AGENDA ITEM 5

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: DRAFT FINANCIAL STATEMENTS as at 31 MARCH 2018
Meeting: CENTRAL SCOTLAND VALUATION JOINT BOARD
Date: 29th June 2018
Author: TREASURER

1. INTRODUCTION

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

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

1.3 The Code is based on International Financial Reporting Standards within a framework of the Government Financial Reporting Manual (FReM).

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

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

2. BACKGROUND

2.1 The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.* The Financial Statements show the actual figures for 2017/18 and the comparable figures for 2016/17.

2.2 The final management account position at the 31st March 2018 showed an underspend £156k against a budget of £2.584m (Appendix1). The underspend in the year was attributable to a number of areas including:

- Employee Related Expenditure £42k underspend due to vacant posts and trainee employees on lower scale points. Due to underspend in staffing the earmarked reserve for the scanning project staff was not required and could be funded from the existing budget.

- Premises Related Expenditure underspend £13k small saving across maintenance from external providers, gas, electricity, water charges and insurance contributed.
- Supplies and Services underspend £70k including lower spend on postage, printing and stationery due to external mail contract with Royal Mail. Savings have also been made in computer maintenance and purchases due to review and renegotiation of contracts during the year.
- Income received in the year was higher than budget £23k, this was due to additional funding from Cabinet Office to support Individual Electoral Registration (IER) in the year. Electoral & valuation roll sales were also higher in the year £4k.

2.3 The draft deficit on the provision of services reported in the Comprehensive Income and Expenditure Account is (£383k). However this includes £419k of accounting adjustments which require to be reversed out in the Movement in Reserves Statement to create a surplus of £36k for the year.

2.4 The useable surplus brought forward from previous years is £505k. The Board approved earmarked reserves of £310k for use in 17/18. The earmarked reserves have not been required in the year as the underspend and additional funding for IER has funded the projected budget shortfall and the spend to save scanning project. The surplus on provision of services in the year is £36k. Giving a surplus carried forward to future years of £541k. The balance of £541k has been retained as a surplus attributable to constituent authorities in the general fund usable reserve.

2.5 The Board approved the ear-marking of £284k for specific projects as part of the 18/19 budget setting process. The spend to save earmarked reserve of £41k continues the scanning project to September 2018. As the 16/17 project has been funded from the underspend, the board are asked to approve an earmarked reserve of £34k to allow the scanning project to continue until March 2019 which will allow all council tax records to be scanned. The balance of un-earmarked reserves is therefore £223k.

2.6 The Board's reserves strategy stipulates that it should retain uncommitted reserves at a minimum level of 6% of net expenditure as agreed in February 2018, which as at March 2018 would translate to a figure of £155k. The reserves position is therefore £68k in excess of this minimum reserve figure and represents a level of 8.6%.

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

2.8 One of the main changes in the financial statements from 2016/17 to 2017/18 is a decrease in the pension liability by £2.8m. This decrease is as a result of the triennial valuation of the pension scheme where investments have performed better than forecast. Although the board have benefited this year and the liability does not have an immediate impact this is something the board should take into consideration in assessing the future pension costs and contributions to the fund. The board have agreed to continue to increase the pension contribution by 0.5% per year until the next triennial valuation due in 2021.

2.9 A summary of the main financial highlights of the year is contained in my report on pages 4 to 13 of the draft accounts.

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

3. CONCLUSIONS

3.1 The Valuation Joint Board has outturned a surplus of £36k which when added to previous surpluses results in a net surplus of £541k now being held.

4. RECOMMENDATIONS

4.1 The Joint Board is asked to approve the increase to Spend to Save earmarked reserve of £34k.

4.2 The Joint Board is asked to note the 2017/18 Draft Statement of Accounts and agree to their submission to the Controller of Audit

Treasurer
29th June 2018

LIST OF BACKGROUND PAPERS

Appendix 1 : Summary Actual to Budget Position 31 March 2018
Appendix 2: Draft Financial Statements

1. Annual Year End Working Papers.

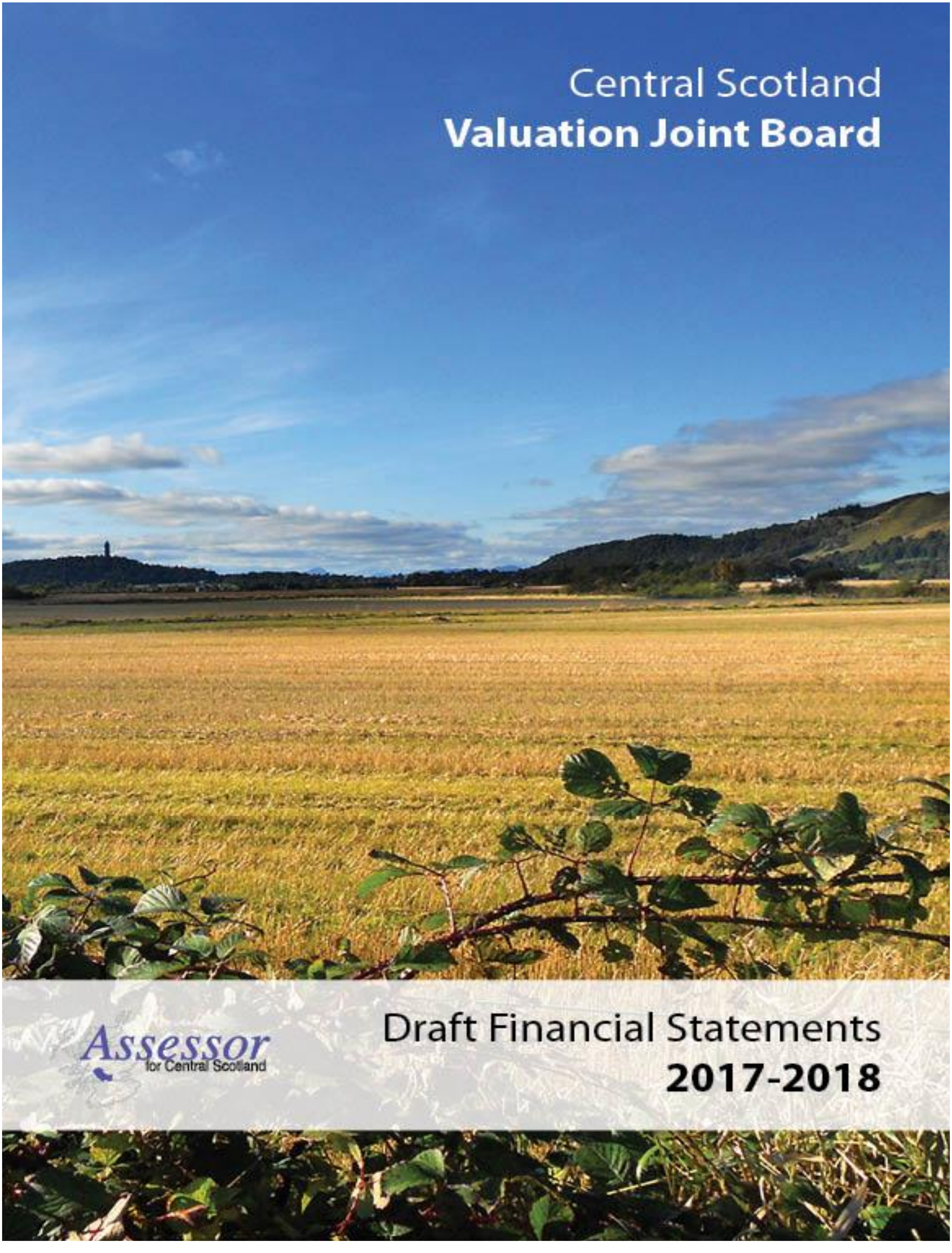
Any person wishing to inspect the above background papers should contact the Treasurer, on (01259) 452058.

