AGENDA ITEM
5

Final Financial Statements as at 31 March 2016 and External Audit Report

Agenda Item 5

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: FINAL FINANCIAL STATEMENTS AS AT 31 MARCH 2016 and EXTERNAL AUDIT REPORT
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 23rd September 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 Board is legally obliged to complete the draft accounts and submit them by 30th June 2016 to the External Auditor so that they can be scrutinised for accuracy and completeness.

1.4 The Audit of the Accounts is required to be completed and the final accounts approved by the Board for signature by the 30th September 2016. In considering the final accounts, the Board are required to have regard to the report produced by the External Auditor as attached in Appendix 1 – 'Final Report to the Board and the Controller of Audit on the 2015/16 Audit'.

2. BACKGROUND

2.1 At the Board meeting on the 17th June 2016 the submission of the draft Accounts to the External Auditor was approved by the Board. It was noted in the report that a final audited set of accounts, and the auditors report, would be presented to the Board at the next appropriate meeting.

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

2.3 The main financial statements comprise a:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Account

- Balance Sheet
- Cash Flow Statement

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

2.6 The useable surplus brought forward from previous years is £1,023k. The deficit achieved in the year is £478k. The surplus carried forward to future years is therefore £880K. There is £595k set-aside for approved earmarked projects. This leaves a useable general reserves balance of £285k. The reserves strategy is to maintain a minimum level of useable general reserves of 4% (£105k). This will be reviewed as part of the budget setting process.

2.7 The external auditors, Deloitte, have now completed the audit of these draft accounts and their report on the accounts is included within their Final report to the Board in Appendix 1. This is the final year that Deloitte are the external auditors for the Board, Audit Scotland have been appointed external auditors commencing 2016/17.

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

3. CONCLUSIONS

3.1 The Valuation Joint Board has outturned a deficit of £143k which when subtracted from 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 Statement of Accounts and agree to their submission to the Controller of Audit and note the External Auditors report on the Audit.

……………………………………..
Treasurer
23rd September 2016

LIST OF BACKGROUND PAPERS

1. Annual Year End Working Papers.

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

Appendix 1

Central Scotland Valuation Joint Board: Final report to the Board and the Controller of Audit on the 2015/16 audit

2 September 2016

Contents

Our final report

Appendices

An overview of our audit plan:

- Materiality: £72,000 (2014/15: £27,820). The significant increase in comparison with prior year is due to our audit approach being updated to bring it in line with our other public sector audits.

- Performance Materiality: £64,800 (2014/15: £25,038)

- Threshold for reporting misstatements: £1,440 (2014/15: £1,391).

- Significant risks over revenue recognition and management override of controls.

- Significant judgements over future funding uncertainty and the defined benefit pension scheme.

- **Fully substantive audit -** We have not placed any reliance on internal controls and our audit work was fully substantive. We assessed the design and implementation of controls as part of our planning procedures, to assess the sufficiency of the control environment governing the production of financial information

