

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 18 September 2020

Report by: The Treasurer

Heading: Annual Audit Report on the Annual Accounts 2019/20

1. Summary

- 1.1 At the meeting of the Renfrewshire Valuation Joint Board (the Board) on 29 May 2020 a report on the unaudited accounts for the year ended 31 March was noted.
 - 1.2 The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts to be approved for signature by the Board no later than 30 September each year. This year, owing to the COVID-19 pandemic, this date was extended to 30 November 2020; however, the extension was not required, as the unaudited accounts were delivered and audit work completed to original planned timescales.
 - 1.3 Section 10 of these Regulations requires the Board to consider any report made by the appointed auditor before deciding whether to sign the audited accounts.
 - 1.4 The findings of the appointed auditor, Audit Scotland, are presented in the Annual Audit Report, which can be found at Appendix 1. It also includes details of one adjustment made to the accounts during the course of the audit.
 - 1.5 Following approval, the audited accounts will be submitted to the Convenor, Treasurer and Assessor and ERO for secure digital signature.
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2 Recommendations

- 2.1 It is recommended that members:
 - (a) Note the findings of the 2019/20 audit as contained in the Annual Audit Report (Appendix 1); and
 - (b) Approve the 2019/20 Audited Annual Accounts (Appendix 2) for signature.
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Renfrewshire Valuation Joint Board

2019/20 Annual Audit Report – Proposed

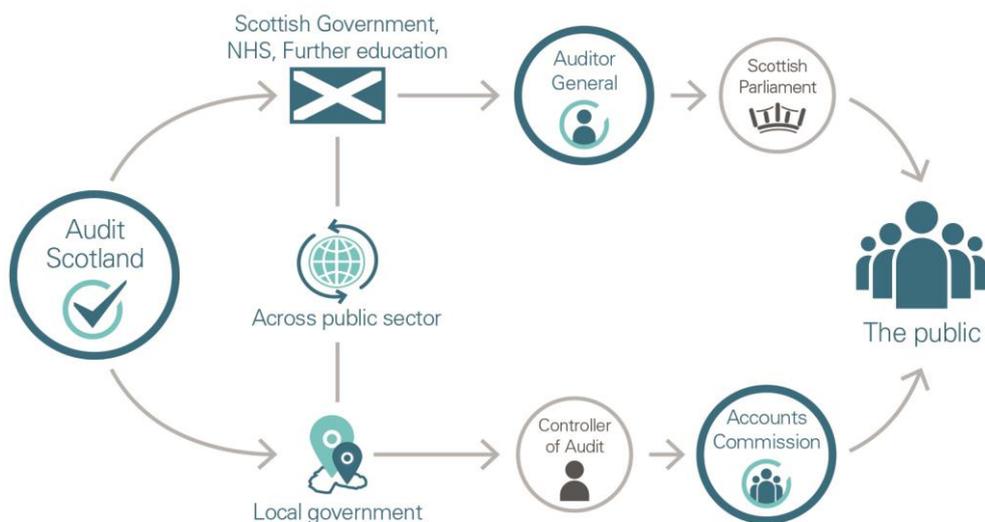


Prepared for Renfrewshire Valuation Joint Board and the Controller of Audit
September 2020

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

- The Auditor General for Scotland is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



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- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual report and accounts

- 1** Renfrewshire Valuation Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** The financial statements were adjusted to reflect an updated estimate of the impact of the McCloud / Sargeant judgement on the pension liability. This resulted in a decrease of £135,000 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Financial sustainability

- 4** A surplus of £268,728 for the financial year 2019/20 was achieved, compared to budgeted surplus of £92,191, which represents an underspend of £176,537.
- 5** The audited annual accounts confirm a useable reserves balance of £399,063 as at 31 March 2020. Management are intending to use reserves in the coming years but will look to maintain reserves of at least five per cent of net expenditure.

Introduction

1. This report summarises the findings from our 2019/20 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 28 February 2020 meeting of the Joint Board. This report comprises the findings from:
 - an audit of the RVJB annual report and accounts
 - consideration of the financial sustainability and Annual Governance Statement.
3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, RVJB has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have a significant impact into the financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.

Adding value through the audit

4. We add value to the RVJB through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations; and
 - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
5. In so doing, we aim to help RVJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. RVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. RVJB is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on RVJB's Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.
8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

9. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2019/20 audit.

10. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £7,450 as set out in our Annual Audit Plan, remains unchanged.

12. We are not aware of any relationships that could compromise our objectivity and independence.

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

14. We would like to thank the management and staff for their cooperation and assistance during the audit, particularly given the difficulties of auditing remotely during the COVID-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Renfrewshire Valuation Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The financial statements were adjusted to reflect and updated estimate of the impact of the McCloud / Sargeant judgement on the pension liability. This resulted in a decrease of £135,000 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts are the principal means of accounting for the stewardship of the RVJB'S resources and its performance in the use of those resources.

16. The annual accounts for the year ended 31 March 2020 were approved by the Joint Board on 18 September 2020.

17. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework;
- the Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements; and
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts were signed off in line with the agreed timetable

18. The unaudited annual accounts were received in line with our agreed audit timetable on 1 June 2020. There has been limited impact of COVID-19 on the audit process. The physical limitations on access to records and systems did not delay the audit and RVJB staff were supported in homeworking during the period of the outbreak.

19. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £29,000

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. On receipt of the unaudited annual accounts, we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£29,000
Performance materiality	£22,000
Reporting threshold	£1,000

Source: Annual Audit Plan 2019/20

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

The significant findings from the audit are outlined in Exhibit 2

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates, and financial statements disclosures. We have no significant findings to report around the qualitative aspects. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2 Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Pension liability</p> <p>The pension liability in the financial statements included the estimated impact of the McCloud / Sargeant legal judgements. The estimated impact was first assessed by the pension fund actuary in 2018/19 and this was reflected in the 2019/20 unaudited financial statements using the most up-to-date information at that time. A potential remedy for the legal judgements was since announced and the actuary estimated this could result in a decrease of up to 50% on the initial estimate.</p>	<p>Management agreed to adjust the financial statements to reflect the updated estimate from the actuary.</p>

Finding	Resolution
<p>Management requested an updated pension valuation report from the actuary and have adjusted the financial statements to reflect the updated estimate. This net impact was to reduce expenditure by £135,000, with a corresponding decrease in the pension liability and the pension reserve.</p>	
<p>Source: Audit Scotland</p>	

Other findings

24. Management recognised a provision of £28,111 in the 2019/20 financial statements in relation to untaken staff leave. This had been recognised as an accrual in prior years' financial statements. Following discussions with management, it was agreed that recognising this as a provision was not appropriate and should continue to be recognised as an accrual. Management agreed to this adjustment and reclassified the balance. As this was a classification adjustment, this did not impact on net expenditure for the year or the net Balance Sheet position.

Adjustments of £163,111 were processed in the accounts, these were greater than our performance materiality, but we did not need to revise our audit approach

25. Total adjustments of £163,111 were processed in the financial statements. These related to the pension liability discussed above in [Exhibit 2](#) and the provision for untaken staff leave discussed in paragraph 24. We have concluded that the adjustments were due to the specific circumstances around the items in question, were isolated and identified in their entirety, and do not indicate further systemic error.

26. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. Although, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

27. There were no adjustments, other than those outlined in paragraph 25, above our reporting thresholds identified from our audit.

Part 2

Financial sustainability



Main judgements

A surplus of £268,728 for the financial year 2019/20 was achieved, compared to budgeted surplus of £92,191, which represents an underspend of £176,537.

The audited annual accounts confirm a useable reserves balance of £399,063 as at 31 March 2020. Management are intending to use reserves in the coming years but will look to maintain reserves of at least five per cent of net expenditure.

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

Financial performance in 2019/20

28. The Joint Board approved the 2019/20 budget in January 2019. Total budgeted expenditure was £2.388 million and total budgeted income was £2.388 million, resulting in a breakeven position. However, this anticipated savings of £29,600 being delivered to achieve this position.