Appendix 1

Central Scotland Valuation Joint Board
Actual Spend to 31 March 2018

Description	*Annual Budget for 2017/18*	*Actual to 31 March 2018*	*Actual v Budget*
Employee Related Expenditure	1,931,720	1,889,074	(42,646)
Premises Related Expenditure	209,300	196,040	(13,260)
Transport Related Expenditure	27,000	22,141	(4,859)
Supplies and Services	420,378	349,934	(70,444)
Third Party Payments	15,176	18,210	3,034
Support Services	75,795	78,450	2,655
Total Gross Expenditure	2,679,369	2,553,849	(125,520)
Income	(95,000)	(125,479)	(30,479)
Net Expenditure	2,584,369	2,428,370	(155,999)

Central Scotland
Valuation Joint Board



Assessor for Central Scotland

Draft Financial Statements
2017-2018

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MEMBERS AND OFFICIALS

CONVENOR

Councillor D Balfour, Falkirk Council (from 23rd June 2017)

DEPUTE CONVENOR

Councillor C Holden, Clackmannanshire Council (from 23rd June 2017)

FALKIRK COUNCIL

Appointed Members:-
Councillor D Alexander
Councillor L Binnie
Councillor J Coombes
Councillor D Grant
Councillor A Nimmo
Councillor J Patrick
Councillor R Spears

STIRLING COUNCIL

Appointed Members:-
Councillor D Dodds
Councillor D Gibson
Councillor J MacDonald
Councillor J Thomson

CLACKMANNANSHIRE COUNCIL

Appointed Members:-
Councillor K Earl
Councillor B Mason

OFFICIALS

Assessor	-	Peter Wildman
Clerk	-	Colin Moodie
Treasurer	-	Paula Tovey

All members shown from 23rd June 2017 due to changes from the Local Council Election held on 4th May 2017.

CENTRAL SCOTLAND VALUATION JOINT BOARD

MANAGEMENT COMMENTARY 2017/18

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 2018. 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 employ 45.1 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 Balfour from Falkirk Council and the Depute 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, Colin Moodie from Falkirk Council and its Treasurer, Paula Tovey from Clackmannanshire Council. Finance, Legal and HR services are currently provided by Clackmannanshire Council.

The Assessor & ERO has three core statutory duties. These are:

1. Valuation of Lands and Heritages

The Valuation Roll contains every non-domestic property (unless exempted by statute) in the Valuation Area showing the rateable value of the property. Rateable value is effectively the estimated rental value of the property. There are approximately 12,500 non-domestic properties in Central Scotland with a total rateable value of just under £354 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 most recent revaluation came into effect on 1 April 2017. Between revaluations the Assessor must maintain the Roll to reflect new and altered properties. The re-introduction of Shooting Rights and Deer Forests into the Valuation Roll was a significant piece of work in 2017-18. This was a major project for the Board and work was shared with the other Assessors in Scotland to ensure maximum efficiency and avoid duplication. Following the revaluation we received some 4500 appeals which is approximately a 17% increase from the 2010 Revaluation. A planned programme of appeal disposal has been agreed with the Secretary to the Central Scotland Valuation Appeal Panel to ensure all appeals are disposed of by the statutory deadline of 31 December 2020. Good progress has already been made in dealing with these appeals.

Strategic Context (continued)

The vast majority of valuation appeals from the 2005 Revaluation have been dealt with, ten remain outstanding all of which have been referred to the Lands Tribunal. Of the original 3,532 properties under appeal following the 2010 Revaluation, 5 properties remain under appeal at the end of May 2018. The appeals on these properties have all been referred to the Lands Tribunal for determination. We have also dealt with the appeals arising from changes to the 2010 Roll since it was first made up, 176 of which remain outstanding, 14 have been referred to the Lands Tribunal or Lands Valuation Appeal Court with the remaining 2 to be disposed of by 31st December 2018.

2. Compiling the Valuation List

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

3. Compiling the Register of Electors

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

The new Register of Electors was published on 1 December 2017 with the number of Local Government electors increasing to 230,436. Details of registered 15 and 14 year olds are not shown in published copies of the Register.