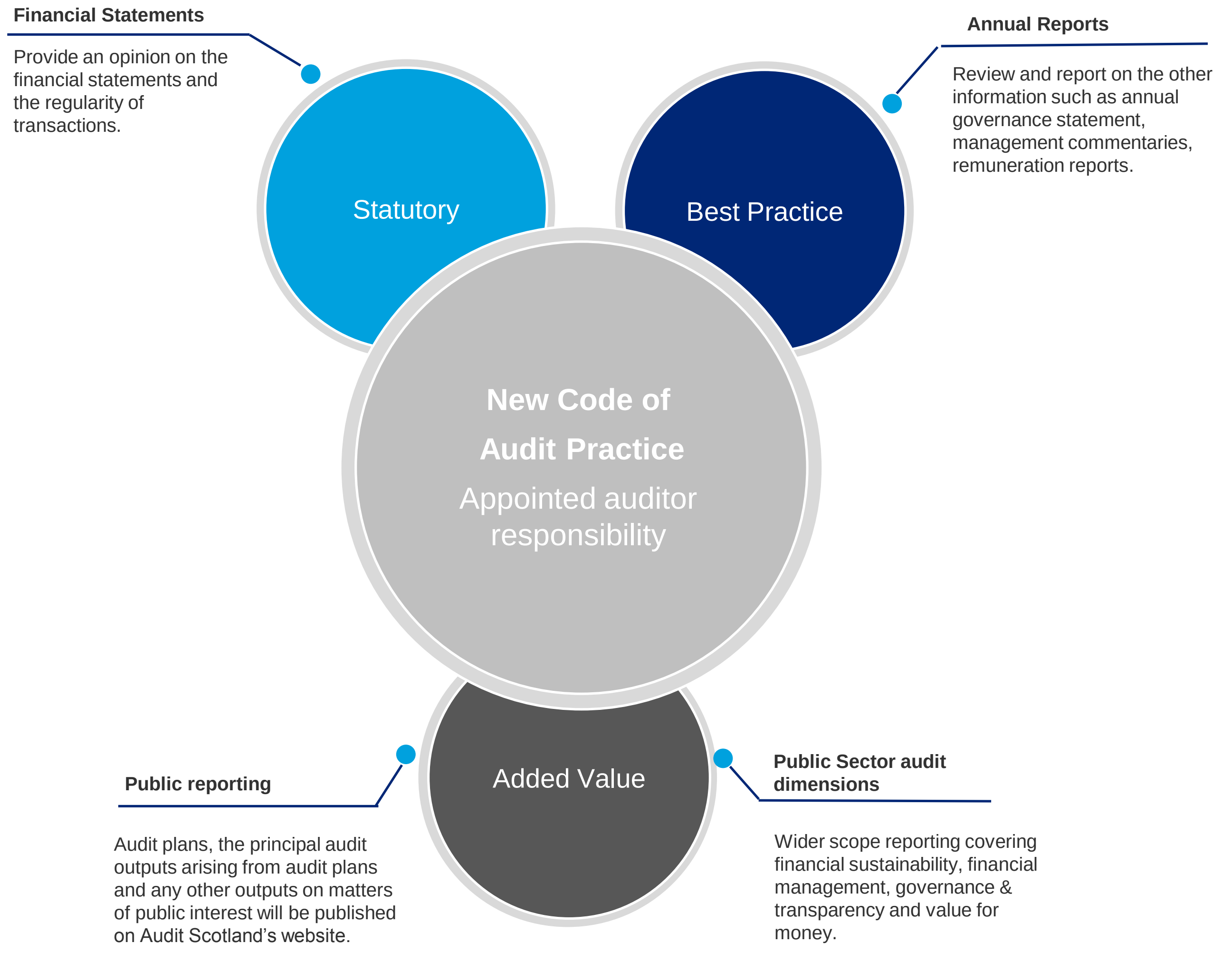
Partner introduction

Partner introduction

Overview of responsibilities

I have pleasure in presenting our final report to the Board for the 2015/16 audit.

We have early adopted the requirements of the new Code of Audit Practice which comes into force for the 2016/17 audits. A reminder of the requirements is set out below.



Audit quality is our number one priority. When planning our audit we set the following audit quality objectives:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

Partner introduction (continued)

Financial statements audit	

Conclusions from our testing	• The key judgements and areas of audit focus in the audit process related to:
	  • Revenue recognition
	  • Management override of controls
	• A summary of our work on the significant financial statements risks is provided in the dashboard on page 6.
	• We have also considered the following other matters during our audit:
	  • Future Funding Uncertainty
	  • Defined Benefit Pension Scheme
	• No material misstatements or disclosure deficiencies have been identified during our audit.
	• We have identified two factual misstatements which are above our reporting threshold, being a £4,537 misstatement in accruals and a £47,699 debtors understatement due to a missed journal between Clackmannanshire Council and the CSVJB. Both of these have been corrected in the updated financial statements. Further details are provided in Appendix 1.
	• Based on the current status of our audit work, we anticipate issuing an unmodified audit opinion.

Status of the audit	• The audit is substantially complete subject to the completion of the following matters:
	  • Finalisation of quality control procedures;
	  • Receipt of signed management representation letter; and
	  • Our review of events since 31 March 2016 including review of post year end board minutes.

Annual report	
Overall conclusion	• We have read the Management Commentary in full in order to assess whether it is in line with our understanding of the Board and complies with the 2014 Regulations. No exceptions noted. • The format and content of the Governance Statement is consistent with the requirements of the Code and concludes that there are no governance issues identified that are considered significant in relation to the overall governance framework, which is consistent with the findings of our audit. Some areas of its governance framework have been identified for improvement by the Board and are appropriately disclosed. • We are satisfied that the remuneration report has been prepared in accordance with Local Authority Accounts (Scotland) Regulations 2014 and is consistent with the findings of our audit.

Partner introduction (continued)

Significant financial statements risk dashboard

Fraud risk	Controls approach and findings	Consistency of judgements with Deloitte expectations	Comment
Revenue recognition – Grants and Requisitions			
✓	Evaluate design / implementation of key controls. No controls reliance. No significant observations.	●	We have confirmed that the contributions agreed as part of the budget have been reconciled to the actual amounts received and accounted for in the financial statements.
Management override of controls			
✓	Evaluate design / implementation of key controls. No controls reliance. No significant observations.	●	We have noted no issues with journal entries and other adjustments made in the preparation of the financial statements. Our review of accounting estimates for bias that could result in material misstatement due to fraud identified no issues.

Overly prudent, likely to lead to future credit ⊖ ⊖ ● ⊕ ⊕ Overly optimistic, likely to lead to future debit.

Partner introduction (continued)

Public sector audit dimensions

We have commented below on the public sector audit dimensions with regard to CSVJB:

Financial management	The final outturn was a net overspend of £235k against net cost of services compared to a budgeted overspend of £196k where the Board budgeted to use reserves to balance the gap due to funding uncertainties. CSVJB closely monitors budget and actual expenditure through regular reporting to the Board.
Financial sustainability	Financial sustainability continues to be one of the most significant challenges and risks for CSVJB and the wider public sector. CSVJB is in the process of developing a 5 year plan in which future income and expenditure are forecasted. Uncertainty over future levels of funding from local government will be monitored through this budget forecast process.
Governance and transparency	The Board meets on a regular basis to assess performance against budget and to determine any risks affecting the entity.
Value for money	A plan is set by the Board each year that supports the delivery of the strategic priorities of the Board which identifies key projects and actions. Progress against this is monitored.