29. At the Joint Board meeting in May 2019, the Treasurer presented further detail as to how the unallocated savings in the 2020/21 and 2021/22 Revenue Estimates would be achieved. Additional funding of £200,000 to support the implementation of the Barclay Review was factored into the revised budget for 2020/21 and 2021/22 respectively.

30. The revised budget for 2019/20 anticipated increasing reserves by £92,191, superseding the previously reported position of required savings of £29,600. It also contrasted with the position in recent years where reserves had reduced steadily each year since 2014/15. This increase is temporary and results from the timing of spend in relation to the implementation of the Barclay Review. It is expected to be partly drawn down in 2020/21.

31. Actual outturn in 2019/20 was total expenditure of £2.426 million and total income of £2.695 million. This resulted in a surplus of £268,728 for the year which was £176,537 higher than the budgeted figure. Details on variances are outlined in the Management Commentary within the annual accounts.

Short term financial planning

32. The largest source of income for RVJB is requisitions from members of the Joint Board. Other sources of income have included funding from the Cabinet Office for Individual Electoral Registration (IER), which ended on 31 March 2020, and income from sales, fees, and charges.

33. In 2019/20, RVJB benefited from a reduction in property costs by vacating the upper floor in the Robertson Centre. The new arrangement started on 1 October

2018, with Renfrewshire Leisure Limited taking on the lease from Renfrewshire Council and the full year benefit realised in 2019/20.

34. The Joint Board approved the 2020/21 budget in February 2020. Total budgeted expenditure was £2.786 million and total budgeted income was £2.786 million, resulting in a breakeven position. However, this position is based on using £10,000 of reserves to address an anticipated shortfall. Income also includes £471,000 of Barclay requisition that is passed on to RVJB from the member councils.

35. The 2021/21 budget included a reduction of one per cent in requisitions from member councils. However, future reductions are not sustainable and an increase in requisitions of 1.8 per cent and 2.5 per cent was proposed for 2021/22 and 2022/23 respectively.

Medium to long term financial planning

36. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

37. As part of the budget setting process, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

38. The audited annual accounts for 2019/20 confirm a useable reserves balance of £399,063 as at 31 March 2020. Use of reserves is anticipated each year to 2022/23 to achieve financial balance and maintain sustainable requisition increases. However, a prudent use of reserves is planned, and these will be maintained at a minimum of five per cent of net expenditure to provide flexibility for unforeseen circumstances.

39. From the work carried out, we have concluded that RVJB has sound financial planning arrangements in place. There are pressures that could impact on RVJB's financial sustainability and ability to deliver services. However, the financial planning arrangements have allowed management to take mitigating actions against these pressures.

Annual Governance Statement

40. Our review of the Annual Governance Statement assessed the assurances which are provided to the Joint Board and management regarding the adequacy and effectiveness of the joint board's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding that 'reasonable assurance can be placed upon the adequacy and effectiveness of the Renfrewshire Valuation Joint Board's internal control, risk management and governance arrangements'.

41. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Appendix 1

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>RVJB incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of material misstatement caused by accounting for pensions</p> <p>RVJB recognised a net liability of £3.083 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>As outlined in Exhibit 2, an adjustment was processed to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgements.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>4 Financial sustainability</p> <p>The 2019/20 Revenue Estimates highlight increasing costs in the medium-term, putting pressures on available resources. Funding from the Cabinet Office for Individual Electoral Registration (IER) will cease in 2020/21 and RVJB will need to meet the costs associated with IER from its core budget. RVJB has also experienced difficulties in recruiting and retaining professionally qualified staff to assist in the delivery of the new duties on Assessor's following the Barclay review of non-domestic rates. This issue</p>	<p>Review of budget monitoring reports and future Revenue Estimates and discussions with management on RVJB's medium-term financial position.</p> <p>Conclude on financial position and financial sustainability within the Annual Audit Report.</p>	<p>A review of budget monitoring reports and the financial statements highlight reserves have increased in year. It is anticipated that reserves will be used each year to 2022/23 to achieve financial balance. However, a prudent use of reserves is planned, and management will look to maintain reserves at a minimum of five per cent of net expenditure.</p> <p>Conclusion: RVJB continues to operate in a challenging financial climate, with pressures in delivering existing services with the current levels of resources. Management continues to review options</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>will need to be closely monitored going forward.</p> <p>There is also uncertainty around funding for implementing the recommendations of the Barclay review. Funding has been announced by the Scottish Government. Local authorities will also be allocated funding for the Barclay review with the expectation that this will be passed on to valuation joint boards. The arrangements for the passing through of this funding have yet to be agreed between RVJB and its member authorities.</p> <p>Due to the pressures above, it is likely savings will be required over the medium-term to achieve a breakeven position and maintain reserves at an appropriate level.</p>		<p>and resources for the delivery of future services.</p>

Renfrewshire Valuation Joint Board

2019/20 Annual Audit Report – Proposed

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Renfrewshire Valuation Joint Board

18 September 2020

Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report by 22 September 2020 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Joint Board's consideration our draft Annual Audit Report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. As outlined in our Annual Audit Plan, due to the nature and size of Renfrewshire Valuation Joint Board, we have assessed the extent of wider dimensions work and concluded that a reduced scope, as outlined in paragraph 53 of the Code of Audit Practice, can be applied.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Joint Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Treasurer, as the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.
8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Valuation Joint Board for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Renfrewshire Valuation Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of Renfrewshire Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Renfrewshire Valuation Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Renfrewshire Valuation Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Treasurer and the Joint Board for the financial statements

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

In preparing the financial statements, the Treasurer is responsible for assessing Renfrewshire Valuation Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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

Mark Ferris

Senior Audit Manager

Audit Scotland

4th Floor

8 Nelson Mandela Place

Glasgow

G2 1BT

APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris, Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Mark

Renfrewshire Valuation Joint Board Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of Renfrewshire Valuation Joint Board for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Remuneration Report, Management Commentary and Annual Governance Statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Assessor and Electoral Registration Officer, the following representations given to you in connection with your audit of Renfrewshire Valuation Joint Board's annual accounts for the year ended 31 March 2020.

General

3. Renfrewshire Valuation Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Valuation Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Renfrewshire Valuation Joint Board at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying

an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Valuation Joint Board's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Renfrewshire Valuation Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Valuation Joint Board's ability to continue as a going concern.

Assets

10. All assets at 31 March 2020 of which I am aware have been recognised in the annual accounts.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

14. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
15. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
16. The pension assumptions made by the actuary in the IAS 19 report for Renfrewshire Valuation Joint Board have been considered and I confirm that they are consistent with management's own view.
17. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

18. There are no significant contingent liabilities, other than those disclosed in Note 16 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.

Fraud

19. I have provided you with all information in relation to:
- my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

20. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all Renfrewshire Valuation Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

22. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

23. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

24. I confirm that Renfrewshire Valuation Joint Board has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
25. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

26. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Treasurer



Renfrewshire Valuation Joint Board

Annual Accounts
2019/20

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Management Commentary

The purpose of the Management Commentary is to present an overview of the Renfrewshire Valuation Joint Board's financial performance during the year 2019/20 and to help readers understand its financial position at 31 March 2020. In addition, it outlines the main risks and uncertainties facing the Renfrewshire Valuation Joint Board (the Board) for the financial year 2019/20 and beyond.

Who we are and what we do

The Board was established by the Valuation Joint Boards (Scotland) Order 1995 and came into existence on 1 April 1996. It provides a range of valuation and electoral registration services to and on behalf of East

Renfrewshire, Inverclyde and Renfrewshire Councils (the constituent authorities), working in partnership with other Valuation Joint Boards, councils and professional bodies across Scotland.

Our primary funding comes in the form of requisitions from the three constituent authorities and these are agreed when the Board sets its budget before 1 April each year.