A full canvass was carried out during 2017/18. We sent Household Enquiry Forms to every residential property in our area. The canvass process is now a two stage process with a Household Enquiry Form forming the first phase. This is used to identify any electors who have moved in or out of the property. The form is only an enquiry form and changes cannot be made to the Register as a result of this form being returned. For any new names on the form we must issue a personal Invitation to register which is accompanied by a personalised registration form. For any name scored off on the Household form we must either identify a second source of information to confirm this or carry out a statutory review of registration. Every Invitation to Register and every Household Enquiry Form must be followed up with two reminders and a personal visit. We are not required to personally visit under 16 year olds. The household enquiry phase was completed as required by the 1st December 2017 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 Scottish Local Government Elections held on 4 May 2017 and the UK General Election on the 8 June 2017.

In common with other public sector organisations, the Board has seen additional expenditure pressures arising from legislative changes such as the re-introduction of Shooting Rights and Deer Forests into the Valuation Roll and the enhancements to Data Protection bought about by the new General Data Protection Regulations (GDPR), whilst at the same time the anticipated funding level is set to reduce. The Board also has to ensure that it complies fully with Health & Safety, Data Protection, Freedom of Information and Equalities Duties. These duties represent a sizeable workload for the organisation. Looking forward the Scottish Government has accepted the recommendation of the Barclay Review in respect of three yearly revaluations. The next scheduled revaluation is in 2022 and the first one on the three yearly cycle is due to take place in 2025.

Strategic Financial Planning

In the approved Budget for 2018/19, set in February 2018, the medium term forecast suggests an anticipated funding gap of £446k by 2020/2021. The Board utilised £119k of reserves in setting its 2018/19 budget.

The Assessor/Electoral Registration Officer (ERO) is taking steps to ensure that the Board's cost base is sustainable for the medium to long term, though this remains challenging given the limited areas for review. A full review of the staffing has been completed. During 2017/18 the scanning of records commenced with a view to reducing storage and providing quicker access to information, this will continue during 2018/19. The focus for the coming years will be on optimising records management and reviewing internal business processes to ensure that the efficiency of service delivery is maximised. These priorities and actions are all reflected in the Management Team's three year service plan.

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

The balance sheet shows a net liability position for 2017/18 due to a deficit in the pension scheme. The liability has reduced in the year due to the favourable performance of investments reflected in triennial valuation. The level of contributions has been agreed for the next 3 year which will see the employers contributions increase by 0.5% each year from 22.5% to 23.5%. The pension position is not expected to have a short term impact on the financial viability of the Board. The assessor and treasurer will review the long term sustainability to meet the pension contributions as part of the budget process considering the actuarial advice.

Business Performance

The Board receives and monitors performance reports on a regular basis. The current arrangements have been in place since the core indicators were agreed with the then Scottish Executive and Accounts Commission in October 2000. Reports also include trend information covering the previous three years' performance. Key performance indicators measuring performance against targets for the last three years are set out in Exhibit 1 below. This summary indicates an improvement in performance over the last 12 months, whilst targets have not been met, this reflects the continuing impact of the 2017 Revaluation and the re-introduction of Shooting Rights and Deer Forests into the Valuation Roll which was a significant piece of work in 2017-18. More details are set out in the Best Value Report to the VJB on 29 June 2018.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 2015/16 to 2017/18

Indicator – Valuation Roll	2015/16 Target %	2015/16 Actual %	2016/17 Target %	2016/17 Actual %	**2017/18 Target %**	**2017/18 Actual %**
Changes made in less than 3 months	82	74	75	56	**75**	**67**
Changes made in less than 6 months	93	90	90	78	**90**	**86**
Changes made in more than 6 months	7	10	10	22	**10**	**14**
Indicator – Valuation List	2015/16 Target	2015/16 Actual	2016/17 Target	2016/17 Actual	**2017/18 Target %**	**2017/18 Actual %**
In less than 3 months	97	97	97	89	**97**	**94**
In less than 6 months	99	99	99	99	**99**	**99.5**
In more than 6 months	1	1	1	1	**1**	**0.5**

Targets for 2018/19 have also been proposed based on returning to the historic trend of high performance. However, one area the Board may look at in the future is the cost of maintaining these levels of performance and whether there is the potential to reduce costs by taking explicit decisions to reduce service standards. Should such proposals be considered, these would involve consultation with our key partners and stakeholders. It should be noted that all the functions of the Assessor and ERO are statutory and prescribed.

Financial Performance 2017/18

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 2018. A brief explanation of each statement and its purpose is provided on pages 25-27. An Annual Governance Statement is also provided at page 16 and a Remuneration Report is included at page 19.

The final Outturn position in the management accounts reports an underspend of £156k of which £43k relates to employee related expenditure. Supplies and Services underspend £70k covering postage, printing, and stationery due to the mail contract efficiencies, computer maintenance and purchases due to review of contracts. Premises Related underspend of £13k. Additional income for IER of £23k of was also received.

On an accounting basis, the deficit on the provision of services for the financial year reported in the Comprehensive Income and Expenditure Statement is £383k (page 25). However this takes account of £419k of technical adjustments between the accounting and funding basis. When these are added to the deficit shown in the Comprehensive Income and Expenditure Statement, the net surplus is £36k.

The usable reserves surplus brought forward from previous years is £505k. The usable reserves surplus in the year, per above, is £36k. The surplus carried forward to future years is, therefore, £541k. The balance of £541k 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 26 and supporting notes.

