individuals	23
55	**Total**	**23**

12) Creditors

31 March 2015 £000		31 March 2016 £000
80	Central government bodies	100
35	Other local authorities	44
162	Other entities and individuals	81
277	**Total**	**225**

13) Unusable Reserves

31 March 2015 £000		31 March 2016 £000
73	Capital Adjustment Account	76
(7,658)	Pensions Reserve	(6,208)
(20)	Accumulating Compensated Absences Adjustment Account	(18)
(7,605)	**Total Unusable Reserves**	**(6,150)**

13) 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.

2014/15 £000		2015/16 £000
56	**Balance at 1 April**	**73**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(20)	- Charges for depreciation and impairment of non current assets	(32)
37	- Capital Expenditure charged against the General Fund	35
73	**Balance at 31 March**	**76**

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.

13) Unusable Reserves (continued)

2014/15 £000		2015/16 £000
(5,075)	**Balance at 1 April**	**(7,658)**
(2,321)	Actuarial gains or (losses) on pensions assets and liabilities	1,790
(533)	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	(618)
271	Employer's pensions contributions and direct payments to pensioners payable in the year	278
(7,658)	**Balance at 31 March**	**(6,208)**

13) Unusable Reserves (continued)

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.

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	(22)	**Balance at 1 April**		**(21)**
22		Settlement or cancellation of accrual made at the end of the preceding year	21	
(20)		Amounts accrued at the end of the current year	(18)	
	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		3
	(20)	**Balance at 31 March**		**(18)**

14) Non Cash Movements

2014/15 £000		2015/16 £000
(20)	Depreciation & Amortisation	(32)
(79)	Increase/(Decrease) in Creditors	52
(25)	(Increase)/Decrease in Debtors	(32)
(262)	IAS19 Adjustments	(339)
(386)	**Net cash flows from non cash movements**	**(351)**

15) Material Items of Income and Expense

Council Contributions

2014/15 £000		2015/16 £000
(1,251)	Falkirk Council	(1,256)
(895)	Stirling Council	(898)
(393)	Clackmannanshire Council	(394)
(2,539)		**(2,548)**

16) External Audit Costs

2014/15 £000		2015/16 £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**

17) 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:

17) Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme	
	2014/15 £000	**2015/16 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	324	370
• past service costs	-	1
Financing and Investment Income and Expenditure		
• Interest expense - defined benefit obligation	731	679
• Interest income on scheme assets	(522)	(432)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**533**	**618**
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)	(621)	237
• Actuarial (gains)/losses arising on changes in financial assumptions	1,796	(1,745)
• Actuarial (gains) arising on changes in demographic assumptions	(249)	-
• Other experience (gains)/losses	1,395	(282)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**2,854**	**(1,172)**
Actuarial (gains)/losses on pension fund assets and liabilities	**2,321**	**(1,790)**

17) Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme 2014/15 £000	2015/16 £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	(533)	(618)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers contributions payable to scheme	271	278

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:

	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation*	(21,393)	(19,678)
Fair value of pension fund assets	13,735	13,470
Net Liability arising from Defined Benefit Obligation	**(7,658)**	**(6,208)**

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

Unfunded liabilities for Pension Fund	415	357

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The net liability of £6.208m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall negative balance of £5.270m. However, statutory arrangements for funding the deficit means that the financial position of the Board remains healthy:

- 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.

17) 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:

	2014/15 £000	2015/16 £000
Opening balance at 1 April	**(17,975)**	**(21,393)**
Current service cost	(324)	(370)
Interest cost	(731)	(679)
Contributions by scheme participants	(79)	(79)
Re-measurement gains and (losses)		
Actuarial gains from change in demographic assumptions	249	-
Actuarial gains/(losses) from change in financial assumptions	(1,796)	1,745
Actuarial gains/(losses) from other experiences	(1,395)	282
Past Service	-	(1)
Benefits paid	658	817
Closing value at 31 March	**(21,393)**	**(19,678)**

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

	2014/15 £000	2015/16 £000
Opening fair value of pension fund assets	**12,900**	**13,735**
Interest Income	522	432
Return on pension assets (excluding amounts included in net interest)	621	(237)
Contributions from employers	271	278
Contributions by employees into the scheme	79	79
Benefits paid	(658)	(817)
Closing fair value of pension fund assets	**13,735**	**13,470**

17) Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund Assets

The Board's share of the Pension Fund comprised:	31 March 2015	31 March 2016
Equity instruments (by industry type)		
- Consumer	1,329	1,414
- Manufacturing	819	761
- Energy & Utilities	541	481
- Financial Institutions	1,003	871
- Health & Care	713	689
- Information Technology	554	816
- Other	237	-
Sub Total Equity	**5,196**	**5,032**
Debt Instruments		
-Corporate bonds (investment guide)	-	218
Property (by type)		
- UK	988	1,047
- Overseas	48	32
Sub Total Property	**1,036**	**1,079**
Private Equity		
- UK	795	980
Sub Total Private Equity	**795**	**980**
Other Investment Funds		
- Equities	2,953	2,865
- Bonds	1,220	928
- Infrastructure	346	176
- Other	1,606	1,555
Sub Total Other Investment Funds	**6,125**	**5,525**
Cash and Cash Equivalents	**583**	**636**
Total Assets	**13,735**	**13,470**

17) 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 updated through to 31 March 2015. 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	
	2014/15	**2015/16**
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.2%	3.5%
Bonds	3.2%	3.5%
Property	3.2%	3.5%
Cash	3.2%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensions		
- Men	22.1 years	22.1 years
- Women	23.8 years	23.8 years
Longevity at 65 for future pensioners		
- Men	24.3 years	24.3 years
- Women	26.3 years	26.3 years
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	3.8%	3.7%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%

17) 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 2016

	Approximate % Increase to Employer	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	1,883
1 year increase in Member Life Expectancy	3%	590
0.5% increase in the Salary Increase Rate	3%	676
0.5% increase in the Pension Increase Rate	6%	1,171

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 (21.5%). 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 2017 is £258k.

18) Nature and Extent of Risks arising from Financial Instruments

As at 31 March 2016 the Valuation Joint Board has Debtors of £23k, cash and cash equivalents of £1,064k and Creditors of £225k. 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 2015/16 was approved by Full Council on 5th March 2015 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 2016 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.

19) 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 2015/16 are disclosed elsewhere within the Annual Report and Financial Statements:

a) Requisitions from other Local Authorities are shown in Note 8 to the Comprehensive Income and Expenditure Statement; and

b) Payments to Elected Members and Chief Officers are shown in the Remuneration Report