The composition of membership of the Board is determined by the above Order and consists of four Councillors representing East Renfrewshire Council, four representing Inverclyde Council and eight Councillors representing Renfrewshire Council.

For the year 2019/20, these members were:

East Renfrewshire Council	Inverclyde Council	Renfrewshire Council	
P O'Kane (Vice-Convener)	G Brooks	A Doig (Convener)	M MacLaren
A Convery	C Jackson	T Begg	J McIntyre
D Devlin (until 15/08/2019)	T McVey	J Cameron	J Sharkey
C Gilbert	I Nelson	K MacLaren	A Steel
A Ireland (from 11/09/2019)			

Our Aims

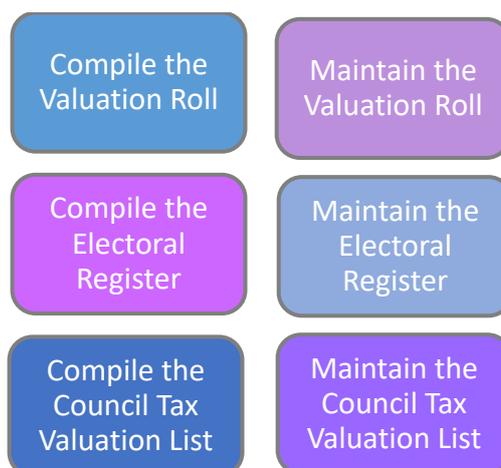
The Board was presented with an update to its current Strategic Service Plan on 29 May 2020. The plan covers the period April 2018 to April 2021.

A copy of Strategic Service Plan can be found at the following link: [http://www.renfrewshire-vjb.gov.uk>Governance>Policies and Plans](http://www.renfrewshire-vjb.gov.uk/Governance/Policies and Plans).

The Plan outlines the Board's Mission, as follows:

Building on our established professionalism, we aim to provide high quality, effective and responsive services to all of our stakeholders

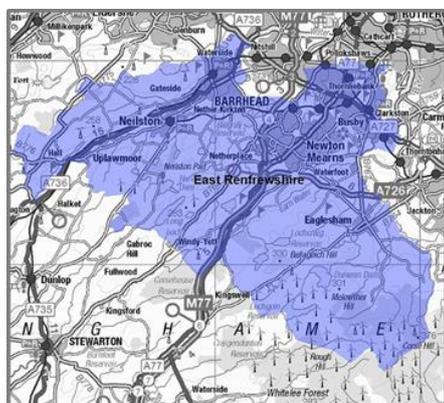
Part 3 of the Board's Strategic Service Plan 2018-21 defines six key business objectives, as follows:



Our Performance

To put into context the Board's work involved in carrying out our statutory duties and obligations, it may be useful to examine each of the councils separately.

East Renfrewshire



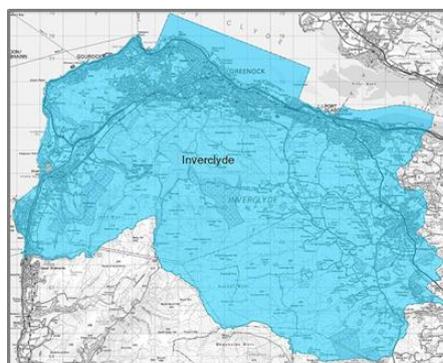
Council Tax	2019/20	2018/19
Properties	39,248	39,014
Proposals / Appeals received	83	86
Proposals / Appeals settled	44	95

Revaluation Roll	2019/20	2018/19
Properties	1,815	1,824
Appeals received	n/a*	
Appeals settled	134	354

Running Roll	2019/20	2018/19
Properties	1,815	1,824
Appeals received	306	47
Appeals settled	49	18

	2019	2018
Population**	95,530	94,760
Population over 16	76,055	76,892
Registered Electors	71,671	71,202

Inverclyde



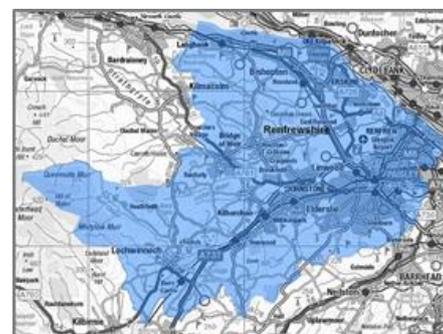
Council Tax	2019/20	2018/19
Properties	39,078	38,976
Proposals / Appeals received	49	60
Proposals / Appeals settled	30	38

Revaluation Roll	2019/20	2018/19
Properties	2,430	2,411
Appeals received	n/a*	
Appeals settled	183	567

Running Roll	2019/20	2018/19
Properties	2,430	2,411
Appeals received	684	61
Appeals settled	145	24

	2019	2018
Population**	77,800	78,760
Population over 16	65,197	66,801
Registered Electors	59,835	59,771

Renfrewshire



Council Tax	2019/20	2018/19
Properties	88,466	87,649
Proposals / Appeals received	118	177
Proposals / Appeals settled	64	106

Revaluation Roll	2019/20	2018/19
Properties	9,905	9,920
Appeals received	n/a*	
Appeals settled	526	1,356

Running Roll	2019/20	2018/19
Properties	9,905	9,920
Appeals received	1,888	198
Appeals settled	252	65

	2019	2018
Population**	179,100	176,830
Population over 16	148,833	148,605
Registered Electors	134,723	133,105

* There were no Revaluation appeals received in 2018/19 and 2019/20 because the time period for lodging such appeals expired during 2017/18.

** Population numbers are sourced from Office of National Statistics <https://www.ons.gov.uk>

For a full analysis of the Board’s performance, please see the Annual Public Performance Report, which the Assessor & Electoral Registration Officer (ERO) presented to the Board on 29 May 2020. Performance information is also updated to every meeting of the Board.

Review of the Year

During 2019/20, the Assessor & ERO continued the service review that had commenced in late 2017. The five key objectives of this review were that it should:

- Contribute to delivering potential savings target in the operational models and delivery;
- Deliver a fit for purpose and future proofed organisational structure;
- Ensure maximised benefits from implementation of a Document Management System (DMS) and an Electoral Management System (EMS);
- Reduce the administrative burden on the Board by redefining processes, making efficiency savings and increasing capacity to deliver services; and
- Source a replacement for Progress, the current core IT system.

Alongside these 5 key objectives, the Assessor & ERO has had to ensure the Board’s readiness to deliver on the changes to Non-Domestic rating stemming from the Barclay Report and the subsequent introduction of the Non-Domestic Rates (Scotland) Act 2020. As previously reported, the Scottish Government has agreed funding to assist Assessors to meet these new challenges, as noted in the Financial Performance section below and in Note 12: Related Parties.

The first objective has been met for 2019/20, as budgeted savings of £29,600 have been achieved, partly due to non-filling of vacancies and partly due to efficiencies identified in services, contracts, etc.

Whilst the organisation’s staffing numbers fell in 2018/19 to 40, there has been a modest increase during 2019/20 to 42 staff. However, this past year has seen staff leaving and retiring and there have

been significant difficulties in attracting qualified staff to replace these core vacancies. There is also concern over being able to retain staff and stop the loss of expertise and experience at a time when working practices require ever quicker solutions and delivery of service.

The Board delivered the Rateable values and Council Tax Bands to the three constituent authorities to allow them to collect the revenues shown below (excluding water and sewerage charges):

Council Tax Revenue	2019/20	2018/19
East Renfrewshire	£51,658,511	£49,717,751
Inverclyde	£31,232,778	£29,706,298
Renfrewshire*	£78,617,449	£73,678,565

Non-Domestic Revenue	2019/20	2018/19
East Renfrewshire	£14,510,217	£14,666,019
Inverclyde	£19,317,749	£19,352,264
Renfrewshire*	£122,461,272	£125,893,481

*Renfrewshire Council collects revenue for Fixed Line Telecoms for the whole of Scotland.