Of the £541k balance at 31 March 2018, £284k is earmarked for specific purposes as approved by the Board in February 2018 when setting the budget. An additional earmarked amount of £34k is proposed to increase the Spend to Save fund to allow the scanning project to be continued to the end of March 2019. The committed balance can be summarised as follows:

Exhibit 2: Committed reserves 2017/18

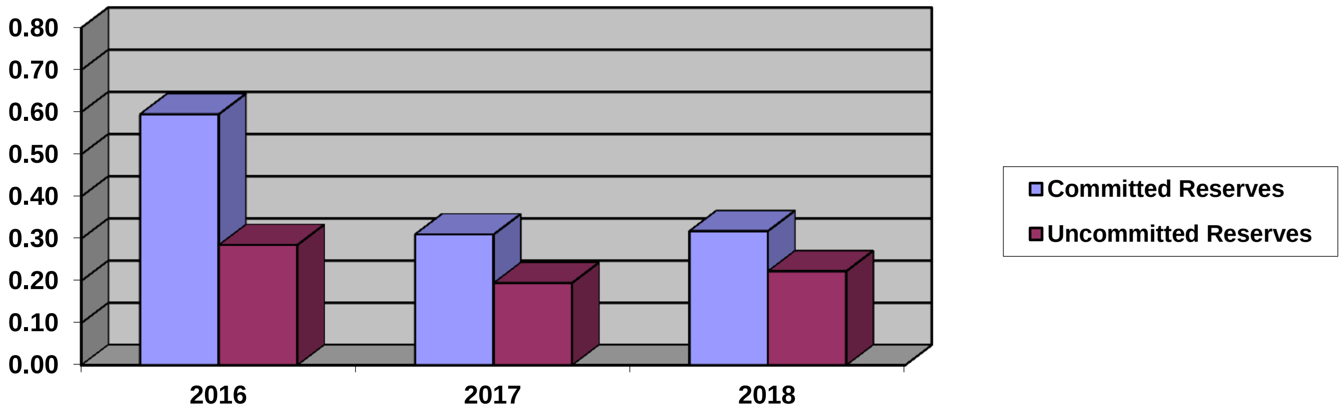
	Total
	£000
18/19 Budget Funding	119
Spend to Save Fund	41
Spend to Save Fund increase	34
Property Maintenance Fund	124
Net Committed Reserves	**318**

When the Board approved the 2018/19 Budget on 2nd February 2018 approval was given to maintain the minimum reserve balance to 6% of the Budget in recognition of anticipated future years' pressures.

The current reserves represent a level of 8.6%. The level of reserves held is kept under review by the Board's Treasurer to ensure that they are not excessive but prudent to ensure the financial sustainability of the Board.

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

Exhibit 3: Trend in reserves position 2015/16-2017/18
million



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	2017/18	2016/17
Reserves			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Board's Policy is 6% of annual budgeted net expenditure which is considered appropriate in the context of the Board's financial and ongoing risk profile.	9.9%	7.5%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Board is using its Uncommitted General Fund Reserve.	(31.8%)	(31.9%)
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 £156k underspend.	94.0%	93.6%

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 2017/18, the Board invested £12k on assets including scanners, computer server and letter opener which meet the definition of capital expenditure. The costs of this investment were met by Capital from Current Revenue contributions (CFCR), i.e. from usable reserves. The new asset is reflected in the Board's Balance sheet as an addition under Property, Plant and Equipment.

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at March 2018 disclosed a deficit of £5.810m. 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. This year the triennial valuation was completed and is reflected in the financial statements. The employers' pension contributions have been set for the following 3 years in line with the actuarial advice and will increase by 0.5% each year for the next 3 years.

The pension deficit records a decrease of £2.901m which is a favourable movement in the year due to the performance of investments providing good levels of return.

Business Environment and Risks

A key economic variable during 2017/18 continues to be the impact of Brexit on the UK economy. Thus far, the impact has been muted with share prices remaining relatively positive and the pound demonstrating some recovery against the dollar after the initial slump. However, it is still very early in the process and it remains likely that uncertainty will continue to prevail until Brexit actually commences in more practical terms, though the timescales for this remain uncertain too.

On the 10th May the BoE released its latest interest rate and its quarterly report on inflation. Interest rates were expected to rise from 0.5% to 1% inline with expected growth in the economy, however growth rates have not reached the levels predicted and so the BoE have kept the rate at 0.5%. UK economic growth slowed over quarter 1 2018, but this has been mostly attributed to adverse weather condition and is expected to increase in quarter 2.

Inflation remains above the target 2% but this has been due to Brexit, with pass through of falling sterling rates resulting in higher import costs, however forecast predict that this will stabilise and bring inflation nearer 2% as the year progresses.

As well as the potential impact on the prices of procured and commissioned goods and services, further increases in inflation also has implications for future wages. After a period of low wage increases for a number of years, particularly in the public sector, pay negotiations have resulted in the public sector pay restraint being lifted. This will put additional pressure on pay budgets going forward.

Over the next couple of years, a number of independent forecasters present a slightly stronger outlook for economic growth. However, the pace of growth is expected to remain below its historic trend. Independent forecasts for the Scottish economy suggest that GDP will grow by between 0.7 per cent and 1.4 per cent in 2018 and that growth will increase in 2019. The improved outlook relative to 2017 reflects a stronger world economy and more optimism for oil and gas and related production activities.

The table below sets out the latest headline economic forecasts by the Scottish Fiscal Commission (SFC).

Headline economic forecasts (calendar year basis)

	2017 (outturn)	2018	2019	2020	2021	2022	2023
GDP (per cent growth)	0.8%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%
Employment (millions)	2.64	2.65	2.65	2.65	2.66	2.66	2.66
Earnings (per cent growth)	1.1%	1.6%	1.9%	2.2%	2.6%	2.9%	3.2%

The SFC's latest forecasts continue to suggest that economic growth will be lower in Scotland than the UK as a whole over the next five years.

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

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

The Scottish Spending Review/ Draft Budget announcement is anticipated in December 2018 and it is likely that this will only provide figures for the next financial year, potentially further frustrating efforts to develop medium to longer term financial planning.

Given this operating context, the preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With funding at best, static and the prospect of cash reductions in the next few years, managing the effects of inflation, given there is now evidence that both RPI and CPI will increase further, will be a challenge for the public sector. RPI inflation levels are one of the main factors which impacts many public sector contracts for the delivery of goods and services. This must be considered alongside the prospect of raised expectations in respect of continuing wage inflation in 2018/19 and beyond, following pay restraint in recent years, there are increasingly frequent reports of above inflation pay increases in the private sector.

