AGENDA ITEM

4

Central Scotland
Valuation Joint Board

AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject:	**DRAFT FINANCIAL STATEMENTS as at 31 MARCH 2019**
Meeting:	**CENTRAL SCOTLAND VALUATION JOINT BOARD**
Date:	**28th June 2019**
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 2018/19*. The Financial Statements show the actual figures for 2018/19 and the comparable figures for 2017/18.

2.2 The final management account position at the 31st March 2019 showed an underspend £49k against a budget of £2.583m (Appendix1). The underspend in the year was attributable to a number of areas including:

- Employee Related Expenditure £53k underspend due to vacant posts and vacancy management from timing of recruitments.
- Premises Related Expenditure overspend £16k due to External painting, car park resurface and emergency lighting works, and set up costs for the new door entry security system.

- Supplies and Services underspend £9k includes efficiencies in printing, mobile phone purchases being delayed and fewer hardware purchases of £27k. These underspends offset the overspend £18k in legal expenses due to valuation appeals.
- Third Party Payments overspend £7k, increase in charges from other local authorities including waste collection and recharge of legal fees for protection from harassment.
- Income received in the year was higher than budget £5k, this was due to IER funding being more than budgeted. Electoral & valuation roll sales were also higher in the year £6k.

2.3 The draft deficit on the provision of services reported in the Comprehensive Income and Expenditure Account is (£418k). However this includes £348k of accounting adjustments which require to be reversed out in the Movement in Reserves Statement which results in a decrease in reserves of £70k.

2.4 The useable surplus brought forward from previous years is £541k. The Board approved earmarked reserves of £318k for use in 18/19. The earmarked reserves utilised in the year included, Spend to Save Scanning Project (£54k) and budget funding of (£65k), this was offset by underspend in the year of £49k, which agrees to the deficit in the year of (£70k) shown in the Comprehensive Income and Expenditure account. The surplus carried forward to future years is therefore £471k. The balance of £471k 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 £334k for specific projects as part of the 19/20 budget setting process. The balance of un-earmarked reserves is therefore £137k.

2.6 The Board's reserves strategy stipulates that it should retain uncommitted reserves at a minimum level between 3% and 6% of net expenditure as agreed in February 2019, which as at March 2019 would translate to a figure between £82k and £165k. The reserves position is therefore £55k in excess of the minimum reserve figure and represents a level of 5%.

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 2017/18 to 2018/19 is an increase in the pension liability by £914k. The increase in liability is due to the impact of changes in the discount rate. The liability does not have an immediate impact, but 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.

2.11 A new contingent liability has been identified in respect of two ongoing legal cases that could impact on the pension liability. At this time the impact cannot be quantified and the timescale is unknown.

3. CONCLUSIONS

3.1 The Valuation Joint Board has outturned a deficit of £70k which when added to the previous surplus £541k, results in a net surplus of £471k now being held.

4. RECOMMENDATIONS

4.1 The Joint Board is asked to note the 2018/19 Draft Statement of Accounts and agree to their submission to the Controller of Audit.

Treasurer
28th June 2019

LIST OF BACKGROUND PAPERS

Appendix 1 : Summary Actual to Budget Position 31 March 2019
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) 452022.