The benefits of the new DMS have been realised in full this year, as a reduction in property costs realised in the accounts since October 2018. The DMS allowed the scanning of 165,000 Council Tax files, resulting in the ability of the Assessor & ERO to relinquish the upper floor of the Robertson Centre. Work is still ongoing to realise the full potential of this system and efficiencies to the services provided by the Assessor & ERO.

The EMS is now fully operational and delivered both last year’s canvass and the snap UK General Election successfully. This system has reduced the administrative burden in allowing the reduction, through retirement, of staffing numbers in the clerical section of the organisation.

Replacement of ‘Progress’, the core IT system, continues and there are now three other Assessors’ offices involved in procuring this jointly, which will deliver further savings through economies of scale when purchasing as a group as opposed to individually. It will also allow the expertise from all

four Assessors' offices to be accessed and used in the design of this new core system.

During 2019/20, the following policies were either refreshed or introduced:

- Data Protection Policy
- Public Sector Equalities Duty
- Strategic Service Plan
- Trade Union Facility Time (introduced)

Primary Financial Statements

The Annual Accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Under Section 106 of the Local Government (Scotland) Act 1973, joint boards are classed as local authorities.

The Annual Accounts summarise the Board's transactions for the year and its year-end position at 31 March 2020. The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the Balance Sheet.

These statements are accompanied by Notes to the Accounts, which provide more details on the figures shown in the statements and set out the Accounting Policies adopted by the Board.

The cash balance at 31 March 2020 of £100 in the Balance Sheet represents petty cash held by officers of the Board.

Financial Performance

The Comprehensive Income and Expenditure Statement on page 16 summarises the total costs of providing services and the income available to fund those services.

A summary of the outturn position against the agreed budget is shown on the next page. The Board has returned a surplus of £269k for the financial year 2019/20, compared to a budgeted surplus of £92k, resulting in an underspend of £177k.

One significant reason for this is the recognition of previously deferred income (£76k). For a number of years, the Board has received funding for Individual Electoral Registration (IER) and any in-year surpluses have been transferred to the balance sheet as deferred income (Creditors) each year in anticipation of having to repay. As 2019/20 is the final year of funding, with no repayment required, this income must be recognised and transferred to reserves. The 2020/21 Budget, approved on 28 February 2020, agreed the use of this balance to fund IER-related activity over the next three years.

Further to this, there was an over-recovery of IER income in 2019/20 of £12k and in Other Income of £18k.

Employee Costs were underspent against budget in 2019/20 owing to the management of vacancies during the year; however, this should be set against the overspend in Transport Costs, due to staff transport budgets being held within Employee Costs in 2019/20. This has been rectified in the 2020/21 Budget.

The most substantial underspend occurred within Supplies and Services, where savings were experienced within ICT maintenance (£33k), admin costs (£36k), contractors (£14k), some of which related to the delay in recruiting for Barclay related work, and election costs (£31k); these were offset by an overspend in postage costs (£42k).

The surplus shown below excludes accounting adjustments relating to pensions, depreciation and employee absences.

These and all accounting differences are detailed in Note 1: Expenditure and Funding Analysis on page 21.

	Budget £	Actual £	Variance £
Employee Costs	1,768,509	1,743,387	25,122
Property Costs	121,800	126,920	(5,120)
Supplies and Services	482,500	410,445	72,055
Support Costs	80,000	79,925	75
Transfer Payments	0	6,767	(6,767)
Transport Costs	0	15,637	(15,637)
Capital Charges	43,000	43,000	0
Total Expenditure	2,495,809	2,426,081	69,728
Requisition Income	(2,500,500)	(2,500,500)	0
Other Income	(87,500)	(194,309)	106,809
Total Income	(2,588,000)	(2,694,809)	106,809
(Surplus)/Deficit for Year	(92,191)	(268,728)	176,537

The Balance Sheet at 31 March 2020

The Balance Sheet sets out the total net worth of the Board at a snapshot in time. When comparing the net worth of the Board at 31 March 2020 to that of the prior year, an overall increase in net worth of the organisation of £1.634m can be seen. This is primarily due to the decrease in pension liability explained below.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 14: Retirement Benefits on page 26. The appointed actuaries have confirmed a net liability position of £1.733m (£3.083m 2018/19), a decrease in liabilities of £1.350m in their assessment of the position of the pension fund. This can be attributed to a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

The McCloud/Sargeant case noted in last year's accounts, whereby transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age are

argued to be unlawful on the grounds of age discrimination, added £0.246m of past service costs to the overall pension liability. Following the court ruling and subsequent announcement of proposed remedies by the UK Government, the Board's appointed actuaries have now reduced the estimated past service costs figure by £0.136m in 2019/20 to reflect this change.

The net deficit position of the pension reserve impacts the Board as a whole, however the funding of these future liabilities will be met from future requisitions from members and as such the going concern assumption is valid.

The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Fund and the contributions from employees and employers together with planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

A further potential change to pension rules is outlined in Note 16: Contingent Liabilities on page 29; however this has not been reflected in the pension liability reported in the Balance Sheet.

Reserves at 31 March 2020

The Board had an opening Revenue Reserve at 1 April 2019 of £0.130m. During the year the Board returned a surplus of £0.269m, including income relating to prior year surpluses of IER funding of £0.076m, taking the closing Revenue Reserve position to £0.399m.

In February 2020, the Board agreed to a prudent use of reserves over the next few years in order to maintain sustainable requisition increases.

Wider Engagement

During 2019/20, the Assessor, via the Scottish Assessors Association, made contributions to the aforementioned Non-Domestic Rates (Scotland) Act 2020 and, as ERO, contributed to the Scottish Elections (Franchise and Representation) Act 2020 and the Scottish Elections (Reform) Bill.

The Assessor & ERO continues to be a member of the Electoral Management Board for Scotland and represents Scottish EROs on Accessibility of Elections groups for both the Westminster and Scottish Parliaments.

This ensures that the Board is able to access information on changes to legislation that may impact on both the Assessor and ERO functions.

Risks

The maintenance of a Corporate Risk Register ensures that the Board's functions operate effectively under all assessable and identifiable risks. This was most recently reported to the Board by the Assessor & ERO on 28 February 2020 and is reviewed, updated and reported to the Board twice-yearly.

The Corporate Risk Register assesses the likelihood and impact of identifiable risks and provides actions to mitigate or minimise them. The Board's risks have been evaluated using a risk matrix, which involves multiplying the likelihood of occurrence of a risk by its

potential impact. This produces an evaluation of risk as either 'low', 'moderate', 'high' or 'very high'. Both High and Very High risks are viewed as significant. A total of 11 corporate risks are identified on the Corporate Risk Register. Of these, 8 are identified as High, or Very High risks and are summarised in the table that follows.

It should be noted that the Assessor & ERO and management team have fully assessed these risks and have identified control measures in order to address them going forward.

Full details on the risks identified, along with steps being taken to mitigate these, is presented in the Corporate Risk Register Report of 20 February 2020, which can be found by following Board report link shown at the end of this report.

The first risk noted below is twofold in terms of the restrictions placed on working practices due to the COVID-19 related lockdown announced on 23 March 2020 and the number of running roll appeals lodged as a result of the pandemic.

This has resulted in two Valuation Appeal Committees being cancelled by the Secretary to the Committee, which were scheduled for 23 April 2020 and 14 May 2020. In addition, the Board received over 3,000 appeals against non-domestic values as a result of the COVID-19 pandemic, with the disposal date for the majority of these appeals being one year from receipt i.e. 31 March 2021.

Secondly, the Professional Services risk was increased at the review of the Corporate Risk Register in February 2020, due to the inability of the Board to recruit two qualified valuers despite two recruitment drives in 2019. Extra demand on the valuation team with the appeals cited for the cancelled hearings being continued, as well as the large number of appeals, has exacerbated the situation in relation to qualified staff.

An update will be provided to the Board on 18 September 2020, which will include further detail about the impact of the COVID-19 pandemic.