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

Business Environment and Risks (continued)

The Annual Governance Statement (AGS) details the Board's corporate governance arrangements and its arrangements for the management of risk have also been reviewed and reported to the Board at its meeting on the 29th June 2018. The AGS explains the system of internal control and highlights the key areas for improvement actions arising from the ongoing review of these arrangements, alongside the Management Team's regular review of the Board's Risk Register.

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

Plans for the Future

The combination of anticipated cost pressures, coupled with reduced income, presents significant challenges and financial risks to the Board over the medium term. It is recognised that the scale of the financial challenge will require a fundamental review of aspects of service delivery if the Board is to maintain its financial stability moving forward. This is more challenging given the high proportion of total expenditure which is concentrated in a few areas, the most significant of which is the Board’s costs of employment, coupled with the statutory nature of the Assessor and ERO duties. This situation accentuates the need for a continued focus on financial sustainability. On this basis, the Assessor and Treasurer will engage with the chief financial officers of each of the constituent authorities and the Pension Fund Manager to review sustainability issues, against the background of the statutory requirement for the constituent authorities to defray the Board’s expenses, ahead of budget setting for 2019/20. In the meantime, the ongoing funding pressures highlight the need for the Board to maintain stringent financial control and to continue to drive out efficiencies through the budget process.

Looking ahead, key priorities for the Assessor and ERO include the successful disposal of the appeals arising from the 2017 Non Domestic Revaluation. The focus will also be on increasing the efficiency of both the Valuation and Individual Electoral Registration Services within the confines of a prescriptive statutory framework. The Barclay Review’s recommendations following its review of the non-domestic rates system in July 2017 have in part been accepted by the Scottish Government. In particular the Scottish Government has indicated that it will implement three yearly non domestic revaluations from 2022.

This will have a significant impact on the resources and working practices of the Assessor function. The UK and Scottish Governments have signalled their intentions to review the way that the annual canvass operates. The Scottish Government have also recently completed a consultation on Electoral Reform and it is not known at this point in time what reforms will be implemented.

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

Work is also planned to review the Board's key financial policies including, Financial Regulations, and Contract Standing Orders during 2018/19 along with an ongoing rolling programme of employment and health & safety policy review, alongside a review of the Board's Standing Orders. Work is also ongoing to finalise a Service Level Agreement between the Board and Clackmannanshire Council for the provision of support services. Work will commence to agree a Service Level Agreement with Falkirk Council in respect of clerking services to the Board.

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.saa.gov.uk/central

Acknowledgements

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

Councillor Balfour	**Peter Wildman**	**Paula Tovey**
Convenor of the Board	**Assessor**	**Treasurer**
29th June 2018	**29th June 2018**	**29th June 2018**

STATEMENT OF RESPONSIBILITIES

The Valuation Joint Board's responsibilities

The Joint Board is required:-

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

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

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

(4) Approve the Annual Accounts for signature.

I confirm that the Draft Annual Accounts were approved for signature by the Board at its meeting on 29th June 2018.

Councillor Balfour
Convenor of the Board
29th June 2018

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 2018.

Paula Tovey
Treasurer
29th June 2018

CENTRAL SCOTLAND VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Board's and Assessor & ERO's policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

The responsibilities of the Valuation Joint Board and the Assessor & ERO 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 2017-18 professional support was provided by Clackmannanshire Council on financial, legal and Human Resources matters whilst Falkirk Council provided advice on clerk matters.

The Governance Framework (continued)

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

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

The Board's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the role of Treasurer and Section 95 Officer in 2017-18 was 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 2018 and up to the date of approval of the Annual Report and Financial Statements.

Review of Effectiveness

The Board and the Assessor & ERO 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 registration of electors and a review of cyber security provisions; and
- external audit review of the work of internal audit and comment on the corporate governance, risk management and performance management arrangements.

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

Significant Governance Issues

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

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

- Introduction of a Fraud Policy;
- Records Management Plan implementation;
- Planned ongoing review of Employment Policies;
- Updating Health & Safety Procedures
- Agreement of an SLA for the provision of clerking services by Falkirk Council.
- Agreement of the SLA covering the services provided by Clackmannanshire;
- Review of contracts that are over 5 years old;
- Update of Standing Orders, Financial Regulations and Contract Standing Orders.

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
29th June 2018

Councillor Balfour
Convenor of the Board
29th June 2018

REMUNERATION REPORT

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

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

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

Remuneration of Senior Employees of the Board

Name and Post Title	Salary, fees and allowances £	Taxable Expenses £	Compensation For loss of Employment £	Benefits other than in cash £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
P Wildman Assessor	96,028	-	-	-	96,028	95,078
Jane Wandless Assistant Assessor (appointed 01/04/2015)	70,620	-	-	-	70,620	69,920

Note to Table above:

1. No taxable expenses were paid to senior employees during 2017/18.

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

The Section 95 Officer is Paula Tovey, Interim Chief Accountant, 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 2018 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 2018 £**	**For Year to 31 March 2017 £**		**As at 31 March 2018 £**	**As at 31 March 2017 £**	**Difference From 31 March 2016 £**
P Wildman Assessor	21,126	20,442	Pension Lump Sum	39,000 69,000	36,000 68,000	3,000 1,000
Jane Wandless Assistant Assessor	15,536	15,033	Pension Lump Sum	20,000 27,000	19,000 26,000	1,000 1,000

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 2018 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	**2017/17**	**2016/17**
£50,000 - £54,999	-	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	1
£70,000 - £74,999	1	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
	2	2

Termination Benefits and Exit Packages

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

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

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

Exit package cost band (including special payments)	Total number of exit packages by cost band 2017/18	2016/17
£0 - £40,000	-	1
	-	**1**

Senior Councillors

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

Name	**Council**	**Position**	**2017/18 Reimbursement £**	**2016/17 Reimbursement £**
Councillor C MacDonald	Falkirk Council	Convenor (from 22 June 2012 to 3 May 2017)	192	2,276
Councillor D Balfour	Falkirk Council	Convenor (from 23 June 2017)	4,373	-
Councillor C Holden	Clackmannanshire Council	Depute Convenor (from 7 September 2012 to 23 June 2016 and from 23 June 2017)	2,426	731
Councillor K Earle	Clackmannanshire Council	Depute Convenor (from 23 September 2016 to 4 May 2017)	298	1,654

*Councillor Balfour replaced Councillor MacDonald as Convenor and Councillor C Holden replaced Councillor K Earl as Depute Convenor during 2017/18 due to a change in political administration from the Local Council Election.