Jim Boyle
Audit Partner

Scope, nature and extent of audit

Scope, nature and extent of audit

Our overall responsibility as external auditor of CSVJB is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

Our core audit work as defined by Audit Scotland comprises:

- Providing the Independent Auditor's Report on the financial statements;
- Providing the annual report on the audit to the Board and the Controller of Audit;
- Communicating audit plans to those charged with governance; and
- Identifying significant matters arising from the audit, alert Audit Scotland accordingly and supporting Audit Scotland in producing statutory reports as required.

In accordance with paragraph 5 of the Code, due to the small size and nature of the Board, no formal audit plan was reported to those charged with governance. Our planning work was completed and fully discussed with key officers from the Board.

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

Significant risks and other matters

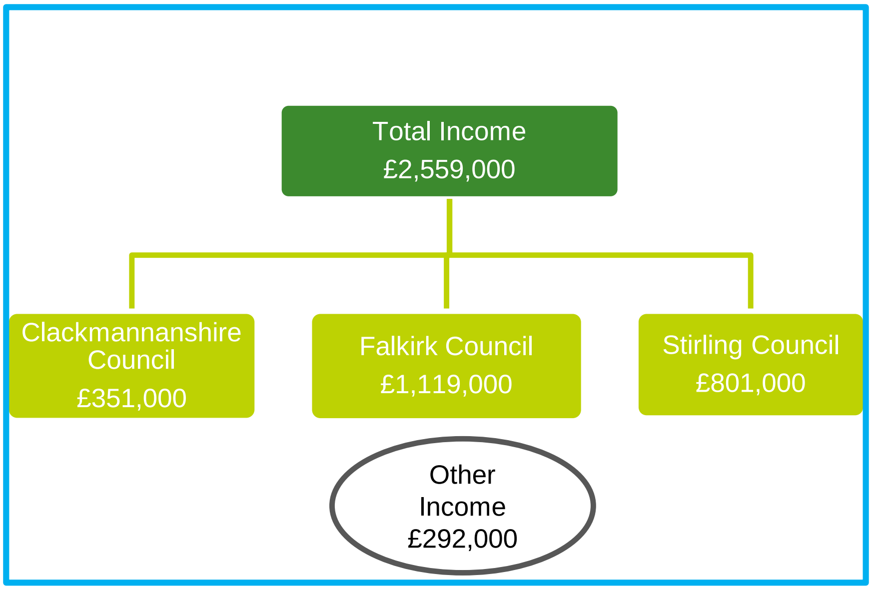
Significant risk

Revenue Recognition

Risk Identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

For the Board, we have considered this risk to be around the completeness of requisitions from the constituent authorities given the significance of these to the organisation.



Key judgements

As the requisitions from the constituent authorities are agreed as part of the budget process at the start of the year and monitored against expenditure requirements during the year, there is very little judgement by management in recognising the income in the accounts.

Deloitte response

We have reviewed the treatment of income in the year to consider whether it is line with IFRS guidance and the Code. We have obtained a copy of the 2015/16 budget approved by the Board detailing the requisitions due from the partner Councils which have been agreed to the amount recognised by the Board. We have also agreed the amounts received through the bank account.

Deloitte view

No issues noted from our review of the treatment of income in the year, which has been accounted for in line with the Code.

We have agreed all income received to bank statements and to the Board approved budget.

Significant risk

Management override of controls

Risk Identified

International Standards on Auditing require auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor.

This recognises that management within Clackmannanshire Council acting on behalf of the Board is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities.

This risk cannot be pinpointed to an account balance or potential error and therefore specific procedures to respond to the risk of management override of controls should be designed and performed.

Audit approach

Our audit work is designed to test for instances of management override of controls. We have summarised above our work on key estimates around revenue recognition and note that there have been no significant one-off or unusual transactions in the period.

Deloitte response

We have considered the risk factors over the manipulation of accounting entries made in preparation of the financial statements, and note that:

- the Board's results were monitored closely throughout the period; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We have used data analytics to test a sample of journals, based upon identification of items of potential audit interest. No issues noted from our testing.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements was completed with no issues noted.

Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

Other matters

Defined benefit pension scheme

Background

The Board participates in a defined benefit pension scheme. This scheme is administered by Falkirk Council, therefore actuarial assumptions are not made by CSVJB. There is a risk that the actuarial assumptions are not appropriate and therefore the valuation of the scheme is inaccurate. For the purposes of the CSVJBs financial statements, it is important to ensure that the assumptions applied are fully understood and challenged.

Audit work performed

We have performed the following:

- obtained a copy of the actuarial report produced by Hymans Robertson LLP, the scheme actuary, and agreed in the disclosures to notes 17 within the accounts;
- confirmed the total assets of the scheme with the Pension Fund financial statement;
- assessed the reasonableness of the split of assets and liabilities;
- reviewed the disclosures within the accounts against the Code;
- assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; and
- liaised with our in-house actuary regarding their assessment of the key assumptions.

No issues noted from our audit work to date.