Risk	Likelihood	Impact	Score	Evaluation
The severe risk that the Board breaches their statutory duties in terms of disposal date for the 2017 Revaluation Appeals and Running Roll Appeals as a result of the effects of the COVID-19 pandemic and the lack of qualified staff.	4	5	20	Very High
The risk that the Board fails to meet its financial commitments due to budgetary pressures as a result of increased financial pressures on the Board from their constituent authorities and the Scottish Government	4	5	20	Very High
The risk that legislative changes associated with national or European law could potentially create unexpected budgetary pressures	4	5	20	Very High
The risk that Board does not have sufficient capacity to deal with changes / development in IT, including changing demands, which could impact on service delivery	4	4	16	High
The risk of unplanned electoral events, which are now an ever-increasing possibility and put a significant strain of the Board's budget. Canvass reform is expected to reduce costs associated with canvass but the reduction is unknown at the present time.	4	4	16	High
The risk of loss of data sets, which would result in loss of service to all stakeholders e.g. through hacking	4	4	16	High
The risk of loss of information; the Board has invested in a Document Management System but a significant amount of information is still held in paper format	3	4	12	High
The risk that, given existing staff demographics, a number of key personnel could retire over the next 5 years, affecting the Board's ability to deliver services	4	4	16	High

COVID-19 Lockdown: Remote Working

At the time of writing, the organisation is delivering its services across all three statutory functions through remote working. The Assessor & ERO has kept the Board informed throughout lockdown of where matters stand in terms of services available and the number of employees facilitated for remote working, as prior to 23 March 2020, no member of the Board's staff was able to work from home. The result, as reported, is that 100% remote working has been achieved and services continue to be provided, where possible.

The management team and the IT team, with the goodwill and flexibility displayed by all the staff, found

solutions to some unanticipated issues and have delivered a working service for the public and all of the Board's stakeholders.

A special note of thanks goes to everyone involved for their patience and understanding.

It is worth mentioning, however, that there has been an almost unprecedented number of Material Change of Circumstances Appeals lodged by ratepayers because of the effect of COVID-19 on their businesses. This has resulted in 2,878 appeals being lodged for 2019/20, compared with 306 for 2018/19; to further add to the pressures on the organisation, these appeals, by law, require to be dealt with by March 2021, whilst still attending to the remaining outstanding 2017 revaluation appeals. This is a huge demand on staff, particularly when the number of

staff able to carry out the disposal of these appeals is fewer than the core structure requires.

Progress on these appeals will be closely monitored by the management team and it may be the case that staff will be asked to work overtime if they can. This issue has been reflected in the Risk register.

Outlook and Future Plans

Budgeted expenditure for 2020/21 of £2.759m was agreed by the Board on 28 February 2020. Of this, £0.471m is met from funding related to the implementation of Barclay recommendations.

The Board recognises the difficult financial climate facing local authorities and has continued to seek efficiencies wherever possible. Requisition levels have been reduced by 1% for 2020/21 and a prudent level of reserves use is planned over the next three years. This will still retain planned usable reserves of at least 7% of net expenditure.

As previously mentioned, the Assessor & ERO has been reviewing the organisational structure, looking at both job descriptions and duties for certain staff and, where necessary, the creation of new posts. The Board will be kept informed of any future developments around this.

There continues to be concern over the filling of vacancies in both the core and supplemental vacancies created to deliver the Barclay review findings. Staffing levels will therefore need to be constantly monitored and reviewed as required over the coming months.

This is a dynamic period for the organisation, as legislative changes in both the Non-Domestic Valuation service and the Electoral function are being finalised with commencement dates for all of these changes happening over the next few months. The Assessor & ERO and management team will keep all matters under review.

Conclusion

We would like to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support. Board reports and minutes, including Performance and risk reporting, can be accessed via Renfrewshire Council's website under [Your Council>Agendas and Minutes>Joint Arrangements>Renfrewshire Valuation Joint Board](#).

Councillor Audrey Doig

Convener

18 September 2020

Alan Russell CPFA

Treasurer

18 September 2020

Kate Crawford

Assessor and Electoral Registration Officer

18 September 2020

Statement of Responsibilities for the Annual Accounts

The Board's Responsibilities

The Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). The designated officer is Renfrewshire Council's Director of Finance and Resources, who is also the Treasurer of Renfrewshire Valuation Joint Board;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure that the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on the 18 September 2020.

Signed on behalf of Renfrewshire Valuation Joint Board.

Councillor Audrey Doig

Convener

18 September 2020

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);

The Treasurer has also:

- kept adequate accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give 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 2020.

Alan Russell CPFA

Treasurer

18 September 2020

Annual Governance Statement

Scope of Responsibility

Renfrewshire Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Board also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Joint Board's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Board's Governance Framework

The governance framework comprises the systems and processes and culture and values, by which the Board is directed and controlled. It also describes the way it engages with and accounts to its stakeholders.

The Board has put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The main features of our governance arrangements are summarised as:

- Clearly defined Standing Orders, Scheme of Delegation, Financial Regulations and Tender Procedures;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Regular public performance reporting;
- Business continuity planning arrangements are in place and regularly reviewed;
- Policies to regulate employee-related matters, including the employee code of conduct and disciplinary procedures;
- Arrangements to manage risk, including the Risk Management Strategy, Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Comprehensive policies and procedures for physical and information security;
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines;
- A register of interest is in place and updated on an annual basis;
- Internal governance review arrangements, including a programme of policy and procedure reviews and a governance working group responsible for all governance-related matters including, but not limited to, freedom of information, data protection, risk management, business continuity and monitoring of audit actions.

Within the overall control arrangements, the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected.

The system is based on a framework of management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability.

The system includes:

- Financial management, supported by comprehensive financial regulations and codes;
- Comprehensive budgeting systems and detailed guidance for budget holders;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- The Chief Finance Officer is the Treasurer, who complies with the CIPFA Statement on the Role of The CFO in Public Services.

With Renfrewshire Council being the lead authority, all financial transactions of the Joint Board are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of services and take into account comments made by internal and external auditors.

The effectiveness of the governance framework is reviewed annually by the Assessor & ERO, including the use of a self-assessment tool covering five key areas of governance.

These are:

- Business Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity
- Impact of coronavirus (COVID-19)

This self-assessment indicated that the governance framework is being complied with in all material respects.

A revised Scheme of Delegation and Financial Regulations were approved by Board in June 2018.

The Board's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process.

The Chief Auditor provides an annual report to the Board and an independent opinion on the adequacy and effectiveness of the system of internal control.

The Chief Auditor's annual assurance statement concluded that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems.

The review has not identified any significant governance issues to be reported on for 2019/20 and no actions arising for the 2018/19 governance statement that require to be reported on.

This governance framework has been in place throughout the year. The outbreak of coronavirus (COVID-19) did not result in any changes to the governance arrangements for 2019/20. The risk of social distancing continuing and its potential impact on the governance arrangements continues to be reviewed and monitored through robust risk management arrangements.

Assurance

In conclusion, it is our opinion that the annual review of governance, together with the work of internal audit, any comments received from external audit and certification of assurance from the Assessor & ERO, provide sufficient evidence that the principles of good governance operated effectively and the Joint Board complies with its governance arrangements in all material respects.

Systems are in place to continually review and improve the governance and internal control environment.

Future actions will be taken as necessary to maintain and further enhance the Board's governance arrangements.

Councillor Audrey Doig

Convener

18 September 2020

Kate Crawford

Assessor and Electoral Registration Officer

18 September 2020

Independent Auditor's Report to the members of Renfrewshire Valuation Joint Board and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Valuation Joint Board for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Renfrewshire Valuation Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of Renfrewshire Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Renfrewshire Valuation Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Renfrewshire Valuation Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Treasurer and the Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such

internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing Renfrewshire Valuation Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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

Mark Ferris
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Remuneration Report

All information disclosed in the tables in this Remuneration Report will be audited by the Board's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration policy for elected members

As noted by the Board on 17 May 2013, since 1 April 2013 the Board has made no remuneration payment to any elected member, nor does it pay any expenses, fees or allowances to elected members.