Signed on behalf of the Valuation Joint Board

Peter Wildman	**Councillor Balfour**
Assessor	**Convenor of the Board**
29th June 2018	**29th June 2018**

INDEPENDENT AUDITOR'S REPORT

TO FOLLOW

CENTRAL SCOTLAND VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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

2016/17 Gross Expenditure	2016/17 Gross (Income)	2016/17 Net (Income)/ Expenditure		2017/18 Gross Expenditure	2017/18 Gross (Income)	2017/18 Net (Income)/ Expenditure
£000	£000	£000		£000	£000	£000
2,753	**(2,322)**	**431**	**Cost of Services (A)** (note 9)	**2,843**	**(2,686)**	**157**
		213	Financing Expenditure (note 8)			226
		644	**(Surplus)/Deficit on Provision of Services** (note 9)			**383**
		2,250	Actuarial (gains)/losses on pension assets/liabilities			(3,302)
		2,894	**Total Comprehensive (Income) and Expenditure**			**(2,919)**

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

MOVEMENT IN RESERVES STATEMENT

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

	Usable Reserves £000	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2016	**880**	**(6,150)**	**(5,270)**
Movement in Reserves during 2016/17			
Total Comprehensive Income and Expenditure	(644)	(2,250)	(2,894)
Adjustments between Accounting basis & funding Basis under regulations (note 7)	269	(269)	-
Increase/(Decrease) in Year	**(375)**	**(2,519)**	**(2,894)**
Balance at 31 March 2017 carried forward	**505**	**(8,669)**	**(8,164)**
Balance at 1 April 2017	**505**	**(8,669)**	**(8,164)**
Movement in Reserves during 2017/18			
Total Comprehensive Income and Expenditure	(383)	3,302	2,919
Adjustments between Accounting basis and funding Basis under regulations (note 7)	419	(419)	-
Increase/(Decrease) in Year	**36**	**2,883**	**2,919**
Balance at 31 March 2018 carried forward	**541**	**(5,786)**	**(5,245)**

CENTRAL SCOTLAND VALUATION JOINT BOARD

BALANCE SHEET AS AT 31 MARCH 2018

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 2017 £000		Note	31 March 2018 £000
68	Property, Plant & Equipment	10	45
-	Intangible Assets	11	-
68	**Non-Current Assets**		**45**
49	Debtors	12	84
647	Cash and Cash Equivalents – bank current accounts		609
696	**Current Assets**		**693**
(217)	Creditors	13	(173)
(217)	**Current Liabilities**		**(173)**
(8,711)	Deficit in pension scheme	18	(5,810)
(8,711)	**Long Term Liabilities**		**(5,810)**
(8,164)	**Net Liabilities**		**(5,245)**
505	Usable reserves – General Fund		541
(8,669)	Unusable Reserves	14	(5,786)
(8,164)	**Total Reserves**		**(5,245)**

The unaudited Financial Statements were issued on 29th June 2018.

Paula Tovey
Treasurer
29th June 2018

CENTRAL SCOTLAND VALUATION JOINT BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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.

2016/17 £000		2017/18 £000
(644)	Net Surplus/(Deficit) on the Provision of Services	(383)
312	Adjust net Surplus/(Deficit) on the Provision of Services for Non Cash Movements (note 15)	357
(5)	Adjustments for Items in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities - Interest Received	(3)
(337)	Net Cash Flows from Operating Activities	(29)
(33)	Investing Activities – Purchase of Equipment	(12)
5	Financing Activities – Interest Received – Short/Long-term Borrowing	3
(365)	Net increase/(decrease) in Cash and Cash equivalents	(38)
1,012	Cash and Cash equivalents at the beginning of the reporting period	647
647	**Cash and Cash equivalents at the end of the reporting period**	**609**

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) General Principles

The Statement of Accounts summarises the Board's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act..

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

b) Accruals of Income and Expenditure

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

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

c) Cash and Cash Equivalents

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

1) Accounting Policies (continued)

d) Changes in Accounting Policies and Estimates and Errors

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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

f) Employee Benefits

Benefits Payable During Employment

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

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits

Employees of the Authority are members of The Local Government Pension Scheme administered by Falkirk Council.
This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Board.

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

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

1) Accounting Policies (continued)

f) Employee Benefits (continued)

Post Employment Benefits (continued)

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

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

Discretionary Benefits

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

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

g) Intangible Assets

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

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

1) Accounting Policies (continued)

g) Intangible Assets (continued)

The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account. The Board's policy is to write off intangible assets over five years.

h) Property, Plant and Equipment

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

<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

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

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 2018/19 or future Codes to which this applies are listed below:

- IFRS 16 – Leases, effective date 1 January 2019.

The above changes require implementation from 1 January 2019 or later and therefore there is no impact on the information provided in the 2017/18 financial statements.

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

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

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

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

The items in the Board's Balance Sheet at 31 March 2018 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 real discount rate would result in an increase in the pension liability of £1.889m, and a 0.5% increase in the pension rate would result in an increase in the pension liability of £1.431m.

5) Events after the Reporting Period

The unaudited Financial Statements were authorised for issue by the Treasurer on 29th June 2018. Events taking place after this date are not reflected in the Financial Statements or Notes.