Deloitte response

The net pension liability has reduced from **£7.658 million** in 2014/15 to **£6.208 million** in 2015/16 as a result of an increase in the discount rates applied, offset to some extent by a slight increase in some inflation adjustments. We have reviewed the assumptions and on the whole, the set of assumptions is slightly towards the prudent end of the reasonable range at 31 March 2016. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

	Board	Benchmark	Comments
Discount rate	3.5%	3.45%	Reasonable
RPI inflation	3.2%	2.95%	Prudent
CPI Inflation rate	2.2%	1.95%	Prudent
Real Salary increase (over CPI inflation)	3.7%	Council specific	Consistent with PY
Pension increase	2.2%	1.95%	Prudent
Current mortality	Club visa	Council specific	Consistent with the 2014 funding valuation of the Fund. Reasonable.
Mortality – future improvements (CMI – Continuous Mortality Investigation)	CMI 12 with a 1.25% p.a. long-term trend	CMI 15 with a 1.25% p.a. long-term trend	Reasonable

Public sector audit dimensions

Financial management

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

Revenue expenditure

CSVJB budgeted a net overspend of £196k for the year to 31 March 2016, with budgeted income of £2,552k and expenditure of £2,748k. CSVJB planned to use reserves to fund this overspend of £196k which was allocated specifically to fund the additional costs associated with the Individual Electoral Registration.

	2015/16 Budget £'000	2015/16 Actual £'000	2015/16 Variance £'000
Gross Expenditure	2,744	3,037	293
Income	(2,744)	(2,559)	185
Net Expenditure	**-**	**478**	**478**
Adjustments between accounting basis and funding basis	N/A	(335)	N/A
Net decrease in usable reserves	**N/A**	**143**	**N/A**

The CSVJB spent £3,037k in the year 2015/16 and had a deficit on the provision of services for the financial year reported in the Comprehensive Income and Expenditure Account of £478k. The deficit is due to net pension interest of £243k and a net deficit of £235k in the Cost of Services.

The CSVJB's General Fund balance at 31 March 2016 was £880k (31 March 2015: £1,203k). The movement is driven by the deficit of £478k as noted above.

Deloitte conclusion

2015/16 results are broadly in line with budget. We have reviewed Board meeting minutes and have noted the budget being discussed by the Board. From our audit work and review of internal audit, we have noted no issues with regard to the control environment and internal controls.

Financial sustainability

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

Financial Outlook

The 2016/17 budget was approved by the Board in February 2016. Adjustments have been made to the base figures for 2015/16 to produce estimates for 2016/17.

Individual Electoral Registration (IER) costs are an area of budgeted growth with increased canvasser costs and postage anticipated.

When setting the budget for 2016/17, notification of Cabinet Office funding had not been received, as had been the case in prior years. A bid has been prepared but the outcome is not yet available. If the bid is successful an equivalent amount will not be required from reserves

We have reviewed the 2016/17 budget which proposes £2,620k gross expenditure a £124k decrease on the prior year due to the receipt of government grant income and a decline in the purchase of computer hardware.

Proposed requisitions from the Councils is £2,515k. This therefore gives a funding gap of £105k which will be met from uncommitted reserves. During 2015/16, the Treasurer conducted a review of reserves and proposed a refund to constituent authorities, which has been facilitated through the budgeted use of reserves in 2016/17. The closing position represents an uncommitted reserves level of £110k which is in line with the Board's revised minimum reserves policy of 4% of net expenditure.

CSVJB is in the process of developing a 5 year plan in which future income and expenditure are forecasted. This will assist in longer term planning when implemented. A number of potential risks have been identified as part of this process which are being considered by the Board, including:

- uncertainty of future funding streams from both the Constituent authorities and the Cabinet Office;
- The ability of the CSVJB to make year on year reductions in the net expenditure at the same time as it is implementing new electoral systems and when 74.9% of its net expenditure is its cost of employment; and
- Potential additional unplanned work including the potential Council Tax replacement scheme, Non Domestic Rates Revaluation and a potential review of the Non Domestic Rates system.