Furthermore, no recharges have been made by member authorities in relation to elected member remuneration.

Remuneration policy for senior employees

The Remuneration Policy of the Board is set in reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The SJNC advised that it would be a matter for each Council to examine the position of other chief officials.

It was agreed at the Board of 24 January 1997 that the salary of the posts of Assessor & ERO be set at a percentage of the Chief Executive of Renfrewshire Council, which is currently 67%. Following a review of Chief Executives' salaries in 2001, it was agreed that this arrangement should continue. This was agreed at a meeting of the Board on 22 November 2002.

2018/19 Total Remuneration £	Name	Post Held	2019/20 Total Remuneration £
96,022	Kate Crawford	Assessor & Electoral Registration Officer	98,954

Pension rights

Pension benefits for Joint Board employees are provided through the Local Government Pension Scheme (LGPS).

From 1 April 2015, benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices).

The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009, a five-tier contribution system was introduced, with contributions from scheme members being based on how much pay falls into each tier. This

is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contributions rates were set at 6% for all non-manual employees.

Tiered contribution rates on whole time pay 2019/20		Equivalent bandings for 2018/19
Up to £21,800	5.5%	Up to £21,300
£21,801 to £26,700	7.25%	£21,300 to £26,100
£26,701 to £36,600	8.5%	£26,100 to £35,700
£36,601 to £48,800	9.5%	£35,700 to £47,600
Over £48,801	12%	Over £47,601

If a person works part-time, their contribution rate will be based on their part-time pay.

The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living (prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The current Assessor & ERO is not a pension scheme member.

No pension contributions are made by the Board in relation to the Convener or Vice Convener.

Exit Packages

There were no exit packages committed by the Board in either 2019/20 or 2018/19.

Councillor Audrey Doig
Convener
18 September 2020

Remuneration of Employees

The following table shows the number of employees who received remuneration, excluding pension contributions, in excess of £50,000 during 2019/20, in bands of £5,000.

Bands with nil employees in both years are not displayed.

2018/19 Number of employees	Remuneration Band	2019/20 Number of employees
0	£50,000 - £54,999	1
1	£55,000 - 59,999	0
0	£60,000 - £64,999	1
1	£95,000 - £99,999	1
2	Total	3

Kate Crawford
Assessor and Electoral Registration Officer
18 September 2020

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing the Board during the year. It includes, on an accruals basis, all of the Board's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that local authorities need to take into account. The required adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

2018/19 (restated)			Note	2019/20		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
2,182,406	0	2,182,406	Employee Costs	1,887,486	0	1,887,486
148,247	0	148,247	Property Costs	126,920	0	126,920
361,385	0	361,385	Supplies and Services	391,395	0	391,395
86,954	0	86,954	Support Costs	79,925	0	79,925
3,633	0	3,633	Transfer Payments	6,767	0	6,767
12,601	0	12,601	Transport Costs	15,637	0	15,637
60,918	0	60,918	Capital Charges	62,524	0	62,524
0	(125,990)	(125,990)	Other Income	0	(193,305)	(193,305)
2,856,144	(125,990)	2,730,154	Cost of Services	2,570,654	(193,305)	2,377,349
			Financing and Investment Income and Expenditure			
0	(1,000)	(1,000)	Interest receivable	0	(1,004)	(1,004)
53,000	0	53,000	Pension interest	79,000	0	79,000
			Taxation and Non-Specific Grant Income			
0	(2,185,086)	(2,185,086)	Requisitions from Member Authorities	0	(2,500,500)	(2,500,500)
0	(37,614)	(37,614)	Capital Grants and contributions	0	0	0
2,909,144	(2,349,690)	559,454	Deficit on the Provision of Services	2,649,654	(2,694,809)	(45,155)
		886,000	Actuarial (Gain)/Loss on pension assets			(1,589,000)
		886,000	Other Comprehensive Income & Expenditure			(1,589,000)
		1,445,454	Total Comprehensive Income & Expenditure			(1,634,155)

Note that 2018/19 figures have been restated to analyse costs into recommended subjective categories, in line with 2019/20. There is no change to the overall Cost of Services or the Deficit on the Provision of Services.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The Total Comprehensive Income and Expenditure line shows the cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Movement in reserves in 2019/20	Note	Usable Revenue Reserve £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2019 brought forward		(130,335)	3,045,952	2,915,617
Total Comprehensive income and expenditure		(45,155)	(1,589,000)	(1,634,155)
Adjustments between accounting basis and funding basis under regulations	5	(223,573)	223,573	0
Increase or (decrease) in 2019/20		(268,728)	(1,365,427)	(1,634,155)
Balance at 31 March 2020 carried forward		(399,063)	1,680,525	1,281,462

Comparative movements in 2018/19	Note	Usable Revenue Reserve £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2018 brought forward		(186,997)	1,657,160	1,470,163
Total Comprehensive income and expenditure		559,454	886,000	1,445,454
Adjustments between accounting basis and funding basis under regulations	5	(502,792)	502,792	0
Increase or (decrease) in 2019/20		56,662	1,388,792	1,445,454
Balance at 31 March 2019 carried forward		(130,335)	3,045,952	2,915,617

Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Board. The net liabilities of the Board (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are 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 comprises those that the Board is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

2018/19 £		Note	2019/20 £
52,610	Intangible Assets	7	59,930
28,450	Plant and Equipment	8	20,656
81,060	Long-term Assets		80,586
337,874	Funds held by Renfrewshire Council		506,898
43,757	Debtors and Prepayments	10	31,567
100	Cash in Hand		100
381,731	Current Assets		538,565
(295,408)	Creditors and Accruals	11	(167,612)
(295,408)	Current Liabilities		(167,612)
(3,083,000)	Pension Liability	14c	(1,733,000)
(3,083,000)	Long Term Liabilities		(1,733,000)
(2,915,617)	Net Liabilities		(1,281,462)
(130,335)	Usable Reserves		(399,063)
3,045,952	Unusable Reserves	4	1,680,525
2,915,617	Total Reserves		1,281,462

The unaudited accounts were issued on 29 May 2020 and the audited accounts were authorised for issue on 18 September 2020.

Alan Russell CPFA

Treasurer

18 September 2020

Note 1: Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources and provides a reconciliation of the statutory adjustments between the Board's financial performance on a funding basis and the (surplus) or deficit on the provision of service in the Comprehensive Income and Expenditure statement.

2019/20	Net Expenditure chargeable to the Board £	Adjustments for pensions £	Adjustments for capital £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	1,743,387	160,000	0	(15,901)	1,887,486
Property Costs	126,920	0	0	0	126,920
Supplies and Services	410,445	0	(19,050)	0	391,395
Support Costs	79,925	0	0	0	79,925
Transfer Payments	6,767	0	0	0	6,767
Transport Costs	15,637	0	0	0	15,637
Capital Charges	43,000	0	19,524	0	62,524
Other Income	(194,309)	0	0	1,004	(193,305)
Cost of Services	2,231,772	160,000	474	(14,897)	2,377,349
Other income and expenditure	(2,500,500)	79,000	0	(1,004)	(2,422,504)
(Surplus) or deficit on the provision of services	(268,728)	239,000	474	(15,901)	(45,155)

2018/19	Net Expenditure chargeable to the Board £	Adjustments for pensions £	Adjustments for capital £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	1,712,918	468,000	0	1,488	2,182,406
Property Costs	191,247	0	(43,000)	0	148,247
Supplies and Services	361,385	0	0	0	361,385
Support Costs	86,954	0	0	0	86,954
Transfer Payments	3,633	0	0	0	3,633
Transport Costs	12,601	0	0	0	12,601
Capital Charges	0	0	60,918	0	60,918
Other Income	(126,990)	0	0	1,000	(125,990)
Cost of Services	2,241,748	468,000	17,918	2,488	2,730,154
Other income and expenditure	(2,185,086)	53,000	(37,614)	(1,000)	(2,170,700)
(Surplus) or deficit on the provision of services	56,662	521,000	(19,696)	1,488	559,454

Note 2: Accounting Standards Issued not 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. The following new or amended standards are adopted within the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 accounts. There is no material impact anticipated in future years from the implementation of these standards.