6) Expenditure and Funding Analysis

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

2017/18	**Adjustments For Capital Purposes £000**	**Adjustments for Pensions Adjustments £000**	**Total Adjustments £000**
Net Cost of Services	23	167	**190**
Other income and Expenditure From the Funding Analysis	-	229	**229**
Difference between surplus or Deficit and CI&E Surplus or Deficit	**23**	**396**	**419**

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

7) Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/18	Usable Reserves	
	General Fund Balance £000	**Movement in Unusable Reserves £000**
Adjustments to Revenue Resources:		
<u>Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:</u>		
Charges for depreciation and impairment of non-current assets	(35)	35
<u>Adjustments involving the Pensions Reserve:</u>		
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 18)	(708)	708
Employer's pensions contributions and direct payments to pensioners payable in the year (see note 18)	307	(307)
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u>		
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	5	(5)
Adjustments between Revenue and Capital Resources:		
<u>Insertion of items not debited or credited to the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:</u>		
Capital expenditure financed from Revenue Balances	12	(12)
Total Adjustments	**(419)**	**419**

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

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

8) Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
218	Pensions interest cost and expected return on pensions assets	229
(5)	Interest receivable and similar income	(3)
213		**226**

9) Expenditure and Income Analysed by Nature

Expenditure and Funding Analysis

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

2016/17 Net Expenditure Chargeable To Reserves	2016/17 Adjustments between Funding and Accounting Basis	2016/17 Net Expenditure In the CI&E Statement		2017/18 Net Expenditure Chargeable to Reserves	2017/18 Adjustments between Funding and Accounting Basis	2017/18 Net Expenditure in the CI&E Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
380	**51**	**431**	**Cost of Services**	**(33)**	**190**	**157**
(5)	218	213	Other Income & Expenditure	(3)	229	226
375	**269**	**644**	**(Surplus)/Deficit on Provision of Services (note 6)**	**(36)**	**419**	**383**
		880	Opening Balance on Reserves	505		
		(375)	Plus Surplus on usable reserves balance in year	36		
		505	**Closing Balance at 31st March 2018**	**541**		

9) Expenditure and Income Analysed by Nature (continued)

Within costs of services there are costs included of £30k (2016/17: £48k) that were not reported during the in-year monitoring. These are as a result of Capital Financing Costs, £35k (2016/17: £40k) and Compensating Absences Account Adjustments, £(5)k (2016/17: £8k).

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 £99k for Professional Fees. These costs are fully offset by income of £99k having no impact on the overall Surplus for the Board in the year.

Amounts reported for resource allocation

Income and Expenditure

	2016/17 £000	2017/18 £000
Fees, charges and other income	(252)	(224)
Council Contributions	(2,075)	(2,465)
Grant Income	-	-
Total Income	**(2,327)**	**(2,689)**
Employee Costs	1,874	1,889
Other operating costs	828	764
Total Operating Expenses	**2,702**	**2,653**
Net Cost of Services	**375**	**(36)**

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

	2016/17 £000	2017/18 £000
Net Cost of Services	375	(36)
Add amounts not reported in service management accounts*	269	419
	644	**383**

*This includes depreciation and IAS19 pension adjustments

9) Expenditure and Income Analysed by Nature (continued)

Reconciliation to Subjective Analysis 2017/18

	Management Accounts £000	Not Reported In Management Accounts £000	Net Cost of Service £000
Fees, charges and other income	(224)	-	(224)
Council Contributions	(2,465)	-	(2,465)
Total Income	**(2,689)**	**-**	**(2,689)**
Employee Costs	1,889	167	2,056
Other operating costs	764	(12)	752
Depreciation		35	35
Interest Payments		229	229
Total Operating Expenses	**2,653**	**419**	**3,072**
Net Cost of Services	**(36)**	**419**	**383**

Reconciliation to Subjective Analysis 2016/17

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

10) Property, Plant and Equipment

	2016/17 £000	2017/18 £000
Opening Gross Book Value	**205**	**237**
Additions	32	12
Closing Gross Book Value	**237**	**249**
Opening Accumulated Depreciation		
Opening Depreciation	134	169
Depreciation for the year	35	35
Closing Accumulated Depreciation	**169**	**204**
Net Book Value at 31 March	**68**	**45**

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 2017/18.

11) Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. The useful life assigned to the new software purchase in the year is three years and the carrying amount of intangible assets is amortised on a straight-line basis. There were no additions or disposals of assets in 2017/18.

Software	**2016/17** **£000**	**2017/18** **£000**
Opening Gross Book Value	**89**	**89**
Additions	-	-
Disposals	-	-
Closing gross book value	**89**	**89**
Opening Accumulated Amortisation		
Opening amortisation	84	89
Amortisation for the year	5	-
Disposals	-	-
Closing Accumulated Amortisation	**89**	**89**
Net Book Value at 31 March	**-**	**-**

12) Debtors

31 March 2017 £000		31 March 2018 £000
8	Central Government Bodies	29
-	Other Local Authorities	20
41	Other Entities and Individuals	35
49	**Total**	**84**

13) Creditors

31 March 2017 £000		31 March 2018 £000
37	Central Government Bodies	35
42	Other Local Authorities	49
9	Public Corp & Trading Funds	3
129	Other Entities and Individuals	86
217	**Total**	**173**

14) Unusable Reserves

31 March 2017 £000		31 March 2018 £000
68	Capital Adjustment Account	45
(8,711)	Pensions Reserve	(5,810)
(26)	Accumulating Compensated Absences Adjustment Account	(21)
(8,669)	**Total Unusable Reserves**	**(5,786)**

14) Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

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

2016/17 £000		**2017/18 £000**
76	**Balance at 1 April**	**68**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(40)	- Charges for depreciation and impairment of non current assets	(35)
32	- Capital Expenditure charged against the General Fund	12
68	**Balance at 31 March**	**45**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

14) Unusable Reserves (continued)

2016/17 £000		2017/18 £000
(6,208)	**Balance at 1 April**	**(8,711)**
(2,250)	Actuarial gains or (losses) on pensions assets and liabilities	3,302
(535)	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	(708)
282	Employer's pensions contributions and direct payments to pensioners payable in the year	307
(8,711)	**Balance at 31 March**	**(5,810)**

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.