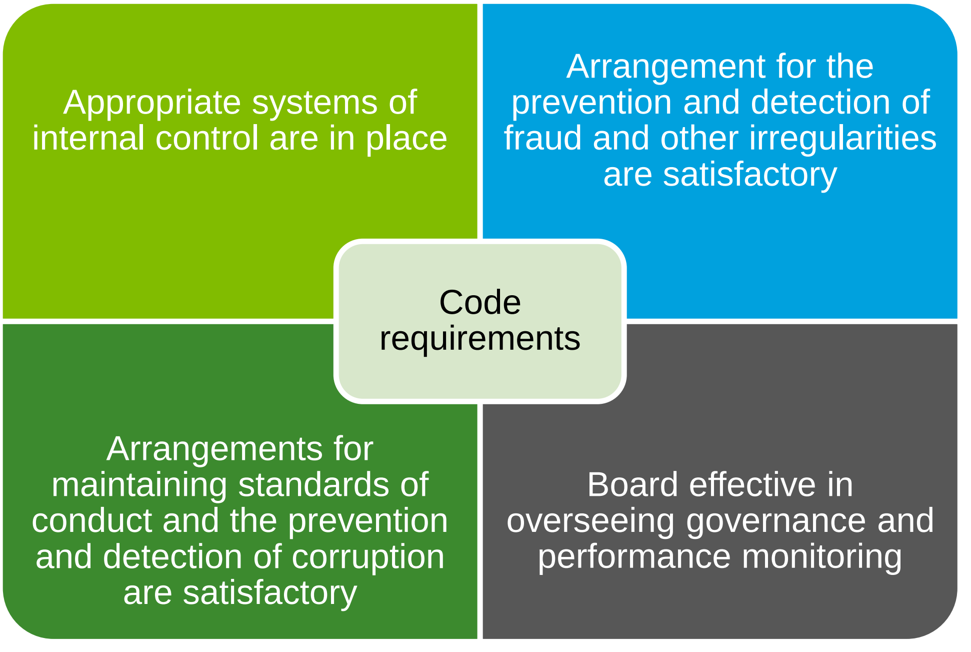
Deloitte conclusion

We have confirmed that a budget has been approved for 2016/17 and work is progressing to developing future year budgets with partner bodies. The Board recognises that there a number of key challenges in the medium to longer term which are being considered as part of this work.

Governance and transparency

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

In accordance with the Code of Audit Practice, we are required to consider and formally report in relation to the following key matters:



Deloitte conclusion

We confirm that we have reviewed the arrangements in each of the four areas and have identified no issues in this regard.

The Board met on a regular basis during 2015/16 in order to review performance to date, and to monitor changes from budget.

We are comfortable with the fraud arrangements in place and confirm there have been no frauds of which management or internal audit have made us aware.

Internal Audit services continue to be provided through Clackmannanshire Council's Chief Internal Auditor.

Value for money

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

Performance management

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 the Accounts Commission in 2000. Reports also include trend information covering the previous three years' performance.

Performance against targets 2015/16

The performance against target for the current year are noted below:

Valuation Roll Indicator	2015/16 Target %	2015/16 Actual %
Changes made in less than 3 months	82	74
Changes made in less than 6 months	93	90
Changes made in more than 6 months	7	10

Valuation List Indicator	2015/16 Target	2015/16 Actual
Changes made in less than 3 months	97	97
Changes made in less than 6 months	99	99
Changes made in more than 6 months	1	1

Targets for 2016/17 have also been proposed based on consolidating the historical trend of high performance. As part of the future years budgets, the Board is considering the cost of maintaining these levels of performance and whether there is a potential to reduce costs by taking an explicit decision to reduce service standards. Appropriate consultation would be required should this option be considered.

Deloitte conclusion

Performance is regularly reviewed by the Board with results taken into account as part of longer term planning.

Your Annual Report

Our comments on your annual report

We welcome this opportunity to set out for the Board our observations on the annual report. We are required to read the "front half" of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on your response to these areas:

	Deloitte response
Management Commentary	The Management Commentary reflects on those matters companies are require to disclose under the Companies Act 2006, as adapted for local authorities. This includes description of the principal risks and uncertainties facing CSVJB, a review of performance in the year, a measurement of progress against performance indicators and commentary on going concern. We have read the Management Commentary in full in order to ensure that it is in line with our understanding of the Board and complies with the required guidance on Management Commentary.
Governance Statement	The Governance Statement reports that CSVJB is in compliance with the aspects of the UK Corporate Governance Code which are set out within the guidance as being applicable to Authorities. The format and content of the statement is consistent with the requirements of the Code and concludes that there are no governance issues identified that are considered significant in relation to the overall governance framework, which is consistent with the findings of our audit. Specific opportunities for improvement in governance and internal control have been identified by the Board and have been appropriately disclosed.
Remuneration Report	The remuneration report has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014, disclosing the remuneration of senior employees working for the Board. We are satisfied that the remuneration report has been prepared in accordance with the amendment regulations and is consistent with the findings of our audit.

Purpose of our report and responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Board and Controller of Audit discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

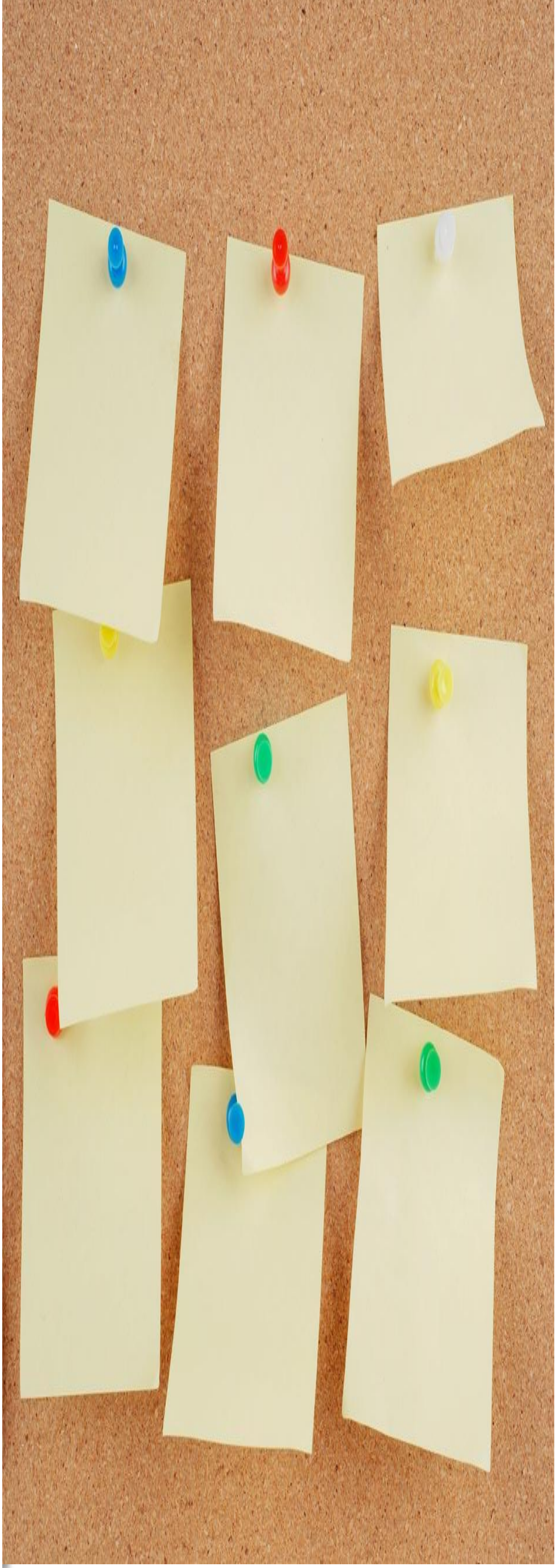
- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan and the supplementary "briefing on audit matters" previously circulated to you.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Edinburgh
2 September 2016