Note 3: Assumptions made about the future

The Annual Accounts contain estimated figures that are based on assumptions made by the Board about the future or that 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 Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Results differ from Assumption
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. Actuaries are engaged to provide the Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £1.733m, equating to a 10% increase.

Note 4: Unusable Reserves

Pension Reserve

2018/19 £	Pension Reserve	2019/20 £
1,676,000	Opening balance	3,083,000
886,000	Actuarial Gains / Loss on Pension Assets	(1,589,000)
521,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	239,000
3,083,000	Closing balance	1,733,000

The Pension 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 investment 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.

The debit balance on the Pension Reserve shows a significant shortfall in the benefits earned by past and current employees and the Board's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Employee Statutory Adjustment Account

2018/19 £	Employee Statutory Adjustment Account	2019/20 £
42,524	Opening balance	44,012
(42,524)	Reversal of prior year accrual for short-term accumulating compensated absences	(44,012)
44,012	Accrual for short-term accumulating compensating absences as at 31 March	28,111
44,012	Closing balance	28,111

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for short-term accumulating compensated absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate.

This means that where employees' full holiday entitlement or time in lieu balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from the Employee Statutory Adjustment Account.

Capital Adjustment Account

2018/19 £	Capital Adjustment Account	2019/20 £
(61,364)	Opening balance	(81,060)
11,878	Charges for depreciation of non-current assets	7,794
6,040	Amortisation of intangible assets	11,730
0	Capital expenditure charged against Revenue balances	(19,050)
(37,614)	Capital grants credited to the CIES that have been applied to capital financing	0
(81,060)	Closing balance	(80,586)

The Capital Adjustment Account absorbs 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. It is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES and credited with the amounts set aside as finance for these costs.

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

The surplus for the year on the Revenue Reserves was £223,573 higher than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Board's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Board to debit and credit the Revenue Reserve Balance.

2019/20	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(19,524)	19,524
Capital expenditure charged against Revenue balances	19,050	(19,050)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(481,000)	481,000
Employers contributions payable to the Strathclyde Pension Fund	242,000	(242,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	15,901	(15,901)
Total adjustments	(223,573)	223,573

2018/19	Usable Reserves £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:		
Charges for depreciation of non-current assets	(17,918)	17,918
Capital grants and contributions applied	37,614	(37,614)
Adjustments primarily involving the Pension Reserve:		
Net charges made for retirement benefits in accordance with IAS19	(754,000)	754,000
Employers contributions payable to the Strathclyde Pension Fund	233,000	(233,000)
Adjustments primarily involving the Employee Statutory Adjustment Account:		
Net charges for employment short-term accumulating absences	(1,488)	1,488
Total adjustments	(502,792)	502,792

Note 6: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it.

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the Board that has yet to be financed.

2018/19 £		2019/20 £
0	Opening CFR	0
	Capital investment	
9,164	Plant and Equipment	0
28,450	Intangible Assets	19,050
	Sources of finance	
0	Direct revenue contributions	(19,050)
(37,614)	Capital grants and other contributions	0
0	Closing CFR	0

Note 7: Intangible Assets

2018/19 £	Software	2019/20 £
	Opening balance	
30,200	Gross carrying amounts	58,650
0	Accumulated amortisation	(6,040)
30,200	Net carrying amount at 1 April	52,610
28,450	Additions	19,050
(6,040)	Amortisation for the year	(11,730)
52,610	Net carrying amount at 31 March	59,930
	Comprising:	
58,650	Gross carrying amounts	77,700
(6,040)	Accumulated amortisation	(17,770)
52,610		59,930

Note 8: Plant and Equipment

2018/19 £	Plant and Equipment	2019/20 £
	Cost or Valuation	
119,862	Opening balance at 1 April	129,026
9,164	Additions	0
129,026	Gross Book Value at 31 March	129,026
	Depreciation and Impairment	
(88,698)	Accumulated depreciation at 1 April	(100,576)
(11,878)	Depreciation charge for year	(7,794)
(100,576)	Accumulated depreciation at 31 March	(108,370)
31,164	Opening Net Book Value	28,450
28,450	Closing Net Book Value	20,656

Note 9: Operating Leases

The Board has acquired office accommodation at the Robertson Centre in Paisley by entering into an operating lease which ends in 2024. The expenditure charged in year to the CIES was £75,250 (2018/19 £86,625 restated).

The lease is subject to a rent review in 2020, however this is not yet concluded and therefore not reflected in the figures below.

The 2018/19 figures have been restated to include all sums pertaining to the existing lease. There is no resulting impact on the Surplus or Deficit in the CIES.

2018/19 (restated) £	Future Minimum Lease Payments	2019/20 £
75,250	Not later than one year	75,250
301,000	Between one and five years	225,750
0	Later than five years	0
376,250	Total	301,000

Note 10: Debtors

2018/19 £		2019/20 £
31,659	Prepayments	25,310
12,098	Other receivable amounts	6,257
43,757	Total short-term debtors	31,567

Note 11: Creditors

2018/19 £		2019/20 £
0	Trade payables	0
(295,408)	Other payables	(167,612)
(295,408)	Total short-term creditors	(167,612)

There was a transfer of £76,241 of deferred IER income out of Creditors and into Other Income during 2019/20 in recognition of sums no longer due.

Note 12: Related parties

The Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Board, or to be controlled or significantly influenced by the Board. The Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of this information 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.

The member authorities of the Board have contributed requisitions in the following proportions to enable the Board to carry out its objectives. As approved by the Board in February 2000, the relative allocation of the requisition across constituent authorities is adjusted each year in line with relative proportions of Grant Aided Expenditure as issued by the Scottish Government.

2018/19 £	Council	%	2019/20 £
457,900	East Renfrewshire	20.6%	514,930
513,400	Inverclyde	23.1%	577,370
1,251,400	Renfrewshire	56.3%	1,408,200
2,222,700	Total*	100.0%	2,500,500

* The 2019/20 figure includes £200,000 relating to Barclay funding

Note 13: External audit costs

2018/19 £		2019/20 £
7,280	Fees payable with regard to external audit services carried out by the appointed auditor	7,450
7,280		7,450

Note 14: Retirement Benefits

As part of the terms and conditions of employment of its employees, the Board offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Board has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The scheme for employees is the Strathclyde Pension Fund which is administered by Glasgow City Council. This is a "funded" defined benefit scheme meaning that the Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

14a: Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Board in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions.

The following transactions have been made in the accounting statements in 2019/20:

2018/19 £		2019/20 £
	Comprehensive Income and Expenditure Statement (CIES)	
455,000	Current service cost	538,000
246,000	Past service cost/(gain)	(136,000)
	Financing & Investment Income & Expenditure	
53,000	Net Interest	79,000
754,000	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	481,000
	Other post employment benefit charged to the CIES	
(501,000)	Return on assets excluding amounts included in net interest	1,076,000
1,387,000	Actuarial (gains) and losses arising on changes in financial/demographic assumptions	(2,594,000)
0	Other (gains) and losses	(71,000)
886,000	Total Actuarial (Gain)/Loss	(1,589,000)
1,640,000	Total post employment benefit charged to the CIES	(1,108,000)
	Movement in Reserves Statement	
1,407,000	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(1,350,000)
233,000	Employers Contributions paid to Strathclyde Pension Fund	242,000

Current service cost is the cost of future entitlements to pension payments to current employees.