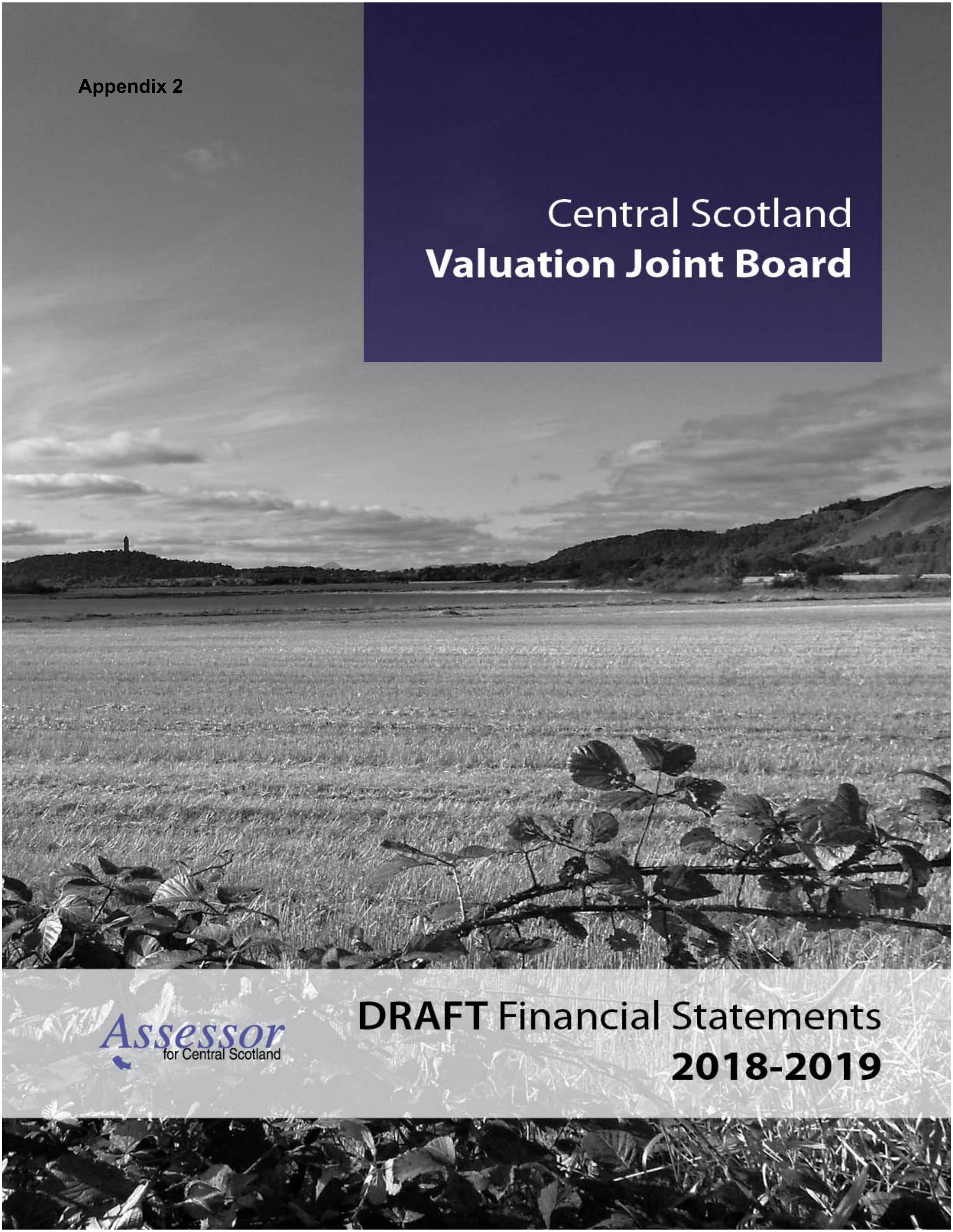
Appendix 1

Central Scotland Valuation Joint Board
Actual Spend to 31 March 2019

Description	Annual Budget for 2018/19	Actual to 31 March 2019	Actual v Budget
Employee Related Expenditure	1,944,672	1,891,224	(53,448)
Premises Related Expenditure	203,490	219,157	15,667
Transport Related Expenditure	23,000	24,269	1,269
Supplies and Services	409,500	400,973	(8,527)
Third Party Payments	15,380	22,324	6,944
Support Services	77,300	79,964	2,664
Total Gross Expenditure	2,673,342	2,637,911	(35,431)
Income	(90,000)	(103,333)	(13,333)
Net Expenditure	2,583,342	2,534,578	(48,764)

Appendix 2

Central Scotland
Valuation Joint Board



Assessor for Central Scotland

DRAFT Financial Statements 2018-2019

CENTRAL SCOTLAND VALUATION JOINT BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018/19

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CENTRAL SCOTLAND VALUATION JOINT BOARD

MEMBERS AND OFFICIALS

CONVENOR

Councillor D Balfour, Falkirk Council

DEPUTE CONVENOR

Councillor C Holden, Clackmannanshire Council

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	-	Lindsay Sim

CENTRAL SCOTLAND VALUATION JOINT BOARD

MANAGEMENT COMMENTARY 2018/19

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 2019. 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 govern 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 45.9 FTE 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 (ERO). The Assessor is Pete Wildman.

The Board is supported by its Clerk, Colin Moodie from Falkirk Council and its Treasurer, Lindsay Sim 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. As at 31 March 2019 there were 12,882 non-domestic properties in Central Scotland with a total rateable value of £354,165,890. 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. Following the revaluation we received some 4,500 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 and we are on target to dispose of them by 31 December 2020.

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, three properties remain under appeal at the end of May 2019. 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, seventeen of which remain outstanding, all of which have been referred to the Lands Tribunal for Scotland.

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. As at 31 March 2019 there were 146,168 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 2018 with the number of Local Government electors decreasing slightly to 229,590. Details of registered 15 and 14 year olds are not shown in published copies of the Register.

A full canvass was carried out during 2018/19. 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 2018 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.

In common with other public sector organisations, 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. The move to three yearly revaluations and the associated revisions to the appeal procedures will negatively impact on the workload of the organisation and extra resource will be needed to ensure that the Assessor can fulfil his revised duties.