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
	(18)	**Balance at 1 April**		**(26)**
18		Settlement or cancellation of accrual made at the end of the preceding year	26	
(26)		Amounts accrued at the end of the current year	(21)	
	(8)	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		5
	(26)	**Balance at 31 March**		**(21)**

15) Non Cash Movements

2016/17 £000		2017/18 £000
(40)	Depreciation & Amortisation	(35)
3	Increase/(Decrease) in Creditors	44
(22)	(Increase)/Decrease in Debtors	35
(253)	Movement in Pension Liability	(401)
(312)	**Net cash flows from non cash movements**	**(357)**

16) Material Items of Income and Expense

Council Contributions

2016/17 £000		2017/18 £000
(1,022)	Falkirk Council	(1,215)
(731)	Stirling Council	(869)
(321)	Clackmannanshire Council	(381)
(2,074)		**(2,465)**

17) External Audit Costs

2016/17 £000		2017/18 £000
7	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7
7		**7**

18) Defined Benefit Pension Schemes

Participation in pension schemes

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

The Board participates in 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.

Transactions relating to post employment benefits

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

18) Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme

	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	317	479
• past service costs	-	-
Financing and Investment Income and Expenditure		
• Interest expense - defined benefit obligation	683	639
• Interest income on scheme assets	(465)	(410)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**535**	**708**
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)	(2,344)	264
• Actuarial (gains)/losses arising on changes in financial assumptions	4,591	(1,254)
• Actuarial (gains) arising on changes in demographic assumptions	-	(22)
• Other experience (gains)/losses	3	(2,290)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**2,785**	**(2,594)**
Actuarial (gains)/losses on pension fund assets and liabilities	**2,250**	**(3,302)**

18) Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme	**2016/17 £000**	**2017/18 £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	(535)	(708)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers contributions payable to scheme	282	307

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:

	2016/17 £000	**2017/18 £000**
Present value of the defined benefit obligation*	(24,626)	(21,608)
Fair value of pension fund assets	15,915	15,798
Net Liability arising from Defined Benefit Obligation	**(8,711)**	**(5,810)**

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

Unfunded liabilities for Pension Fund	378	375

The liabilities show the underlying commitments that the Board has in the long term to pay post employment (retirement) benefits. The net liability of £5.810m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall negative balance of £5.245m. However, statutory arrangements for funding the deficit means that the financial position of the Board remains positive:

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

18) Defined Benefit Pension Schemes (continued)

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

Opening and Closing balances for 2016/17 were recorded incorrectly in 2016/17 Financial Statement. Now showing correct values.

	2016/17 £000	2017/18 £000
Opening balance at 1 April	**(19,678)**	**(24,626)**
Current service cost	(317)	(479)
Interest cost	(683)	(639)
Contributions by scheme participants	(81)	(87)
Re-measurement gains and (losses)		
Actuarial gains from change in demographic assumptions	-	22
Actuarial gains/(losses) from change in financial assumptions	(4,591)	1,254
Actuarial gains/(losses) from other experiences	(3)	2,290
Past Service	-	-
Benefits paid	727	657
Closing value at 31 March	**(24,626)**	**(21,608)**

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

	2016/17 £000	2017/18 £000
Opening fair value of pension fund assets	**13,470**	**15,915**
Interest Income	465	410
Return on pension assets (excluding amounts included in net interest)	2,344	(264)
Contributions from employers	282	307
Contributions by employees into the scheme	81	87
Benefits paid	(727)	(657)
Closing fair value of pension fund assets	**15,915**	**15,798**

18) Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund Assets

The Board's share of the Pension Fund comprised:	**31 March 2017**	**31 March 2018**
Equity instruments (by industry type)		
- Consumer	1,655	1,645
- Manufacturing	776	711
- Energy & Utilities	642	544
- Financial Institutions	1,074	1,214
- Health & Care	718	626
- Information Technology	1,095	978
- Other	314	271
Sub Total Equity	**6,274**	**5,989**
Debt Instruments		
-Corporate bonds (investment guide)	**609**	**507**
Property (by type)		
- UK	994	928
- Overseas	27	11
Sub Total Property	**1,021**	**939**
Private Equity		
- UK	1,220	1,439
Sub Total Private Equity	**1,220**	**1,439**
Other Investment Funds		
- Equities	3,535	3,514
- Bonds	766	742
- Infrastructure	191	169
- Other	1,649	1,609
Sub Total Other Investment Funds	**6,141**	**6,034**
Cash and Cash Equivalents	**650**	**890**
Total Assets	**15,915**	**15,798**

18) Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

The fund’s obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the fund at 31 March 2018. 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	
	2016/17	**2017/18**
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.6%	2.7%
Bonds	2.6%	2.7%
Property	2.6%	2.7%
Cash	2.6%	2.7%
Mortality assumptions:		
Longevity at 65 for current pensions		
- Men	22.1 years	21.2
- Women	23.8 years	23.7
Longevity at 65 for future pensioners		
- Men	24.3 years	22.7
- Women	26.3 years	25.5
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	3.9%	2.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting fund liabilities	2.6%	2.7%

18) Defined Benefit Pension Schemes (continued)

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The method and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

Change in Assumptions at 31 March 2018

	Approximate % Increase to Employer	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	9%	1,889
0.5% increase in the Salary Increase Rate	2%	421
0.5% increase in the Pension Increase Rate	7%	1,431

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. The triennial valuation was completed on 31st March 2017, the Employers' contributions have been set at the following proportion of employees' rates for the three years: 2018-19 (22.5%) 2019-20 (23%) and 2020-21 (23.5%). 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 2019 is £290k.

19) Nature and Extent of Risks arising from Financial Instruments

As at 31 March 2018 the Valuation Joint Board has Debtors of £84k, cash and cash equivalents of £609k and Creditors of £174k. 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.

20) Related Parties

The Board is required to disclose material transactions with the related parties - bodies or individuals that have potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows leaders to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board. In this context related parties include:

- Other Local Authorities: and

- Elected Members and Chief Officers.

The following related party transactions in 2017/18 are disclosed elsewhere within the Annual Report and Financial Statements:

a) Requisitions from other Local Authorities are shown in Note 16 to the Comprehensive Income and Expenditure Statement on page 49; and

b) Payments to Elected Members and Chief Officers are shown in the Remuneration Report on page 19.