Past service cost is the estimated increase in liabilities arising from current year decisions that relates to years of service earned prior to this year. The 2018/19 figures included an estimate for the impact of potential removal of transitional arrangements (McCloud judgement) amounting to £0.246m. An adjustment of £0.136m reflected in 2019/20, following information from the appointed actuary about the estimated effect on the pension liability of the UK Government's proposed remedy scheme for pensioners affected by this judgement.

Net Interest is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of the Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Board to the Strathclyde Pension Fund during the year (£1.215m).

The Board is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2019/20 these amounted to £9,486 (2018/19 £6,906).

14b: Assets and liabilities in relation to retirement benefits

A reconciliation of the Board's share of the present value of the Strathclyde Pension Fund's liabilities is as follows:

2018/19 £000		2019/20 £000
17,220	Opening present value	19,321
455	Current service cost	538
246	Past service cost	(136)
469	Interest Cost	468
72	Employee Contributions	76
	Remeasurement (gains)/losses:	
1,387	Actuarial (gains)/losses arising from changes in financial/demographic assumptions	(2,665)
(2)	Unfunded benefits paid	(2)
(526)	Benefits Paid	(386)
19,321	Closing present value of scheme liabilities	17,214

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

2018/19 £000		2019/20 £000
15,544	Opening Fair Value	16,238
416	Interest Income	389
	Remeasurement gain/(loss):	
501	Return on assets excluding amounts included in net interest	(1,076)
231	Contributions from employer	240
72	Contributions from employee	76
2	Contributions in respect of unfunded benefits	2
(2)	Unfunded benefits paid	(2)
(526)	Benefits Paid	(386)
16,238	Closing fair value of scheme assets	15,481

14c: Fund history

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Present Value of Liabilities	(13,879)	(18,456)	(17,220)	(19,321)	(17,214)
Fair value of assets	11,093	13,701	15,544	16,238	15,481
Surplus/(deficit) in the scheme	(2,786)	(4,755)	(1,676)	(3,083)	(1,733)

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

The total liability of £1.733m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains assured. The deficit on the Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary. The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2021 is £0.240m.

14d: Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The rate for employer contributions was set at 20.2% for 2018/19 and 2019/20.

14e: Basis for estimating assets and liabilities

The Board's share of the liabilities of the Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have 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 2017.

The principal assumptions used by the actuary have been:

2018/19	Mortality assumptions	2019/20
Longevity at 65 for current pensioners (years)		
21.4	Men	20.7
23.7	Women	22.9
Longevity at 65 for Future pensioners (years)		
23.4	Men	22.2
25.8	Women	24.6
Other assumptions		
3.7%	Rate of increase in salaries	3.0%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
Take-up of option to convert annual pension into retirement lump sum:		
50.0%	Pre-April 2009 service	50.0%
75.0%	Post-April 2009 service	75.0%

The pension scheme's assets consist of the following categories and proportions of the total assets held:

2018/19 £000		%	2019/20 £000
5,696	Equity instruments	35.1%	5,431
510	Debt instruments (bonds)	3.1%	486
1,470	Real Estate	9.1%	1,402
6,921	Investment Funds and Unit Trusts	42.6%	6,598
1,641	Cash and Cash Equivalents	10.1%	1,565
16,238	Total	100.0%	15,481

Note 15: Events after the Balance Sheet date

Events taking place after the authorised date for issue per the Balance Sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events.

Note 16: Contingent Liabilities

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women; however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the

ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

Strathclyde Pension Fund's actuary has carried out calculations and estimates that the potential impact of GMP indexation would be an increase in the pension liability of approximately £0.080m for Renfrewshire Joint Valuation Board. This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

Note 17: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 18, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however, a summary of those with the most significant effect is detailed below.

Leases	An analysis of the terms of the lease for the Robertson Centre has concluded that it is an operating lease.
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Note 18: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the Board's transactions for the 2019/20 financial year and its financial position as at 31 March 2020. The Board is required to prepare Annual Accounts by the Local Authority (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires these accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local

Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Code is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and is designed to give a true and fair view of the financial performance of the Board.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the valuation of pension assets and liabilities where appropriate. The Annual Accounts have been prepared on a going concern basis.

B Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when 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 the economic benefits or service potential associated with the transaction will flow to the Board;
- revenue from the provision of services is recognised when the performance obligation relating to the transaction has been satisfied and it is probable that the economic benefits or service potential associated with the transaction will flow to the Board;
- expenditure in relation to services received (including services provided by employees) is recorded when the service is received rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- where income 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. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

C Contingent Liabilities

Contingent liabilities are disclosed in the accounts, but not recognised in the Balance Sheet, in circumstances where:

- an event has taken place that gives the Board a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board; or
- a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

D Employee Benefits

Benefits payable during employment

All salaries and wages earned up to the Balance Sheet date are included in the accounts irrespective of when payment was made. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and that employees may carry forward into the next financial year.

Post-employment benefits

The Board participates in the Local Government Pension Scheme (LGPS), administered by Strathclyde Pension Fund. The LGPS is accounted for as a defined benefit scheme and in accordance with International Accounting Standard 19 (IAS19) the Board has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS19 requires that an organisation

must account for retirement benefits when it is committed to giving them, even if the payment will be many years into the future.

This involves the recognition in the Balance Sheet of the Board's share of the net pension asset or liability in the Strathclyde Pension Fund and a pension reserve.

The liabilities of the Strathclyde 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 and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the current rate of return on high quality corporate bonds.

The assets of the Strathclyde Pension Fund attributable to the Board are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

The Comprehensive Income and Expenditure Statement (CIES) also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The change in the net pension liability is analysed into the following components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES 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, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;

- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the amount payable by the Board to be the amount paid directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers 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.

E Events after the Balance Sheet date

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

There are two types of events:

- **Adjusting events** – those that provide evidence of conditions that existed at the end of the reporting period, and the accounts are adjusted to reflect such events
- **Non-adjusting events** – those that are indicative of conditions that arose after the reporting period, and the accounts are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

F Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only 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 (unless otherwise stated) by adjusting opening balances and comparative amounts

for the prior period as if the new policy had always been applied.

Material misstatement or omission discovered in prior period figures are corrected retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

G Government Grants and other 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 CIES until conditions attaching to the grant or contribution have been satisfied.

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 Specific Grant Income line in the CIES.

H Leases

Operating Leases: Board as Lessee

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The risks and rewards of ownership remain with the lessors along with the title of the property.

I 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 plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Plant, furniture and computer equipment costing less than £9,000 are not treated as fixed assets. This de minimis level does not apply where certain categories of these assets are grouped together and form part of an approved capital programme.

Assets are then carried in the Balance Sheet using the depreciated historical cost.

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated, an impairment loss is recognised for the shortfall and the carrying amount of the asset is written down in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the CIES, 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).

Depreciation

Depreciation is provided for on all Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. For ICT equipment, this is calculated on a straight-line basis over five years.

J 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 (e.g. 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 initially at cost. Amounts are revalued where the fair value of the assets held by the Board can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful economic life on a straight-line basis in the CIES. For software, this is deemed to be five years.

An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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 Revenue Reserve. The gains and losses are therefore reversed out of the Revenue Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and Capital Receipts Reserve.

All capital expenditure is charged to the constituent authorities, meaning that the Board has no requirement to borrow.

Software costing less than £9,000 is not treated as an intangible asset and is charged to the CIES. This de minimis does not apply where certain categories of assets are grouped together.

K Reserves

Reserves are classified under accounting regulations into two categories: usable reserves, which are available to spend; and unusable reserves, which are unrealised net gains that have a deferred impact on the Board.

Usable Reserves

The Revenue Reserve represents surplus funds held by the Board, which are ultimately repayable to the constituent authorities in the same allocation proportions as the requisitions.

Unusable Reserves

Certain reserves are held to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Board; these reserves are explained in the Unusable Reserves note.

L Value Added Tax (VAT)

Income and Expenditure excludes any amount relating to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable from HMRC.