Strategic Financial Planning

In the approved Budget for 2019/20, set in February 2019, the medium term forecast suggests an anticipated funding gap of £620k by 2021/22. The Board agreed to utilise £201k of reserves in setting its 2019/20 budget and although the financial position continues to be difficult, the Board remains confident that it is a going concern.

The Assessor/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 domestic property records commenced with a view to reducing storage and providing quicker access to information, this project was completed by May 2019. 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 2018/19 due to a deficit in the pension scheme. The liability has increased due to the impact of changes in the discount rate applied in the year. The level of contributions has been agreed for the next 2 years which will see employers' contributions increase by 0.5% each year to 23% in 2019/20 and 23.5% 2020/21. 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. Where 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. More details are set out in the Best Value Report reported to the Board on 28 June 2019. 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 2016/17 to 2018/19

Indicator – Valuation Roll	2016/17 Target %	2016/17 Actual %	2017/18 Target %	2017/18 Actual %	**2018/19 Target%**	**2018/19 Actual %**
Changes made in less than 3 months	75	56	75	67	**75**	**77**
Changes made in less than 6 months	90	78	90	86	**90**	**93**
Changes made in more than 6 months	10	22	10	14	**10**	**7**
Indicator – Valuation List	2016/17 Target	2016/17 Actual	2017/18 Target %	2017/18 Actual %	**2018/19 Target%**	**2018/19 Actual %**
In less than 3 months	97	89	97	94	**97**	**96**
In less than 6 months	99	99	99	99.5	**99**	**99**
In more than 6 months	1	1	1	0.5	**1**	**1**

Targets for 2019/20 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 2018/19

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 2019. A brief explanation of each statement and its purpose is provided on pages 23-26. 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 £49k of which £53k relates to employee related expenditure. Supplies and Services underspend of £9k includes efficiencies in printing (moved to electronic forms), purchase of Mobiles phones and computer hardware being delayed of £27k, and an £18k overspend in legal expenses as a result of appeal hearings. An overspend of £16k in Premises Related costs is attributable to external building and car park works, emergency lighting and the set up of a new door entry/security system. An increase in charges to Third Party Payments relates to waste collection and recharges from Other Local Authorities. Additional income for Individual Electoral Registration (IER) of £5k was also received.

The deficit on the provision of services for the financial year reported in the Comprehensive Income and Expenditure Statement is (£418k) (page 23). However this includes £348k of accounting adjustments which require to be reversed out in the Movement in Reserves Statement which results in a net decrease in reserves of £70k.

The usable reserves surplus brought forward from previous years is £541k. The usable reserves deficit in the year, per above, is £70k therefore the surplus carried forward to future years is £471k. This balance of £471k 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 24 and supporting notes.

Of the £471k balance at 31 March 2019, £334k is earmarked for specific purposes as approved by the Board in February 2019 when setting the budget. The committed balance can be summarised as follows:

Exhibit 2: Committed reserves 2018/19

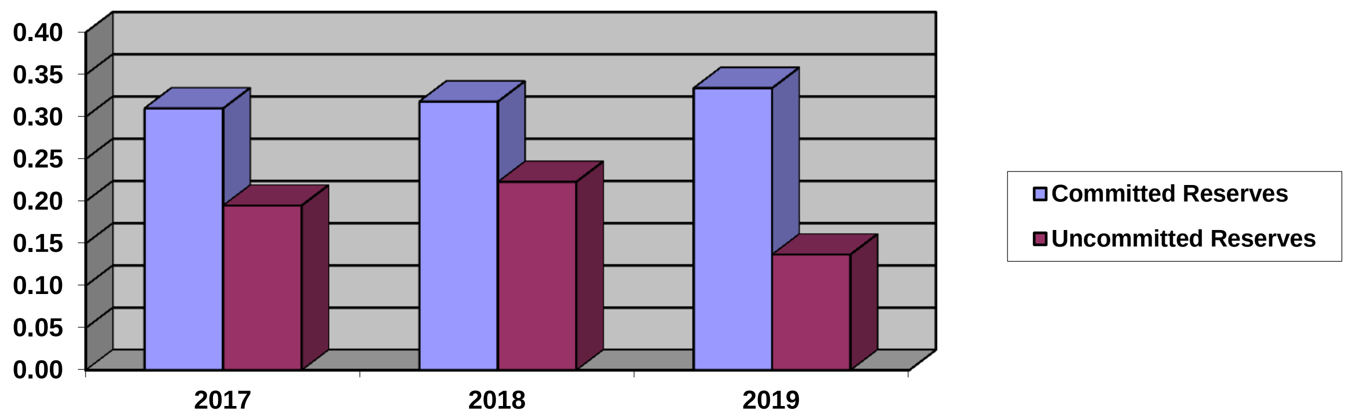
	Total
	£000
19/20 Budget Funding	201
Spend to Save Fund	11
Property Maintenance Fund	122
Net Committed Reserves	**334**

When the Board approved the 2019/20 Budget on 1st February 2019, approval was given to change the minimum reserve balance to a range of 3% to 6% to allow for year on year flexibility.