Appendices



Audit adjustments

Summary of uncorrected and corrected misstatements

Corrected misstatements

The following corrected misstatements have been noted from our audit work to date:

- A factual misstatement was noted within creditor testing for £4,537. This error has been adjusted for. This error occurred as the April 2016 HMRC NIC balance was accrued for incorrectly instead of March 2016.
- A factual misstatement was noted within debtors for £47,699. This error has been adjusted for. This error occurred as the sales invoice was paid after the year-end and the receivable balance was accounted for within the Clackmannanshire Council ledger, but had not been transferred to the CSVJB.

Uncorrected misstatements

- There have been no uncorrected misstatements noted during the process of our audit work to date.

Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work to date.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed

- In our planning we identified the risk of fraud in revenue recognition and management override of controls as key audit risks for the Board.
- During course of our audit, we have had discussions with management and those charged with governance.

Concerns

As set out above we have identified the risk of fraud in other income recognition and management override of controls as a key audit risk for your organisation.

Independence and fees

There are no issues we wish to raise to you

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for the year has ben agreed at £7,500 and is within the indicative fee range set by Audit Scotland. There were no non-audit services for the period.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Board's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

Events and publications

Our events and publications to support the Board

Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the Board are shared below:

Perspectives: The public sector's talent retention challenge – How can a talent drain be avoided?
Although global governments are increasingly conscious of the value of skills, the UK's public sector workforce has been hit hard by austerity. Job losses, low morale and pay freezes have all fuelled concerns of a potential drain. Read the full blog here: http://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sectors-talent-retention-challenge.html

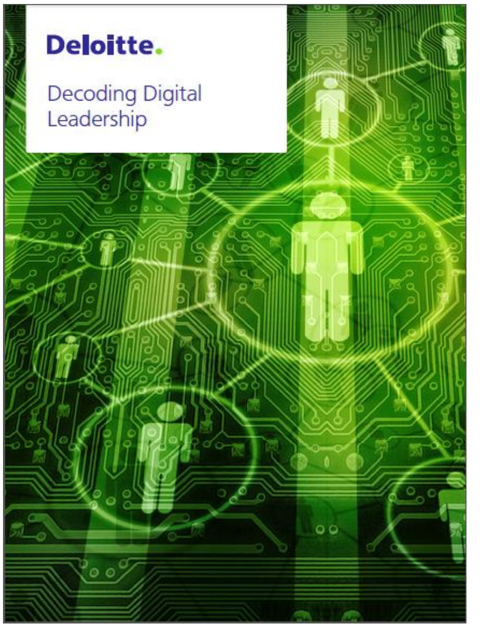
Publications

Decoding Digital Leadership
Surviving Digital Transformation

Digital transformation is a hot topic in government. The 2010 Spending Review mentioned the word 'digital' only four times in its reform plans, while the Review mentioned it 58 times. With that context, are senior leaders across government setting their organisations up for digital success?

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation?

Download a copy of our publication here: http://www2.deloitte.com/uk/en/pages/public-sector/articles/decoding-digital-leadership.html



CENTRAL SCOTLAND VALUATION JOINT BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015/16

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CENTRAL SCOTLAND VALUATION JOINT BOARD

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. 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 11,416 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 deadline.

Strategic Context (continued)

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

The number of online registrations increased ahead of the 2015 UK Parliamentary Election and significant work was carried out in preparation for the 2016 EU Referendum which took place in June 2016.

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 whilst at the same time the anticipated funding level is 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 for 2016/17, 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 £105k 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 of producing 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 net liability position for 2015/16 due to a 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 reports 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 indicators measuring 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 pages 23-26. 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 £403k 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 Statement 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 £143k.

The usable reserves surplus brought forward from previous years is £1,023k. The usable reserves deficit in the year, per above, is £143k. 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 usable reserves.