The current reserves represent a level of 5%. 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 2016/17-2018/19
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	2018/19
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 between 3% and 6% of annual budgeted net expenditure which is considered appropriate in the context of the Board's financial and ongoing risk profile.	8.6%	5.0%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Board is using its Uncommitted General Fund Reserve.	14.3%	(38.5%)
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 £49k underspend.	94.0%	98.1%

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 2018/19, the Board invested £17k on assets including security door software and a computer server which meet the definition of capital expenditure. The costs of this investment were met by Capital Funded from Current Revenue contributions (CFCR), i.e. from usable reserves. The new assets are 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 2019 disclosed a deficit of £6.655m. The calculation is prepared for the purposes of International Accounting Standard 19 (IAS 19) reporting requirements and is not relevant for funding purposes. This is simply a snapshot of the position at that time. The latest long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2017. The employers' pension contributions were set for 3 years in line with the actuarial advice and will increase by 0.5% each year to 2020/21.

The pension deficit records an increase in liability of £914k which is an adverse movement in the year. This is mainly due to a reduction in the discount rate which is determined on a prescribed basis. The liability is also affected by changes in general inflation and salary inflation.

Business Environment and Risks

A key economic variable during 2018/19 and going forward into 2019/20 continues to be the impact of Brexit on the UK economy.

On the 2nd May the BoE released its latest quarterly report on inflation. Interest rates were expected to rise to 1% by March 2019 in line with expected growth in the economy, however, growth rates have remained low with interest rates only increasing once in 2018/19 to 0.75% on the 2nd August 2018. The Monetary Policy Committee (MPC) have maintained rates at 0.75% to date with the next forecasted rate rise early in 2020.

The target for Inflation remains at 2%, with the economic outlook continuing to depend on the nature and timing of the UK withdrawal from the EU and if a trade deal is secured, how this will impact on households, businesses and financial markets. The MPC's central projection for growth is that it will stabilise around the current rate and begin to pick up after Brexit uncertainties subside, expecting to rise to over 2% over the next two years. GDP is also expected to continue to build (albeit slowly) on growth already seen in first quarter of 2019 as a result of stockbuilding ahead of Brexit decisions.

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, with a 3 year deal agreed for 2018-19 to 20-21. This has put additional pressure on pay budgets over the course of this three year period and assumptions are that further increases are likely going forward.

A report issued by the Scottish Fiscal Commission (SFC) on the 30th May 2019 stated that despite the exceptional political uncertainty, the growth rate of the Scottish economy increased over 2017 and 2018. At around 1.3% over the last year, economic growth is higher than the average 1% growth experienced since 2010. Despite this level of sustained growth, the Scottish outlook for 2019 and 2020 also reflects the uncertainties around Brexit with limited growth forecast. Business investment fell during 2018 which is expected to continue for the next two years. Based on this along with low levels anticipated in consumer spending, growth is estimated to be 0.8% in 2019 and 0.9% in 2020, increasing back to average levels of 1.2% from 2021.

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

Headline economic forecasts (calendar year basis)

GDP	2018	2019	2020	2021	2022	2023	2024
December 2018	1.4	1.2	1.0	1.0	1.1	1.2	
May 2019	1.3	0.8	0.9	1.1	1.2	1.3	1.3
Average nominal earnings							
December 2018	2.0	2.3	2.5	2.8	3.0	3.1	
May 2019	2.6	2.6	2.7	2.9	3.1	3.3	3.2
Employment (millions)							
December 2018	2.64	2.65	2.65	2.66	2.66	2.66	
May 2019	2.67	2.68	2.68	2.69	2.69	2.69	2.70

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 is expected to be a 3 year settlement which should help to inform medium term financial planning and get a clearer sense of the Scottish Government's spending priorities. This is dependent on the UK Governments ability to publish a three year settlement and may need to be updated for any post Brexit impacts. 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 2019/20. This would mean that the Board would once again be wholly reliant on funding from its Constituent authorities. The UK and Scottish Governments are jointly working to deliver reform and streamline the current canvass requirements which should help towards offsetting the loss of funding from Cabinet Office.

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 will be a challenge for the public sector. This alongside the prospect of raised expectations in respect of continuing wage inflation, 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 28th June 2019. 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 2020/21. 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 in time for the 2020 Canvass. 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 has been completed 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 2019/20 along with an ongoing rolling programme of employment and health & safety policy review. A review of the Board's Standing Orders has been completed. 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**	**Lindsay Sim**
Convenor of the Board	**Assessor**	**Treasurer**
28th June 2019	**28th June 2019**	**28th June 2019**

CENTRAL SCOTLAND VALUATION JOINT BOARD

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 28th June 2019.

Councillor Balfour
Convenor of the Board
28th June 2019

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 2019.

Lindsay Sim
Treasurer
28th June 2019

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 has incorporate changes to its governance framework. 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 2018-19 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 2018-19 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 Senior Managers 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 2019 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 business continuity and a review of freedom of information provisions; and
- external audit review of the work of internal audit and comment on the corporate governance and financial sustainability, 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;
- 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;
- Update of Scheme of Delegation, Financial Regulations and Contract Standing Orders.

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
28th June 2019

Councillor Balfour
Convenor of the Board
28th June 2019

CENTRAL SCOTLAND VALUATION JOINT BOARD

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 £	Total Remuneration 2017/18 £	Total Remuneration 2018/19 £
P Wildman Assessor	97,628	96,028	97,628
Jane Wandless Assistant Assessor	73,092	70,620	73,092

Note to Table above:

1. No taxable expenses, compensation for loss of employment or benefits other than in cash were paid to senior employees during 2017/18 or 2018/19.

The Senior Employees included in the table include any Joint Board employee:

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

The Treasurer is Lindsay Sim, who is the Chief Finance Officer, at 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 2019 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 2019 £		As at 31 March 2018 £	As at 31 March 2019 £	Difference From 31 March 2018 £
P Wildman Assessor	21,126	21,966	Pension Lump Sum	39,000 69,000	41,000 70,000	2,000 1,000
Jane Wandless Assistant Assessor	15,536	16,446	Pension Lump Sum	20,000 27,000	23,000 28,000	3,000 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 2019 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	2018/19	2017/18
£50,000 - £54,999	-	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	1	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.

There were no termination benefits or exit packages paid in either 2018/19 or 2017/18.

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 £	2018/19 Reimbursement £
Councillor C MacDonald	Falkirk Council	Convenor (from 22 June 2012 to 3 May 2017)	192	-
Councillor D Balfour	Falkirk Council	Convenor	4,373	5,794
Councillor C Holden	Clackmannanshire Council	Depute Convenor	2,426	1,589
Councillor K Earle	Clackmannanshire Council	Depute Convenor (from 23 September 2016 to 4 May 2017)	298	-

Signed on behalf of the Valuation Joint Board

Peter Wildman
Assessor
28th June 2019

Councillor Balfour
Convenor of the Board
28th June 2019

CENTRAL SCOTLAND VALUATION JOINT BOARD

INDEPENDENT AUDITOR'S REPORT

TO FOLLOW

CENTRAL SCOTLAND VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

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

2017/18 Gross Expenditure	2017/18 Gross (Income)	2017/18 Net (Income)/ Expenditure		2018/19 Gross Expenditure	2018/19 Gross (Income)	2018/19 Net (Income)/ Expenditure
£000	£000	£000		£000	£000	£000
2,843	**(2,686)**	**157**	**Cost of Services (A)** (note 9)	**2,955**	**(2,692)**	**263**
		226	Financing Expenditure (note 8)			155
		383	**(Surplus)/Deficit on Provision of Services** (note 9)			**418**
		(3,371)	Actuarial (gains)/losses on pension assets/liabilities			574
		(2,988)	**Total Comprehensive (Income) and Expenditure**			**992**

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 2017	**505**	**(8,669)**	**(8,164)**
<u>Movement in Reserves during 2017/18</u>			
Total Comprehensive Income and Expenditure	(383)	3,371	2,988
Adjustments between Accounting basis and funding Basis under regulations (note 7)	419	(419)	-
Increase/(Decrease) in Year	**36**	**2,952**	**2,988**
Balance at 31 March 2018 carried forward	**541**	**(5,717)**	**(5,176)**
Balance at 1 April 2018	**541**	**(5,717)**	**(5,176)**
<u>Movement in Reserves during 2018/19</u>			
Total Comprehensive Income and Expenditure	(418)	(574)	(992)
Adjustments between Accounting basis & funding Basis under regulations (note 7)	348	(348)	-
Increase/(Decrease) in Year	**(70)**	**(922)**	**(992)**
Balance at 31 March 2019 carried forward	**471**	**(6,639)**	**(6,168)**

CENTRAL SCOTLAND VALUATION JOINT BOARD

BALANCE SHEET AS AT 31 MARCH 2019

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 2018 £000		Note	31 March 2019 £000
45	Property, Plant & Equipment	10	29
0	Intangible Assets	11	7
45	**Non-Current Assets**		**36**
84	Debtors	12	49
609	Cash and Cash Equivalents – bank current accounts		689
693	**Current Assets**		**738**
(173)	Creditors	13	(287)
(173)	**Current Liabilities**		**(287)**
(5,741)	Deficit in pension scheme	18	(6,655)
(5,741)	**Long Term Liabilities**		**(6,655)**
(5,176)	**Net Liabilities**		**(6,168)**
541	Usable reserves – General Fund		471
(5,717)	Unusable Reserves	14	(6,639)
(5,176)	**Total Reserves**		**(6,168)**

The Draft unaudited Financial Statements were issued on 28th June 2019.