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

Of the £880k balance at 31 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**

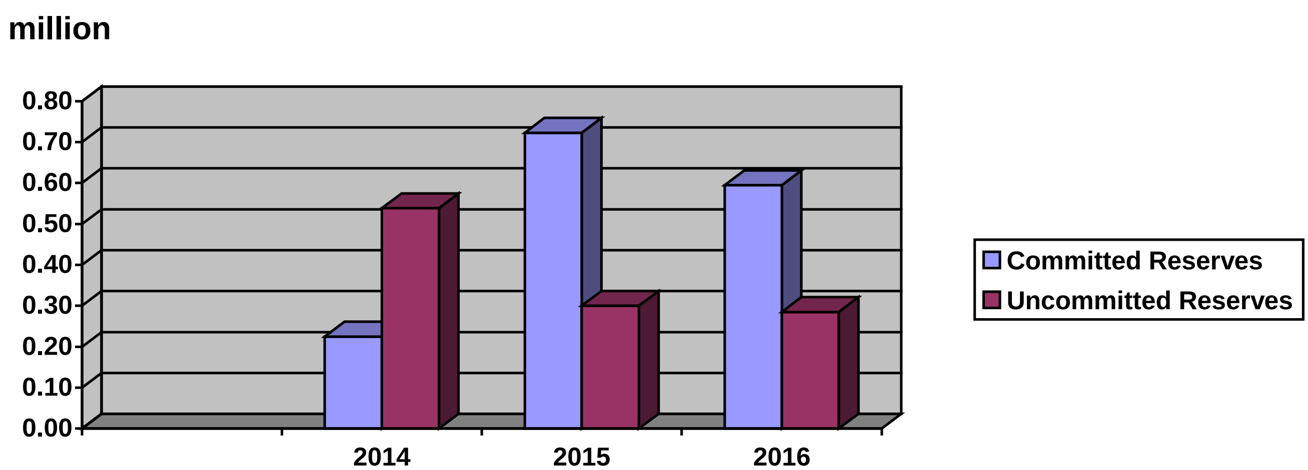
Financial Performance 2015/16 (continued)

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 current reserves represent a level of 10.9% as reported on page 9. During 2015/16 £277k was refunded to the constituent authorities and a further £440k is earmarked to be refunded in 2016/17.

The movement in the Board'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 Board over the financial year and of the affordability of its ongoing commitments. The following table provides the indicators with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	Commentary	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 3% 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 property, plant and equipment 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 decrease of £1.450m which is an improvement on the position recorded in March 2015 because the financial assumptions are more 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.

Prior to the EU Referendum outcome, the UK's fiscal outlook had already worsened during the course of 2015/16, though the distribution of the impacts had changed, with greater reductions being planned for 2019/20 and a lessening of the impacts in 2016/17 and 2017/18. Having said that, it is also anticipated that the greatest pressure over the Spending Review Period will continue to fall on day to day revenue expenditure. Since the outcome, the economic and fiscal implications remain highly uncertain and it is clear it will take some time to crystallise. This will likely be in terms of years rather than months and in the interim, ongoing volatility is anticipated.

Business Environment and Risks (continued)

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. Additionally the Cabinet Office has indicated that the transitional funding for Individual Electoral Registration will potentially cease by 2020. This would mean that the Board would then be wholly reliant on funding from its Constituent authorities.

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, there are increasingly frequent reports of above inflation pay increases in the private sector.

The Board has to manage the financial and service delivery risks associated with the impact of real and potential cash term reductions in public sector funding, balanced against increasing demands for services and new responsibilities. 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 recognises the need to ensure there are reasonable levels of data security for all functions. The Assessors is currently reviewing the business continuity arrangements for the Valuation Joint Board.

Plans for the Future

The combination of anticipated cost pressures, coupled with reduced income, presents significant challenges and financial risks to the Board over the medium term. It is recognised that the scale of the financial challenge will require a fundamental review of aspects of service delivery if the Board is to maintain its financial stability moving forward. This is more challenging given the high proportion of total expenditure which 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.

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**
23rdSeptember 2016	**23rd September 2016**	**23rd September 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;

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

(4) Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 23rd September 2016.

Charles MacDonald
Convenor of the Board
23rd September 2016

The Treasurer's responsibilities

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

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

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

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

(3) complied with legislation ; and

(4) complied with the Code of Practice.

The Treasurer has also:

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

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

I certify that the Financial Statements present a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2016.

Nikki Bridle
Treasurer
23rd September 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 year 2016 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
23rd September 2016

Charles MacDonald
Convenor of the Board
23rd September 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	19,102	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.

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 where officer's commit to the termination of employment of an officer or group of officers, or where an offer is made to encourage voluntary redundancy.

In implementing a planned rationalisation of the Valuation Joint Board, the Board agreed the voluntary termination of the contracts of a number of employees in 2015/16 and summary information regarding the number 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

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

We certify that we have audited the financial statements of Central Scotland Valuation Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non- financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

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

23rd September 2016

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (those that can be applied to fund expenditure) and ‘unusable reserves’. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Reserves Balance. The Net Increase/(Decrease) shows the statutory Reserves Balance.

	Usable Reserves £000	Unusable Reserves £000	**Total Reserves £000**
Balance at 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			
Deficit 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				2015/16		
Gross Expenditure	**Gross (Income)**	**Net (Income)/ Expenditure**		**Gross Expenditure**	**Gross (Income)**	**Net (Income)/ Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,782	**(3,003)**	**(221)**	**Cost of Services (A)** (note 8)	2,794	(2,559)	235
		<u>204</u>	Financing Expenditure (note 7)			<u>243</u>
		(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)**

<u>Cost of Services (A)</u>
All costs flow through the Central Services line at financial statement level, and therefore there is no further breakdown of Service costs.