Lindsay Sim
Treasurer
28th June 2019

CENTRAL SCOTLAND VALUATION JOINT BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

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.

2017/18 £000		2018/19 £000
(383)	Net Surplus/(Deficit) on the Provision of Services	(418)
357	Adjust net Surplus/(Deficit) on the Provision of Services for Non Cash Movements (note 15)	515
(3)	Adjustments for Items in the Net Surplus/(Deficit) on the Provision of Services that are Investing and Financing Activities - Interest Received	(3)
(29)	Net Cash Flows from Operating Activities	94
(12)	Investing Activities – Purchase of Equipment	(17)
3	Financing Activities – Interest Received – Short/Long-term Borrowing	3
(38)	Net increase/(decrease) in Cash and Cash equivalents	80
647	Cash and Cash equivalents at the beginning of the reporting period	609
609	**Cash and Cash equivalents at the end of the reporting period**	**689**

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) General Principles

The Statement of Accounts summarises the Board's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 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

- IFRS 9 - Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.
- IFRS 16 Leases – (code 2019/20)

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 standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Annual Improvements to IFRS Standards 2016-2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty Over Income Tax Treatments;
- Amendments to IFRS 19 Financial Instruments: Prepayment Features With Negative Compensation.

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 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 2019 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 £2.171m, and a 0.5% increase in the pension rate would result in an increase in the pension liability of £1.650m.

5) Events after the Reporting Period

The unaudited Financial Statements were authorised for issue by the Treasurer on 28th June 2019. 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.

2018/19	**Adjustments for Capital Purposes £000**	**Adjustments for Pensions Adjustments £000**	**Total Adjustments £000**
Net Cost of Services	9	181	**190**
Other Income and Expenditure From the Funding Analysis	-	158	**158**
Difference between surplus or Deficit and CI&E Surplus or Deficit	**9**	**339**	**348**

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**

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.

2018/19	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	(26)	26
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)	(651)	651
Employer's pensions contributions and direct payments to pensioners payable in the year (see note 18)	311	(311)
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	1	(1)
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	17	(17)
Total Adjustments	**(348)**	**348**

7) Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2017/18	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	(35)	35
Adjustments involving the Pensions Reserve:		
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 18)	(708)	708
Employer's pensions contributions and direct payments to pensioners payable in the year (see note 18)	307	(307)
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	5	(5)
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	12	(12)
Total Adjustments	**(419)**	**419**

8) Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
229	Pensions interest cost and expected return on pension assets	158
(3)	Interest receivable and similar income	(3)
226		**155**

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.

2017/18 Net Expenditure Chargeable To Reserves	2017/18 Adjustments between Funding and Accounting Basis	2017/18 Net Expenditure In the CI&E Statement		2018/19 Net Expenditure Chargeable to Reserves	2018/19 Adjustments between Funding and Accounting Basis	2018/19 Net Expenditure in the CI&E Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(33)	**190**	**157**	**Cost of Services**	**73**	**190**	**263**
(3)	229	226	Other Income & Expenditure	(3)	158	155
(36)	**419**	**383**	**(Surplus)/Deficit on Provision of Services (note 6)**	**70**	**348**	**418**
		505	Opening Balance on Reserves	541		
		36	Plus Surplus on usable reserves balance in year	(70)		
		541	**Closing Balance at 31st March 2019**	**471**		

9) Expenditure and Income Analysed by Nature (continued)

Within costs of services there are costs included of £25k (2017/18: £30k) that were not reported during the in-year monitoring. These are as a result of Capital Financing Costs, £26k (2017/18: £35k) and Compensating Absences Account Adjustments, £(1)k (2017/18: £(5)k).

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

The following costs incurred by the Portal are included in the table below; Supplies and Services costs of £127k (2017/18: £99k) for Professional Fees. These costs are fully offset by income of £127k (2017/18: £996k) having no impact on the overall Surplus for the Board in the year.

Amounts reported for resource allocation

Income and Expenditure

	2017/18 £000	**2018/19 £000**
Fees, charges and other income	(224)	(230)
Council Contributions	(2,465)	(2,465)
Grant Income	-	
Total Income	**(2,689)**	**(2,695)**
Employee Costs	1,889	1,891
Other operating costs	764	874
Total Operating Expenses	**2,653**	**2,765**
Net Cost of Services	**(36)**	**70**

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

	2017/18 £000	**2018/19 £000**
Net Cost of Services	(36)	70
Add amounts not reported in service management accounts*	419	348
	383	**418**

*This includes depreciation and IAS19 pension adjustments

9) Expenditure and Income Analysed by Nature (continued)

Reconciliation to Subjective Analysis 2018/19

	Management Accounts £000	Not Reported In Management Accounts £000	Net Cost of Service £000
Fees, charges and other income	(230)	-	(230)
Council Contributions	(2,465)	-	(2,465)
Total Income	**(2,695)**	**-**	**(2,695)**
Employee Costs	1,891	181	2,072
Other operating costs	874	(17)	857
Depreciation	-	26	26
Interest Payments	-	158	158
Total Operating Expenses	**2,765**	**348**	**3,113**
Net Cost of Services	**70**	**348**	**418**

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**

10) Property, Plant and Equipment

	2017/18 £000	2018/19 £000
Opening Gross Book Value	**237**	**249**
Additions	12	10
Disposals	-	(75)
Closing Gross Book Value	**249**	**184**
Opening Accumulated Depreciation		
Opening Depreciation	169	204
Depreciation for the year	35	26
Disposals	-	(75)
Closing Accumulated Depreciation	**204**	**155**
Net Book Value at 31 March 2019	**45**	**29**

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
A review was undertaken during 2018/19 of assets held and as a result of this review several tangible and intangible assets which are no longer utilised have been written off.

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.

A review was undertaken during 2018/19 of assets held and as a result of this review several tangible and intangible assets which are no longer utilised have been written off.

Software	**2017/18 £000**	**2018/19 £000**
Opening Gross Book Value	**89**	**89**
Additions	-	7
Disposals	-	(89)
Closing gross book value	**89**	**7**
Opening Accumulated Amortisation		
Opening amortisation	89	89
Amortisation for the year	-	-
Disposals	-	(89)
Closing Accumulated Amortisation	**89**	**-**
Net Book Value at 31 March 2019	**-**	**7**

12) Debtors

31 March 2018 £000		31 March 2019 £000
29	Central Government Bodies	-
20	Other Local Authorities	1
-	Public Corp & Trading Funds	1
35	Other Entities and Individuals	47
84	**Total**	**49**

13) Creditors

31 March 2018 £000		31 March 2019 £000
35	Central Government Bodies	56
49	Other Local Authorities	69
3	Public Corp & Trading Funds	7
86	Other Entities and Individuals	155
173	**Total**	**287**

14) Unusable Reserves

31 March 2018 £000		31 March 2019 £000
45	Capital Adjustment Account	36
(5,741)	Pensions Reserve	(6,655)
(21)	Accumulating Compensated Absences Adjustment Account	(20)
(5,717)	**Total Unusable Reserves**	**(6,639)**

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.

2017/18 £000		2018/19 £000
68	**Balance at 1 April 18**	**45**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(35)	- Charges for depreciation and impairment of non current assets	(26)
12	- Capital Expenditure charged against the General Fund	17
45	**Balance at 31 March 19**	**36**

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)

2017/18 £000		2018/19 £000
(8,711)	**Balance at 1 April 18**	**(5,741)**
3,371	Actuarial gains or (losses) on pensions assets and liabilities	(574)
(708)	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	(651)
307	Employer's pensions contributions and direct payments to pensioners payable in the year	311
(5,741)	**Balance at 31 March 19**	**(6,655)**

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.

2017/18 £000	2017/18 £000		2018/19 £000	2018/19 £000
	(26)	**Balance at 1 April 18**		**(21)**
26		Settlement or cancellation of accrual made at the end of the preceding year	21	
(21)		Amounts accrued at the end of the current year	(20)	
	5	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		1
	(21)	**Balance at 31 March 19**		**(20)**

15) Non Cash Movements

2017/18 £000		2018/19 £000
(35)	Depreciation & Amortisation	(26)
44	Increase/(Decrease) in Creditors	(114)
35	(Increase)/Decrease in Debtors	(35)
(401)	Movement in Pension Liability	(340)
(357)	**Net cash flows from non cash movements**	**(515)**

16) Material Items of Income and Expense

Council Contributions

2017/18 £000		2018/19 £000
(1,215)	Falkirk Council	(1,215)
(869)	Stirling Council	(869)
(381)	Clackmannanshire Council	(381)
(2,465)		**(2,465)**