CENTRAL SCOTLAND VALUATION JOINT BOARD

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. The second category of reserves is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000		Note	31 March 2016 £000
63	Property, Plant & Equipment	9	71
10	Intangible Assets	10	5
73	**Non-Current Assets**		**76**
55	Debtors	11	71
1,225	Cash and Cash Equivalents – bank current accounts		1,012
1,280	**Current Assets**		**1,082**
(277)	Creditors	12	(220)
(277)	**Current Liabilities**		**(220)**
(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 17th June 2016 and the audited Financial Statements were authorised for issue on 16th September 2016.

Nikki Bridle
Treasurer
23rd September 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)	300
(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	(182)
(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	(213)
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**	**1,012**

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 Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

b) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board;
- revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board;
- expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received, rather than when payments are made; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

c) Cash and Cash Equivalents

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

1) Accounting Policies (continued)

d) Changes in Accounting Policies and Estimates and Errors

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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

f) Employee Benefits

Benefits Payable During Employment

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

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits

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

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

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

- The liabilities of the Falkirk Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the iBoxx Sterling Corporate Index, AA cover 15 years;
- The assets of the Falkirk pension fund attributable to the Board are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price; and
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - expected return on assets – the annual investment return on the fund assets attributable to the Board, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits (continued)

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

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

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Valuation Joint Board is a recognised 'employing authority' within the meaning of the Local Government Superannuation (Scotland) Regulations.

g) Intangible Assets

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

Intangible assets are measured at cost less amortisation and any provisions for impairment. Amounts are only revalued where the fair value of the assets are held by the Board can be determined by reference to an active market.

1) Accounting Policies (continued)

g) Intangible Assets (continued)

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account. The Board's policy is to write off intangible assets over five years.

h) Property, Plant and Equipment

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

<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. The Board's policy is to write off the assets over three years.

i) Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources.

j) Events After the Reporting Period

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

1) Accounting Policies (continued)

j) Events After the Reporting Period (continued)

Two types of events can be identified:

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

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

k) VAT

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

l) Government Grants and Contributions

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

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

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

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

2) Changes to Accounting Standards

Accounting Standards Adopted in the Year

The following 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 presented 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:		
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation and impairment of non-current assets	(32)	32
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>		
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 (see note 17)	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:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(20)	20
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
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)/Deficit 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 costs of services 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: £(2)k).

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

The following costs incurred by the Portal are included in the table below; Supplies and Services costs of £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)

Amounts reported for resource allocation

Income and Expenditure

	2014/15 £000	2015/16 £000
Fees, charges and other income	(414)	(292)
Council Contributions	(2,539)	(2,271)
Grant Income	(55)	-
Total Income	**(3,008)**	**(2,563)**
Employee Costs	1,767	1,865
Other operating costs	982	841
Total Operating Expenses	**2,749**	**2,706**
Net Cost of Services	**(260)**	**143**

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

	2014/15 £000	2015/16 £000
Net Cost of Services	(260)	143
Add amounts not reported in service management accounts*	243	335
	(17)	**478**

*This includes depreciation and IAS19 pension adjustments

Reconciliation to Subjective Analysis 2015/16

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

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

Reconciliation to Subjective Analysis 2014/15

	Management Accounts £000	Not Reported In Management Accounts £000	Net Cost of Service £000
Fees, charges and other income	(414)	-	(414)
Council Contributions	(2,539)	-	(2,539)
Grant Income	(55)	-	(55)
Total Income	**(3,008)**	**-**	**(3,008)**
Employee Costs	1,767	51	1,818
Other operating costs	981	(37)	944
Depreciation		20	20
Interest Payments		209	209
Total Operating Expenses	**2,748**	**243**	**2,991**
Net Cost of Services	**(260)**	**243**	**(17)**

9) Property, Plant and Equipment

	2014/15 £000	2015/16 £000
Opening Gross Book Value	**133**	**170**
Additions	37	35
Closing Gross Book Value	**170**	**205**
Opening Accumulated Depreciation		
Opening Depreciation	92	107
Depreciation for the year	15	27
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**	**2015/16**
	£000	**£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	71
55	**Total**	**71**

12) Creditors

31 March 2015 £000		31 March 2016 £000
80	Central government bodies	95
35	Other local authorities	44
162	Other entities and individuals	81
277	**Total**	**220**

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)**

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**		**(20)**
22		Settlement or cancellation of accrual made at the end of the preceding year	20	
(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		2
	(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	57
(25)	(Increase)/Decrease in Debtors	14
(262)	Movement in Pension Liability	(339)
(386)	**Net cash flows from non cash movements**	**(300)**

15) Material Items of Income and Expense

Council Contributions

2014/15 £000		2015/16 £000
(1,251)	Falkirk Council	(1,119)
(895)	Stirling Council	(801)
(393)	Clackmannanshire Council	(351)
(2,539)		**(2,271)**

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 positive:

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

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 2016. 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 are £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 on page 41; and

b) Payments to Elected Members and Chief Officers are shown in the Remuneration Report on page 17.