17) External Audit Costs

2017/18 £000		2018/19 £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

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• current service cost	479	493
• past service costs	-	-
Financing and Investment Income and Expenditure		
• Interest expense - defined benefit obligation	639	582
• Interest income on scheme assets	(410)	(424)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	**708**	**651**
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)	195	(1,014)
• Actuarial (gains)/losses arising on changes in financial assumptions	(1,254)	1,578
• Actuarial (gains) arising on changes in demographic assumptions	(22)	0
• Other experience (gains)/losses	(2,290)	10
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(2,663)**	**1,225**
Actuarial (gains)/losses on pension fund assets and liabilities	**(3,371)**	**574**

18) Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme

	2017/18 £000	2018/19 £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	(708)	(651)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers contributions payable to scheme	307	311

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:

	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation*	(21,608)	(23,682)
Fair value of pension fund assets	15,867	17,027
Net Liability arising from Defined Benefit Obligation	**(5,741)**	**(6,655)**

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

Unfunded liabilities for Pension Fund	375	381

The liabilities show the underlying commitments that the Board has in the long term to pay post employment (retirement) benefits. The net liability of £6.655m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall negative balance of £6.168m. 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:

	2017/18 £000	2018/19 £000
Opening balance at 1 April	**(24,626)**	**(21,608)**
Current service cost	(479)	(493)
Interest cost	(639)	(582)
Contributions by scheme participants	(87)	(86)
Re-measurement gains and (losses)		
Actuarial gains from change in demographic assumptions	22	0
Actuarial gains/(losses) from change in financial assumptions	1,254	(1,578)
Actuarial gains/(losses) from other experiences	2,290	(10)
Past Service	-	-
Benefits paid	657	675
Closing value at 31 March	**(21,608)**	**(23,682)**

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

	2017/18 £000	2018/19 £000
Opening fair value of pension fund assets	**15,915**	**15,867**
Interest Income	410	424
Return on pension assets (excluding amounts included in net interest)	(195)	1,014
Contributions from employers	307	311
Contributions by employees into the scheme	87	86
Benefits paid	(657)	(675)
Closing fair value of pension fund assets	**15,867**	**17,027**

18) Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund Assets

The Board's share of the Pension Fund comprised:	31 March 2018 £000	31 March 2019 £000
Equity instruments (by industry type)		
- Consumer	1,491	1,359
- Manufacturing	797	1,031
- Energy & Utilities	546	642
- Financial Institutions	1,224	1,270
- Health & Care	576	564
- Information Technology	1,059	1,506
- Other	238	6
Sub Total Equity	**5,931**	**6,378**
Debt Instruments		
- Corporate bonds (investment guide)	**-**	**-**
- Other	**153**	**-**
Property (by type)		
- UK	962	1,002
- Overseas	9	149
Sub Total Property	**971**	**1,151**
Private Equity		
- UK	441	443
Sub Total Private Equity	**441**	**443**
Other Investment Funds		
- Equities	3,413	3,567
- Bonds	1,209	1,270
- Infrastructure	1,181	1,421
- Other	1,658	1,749
Sub Total Other Investment Funds	**7,461**	**8,007**
Cash and Cash Equivalents	**910**	**1,048**
Total Assets	**15,867**	**17,027**

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 2019. 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	
	2017/18	**2018/19**
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.4%
Bonds	2.7%	2.4%
Property	2.7%	2.4%
Cash	2.7%	2.4%
Mortality assumptions:		
Longevity at 65 for current pensions		
- Men	21.2 years	21.2 years
- Women	23.7 years	23.7 years
Longevity at 65 for future pensioners		
- Men	22.7 years	22.7 years
- Women	25.5 years	25.5 years
Rate of inflation	2.4%	2.5%
Rate of increase in salaries	2.9%	3.0%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting fund liabilities	2.7%	2.4%

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 2019

	Approximate % Increase to Employer	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	9%	2,171
0.5% increase in the Salary Increase Rate	2%	472
0.5% increase in the Pension Increase Rate	7%	1,650

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 total contributions expected to be made by the Board to Falkirk Pension Fund in the year to 31 March 2019 is £295k.

19) Nature and Extent of Risks arising from Financial Instruments

As at 31 March 2019 the Valuation Joint Board has Debtors of £49k, cash and cash equivalents of £689k and Creditors of £287k. 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 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 readers 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 2018/19 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.

21) Contingent Liabilities

LGPS Pension Liability

There are currently two legal cases which could impact on the LGPS pension liability. One of the cases is McCloud v's Ministery of Justice at the Supreme Court, the case relates to protection provide for member of pensions schemes when it changed to Career Average Scheme and potential discrimination of members. If upheld it may have an impact for the Local Government Pension scheme where affected members will need to be compensated. The second is an impending case on equalisation whereby UK defined benefit pension schemes must compensate member for differences attributable to guaranteed minimum pensions. Currently we can not quantify the potential impact once the judgements are known the pension Fund will work with the actuaries to understand the impact and review future contributions to minimise the impact.