

**RENFREWSHIRE VALUATION JOINT BOARD**

**To:** Renfrewshire Valuation Joint Board

**On:** 21 August 2015

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**Report by:** The Treasurer

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**Heading:** Audited Annual Accounts 2014-15

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**1. Summary**

- 1.1 At the meeting of the Renfrewshire Valuation Joint Board on 5 June 2015 a report on the unaudited accounts for the year ended 31 March was noted.
- 1.2 The audit certificate issued by Audit Scotland provides an unqualified opinion that the abstract of the accounts presents a true and fair view of the financial position of the Joint Board as at 31 March 2015, in accordance with the accounting policies detailed in the accounts.
- 1.3 A report on the 2014-15 audit by Audit Scotland is also submitted for members information. There are no matters arising from the audit which require specific reporting to members.
- 1.4 Following the introduction of the Local Authority Accounts (Scotland) Regulations 2014 the audited accounts must be approved for signature by the Joint Board no later than 30 September each year. Following this approval the audited accounts will be submitted to The Assessor & Electoral Registration Officer, The Convenor and The Treasurer for signature.

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**2 Recommendations**

- 2.1 It is recommended that members approve the audited accounts for signature and note the report by Audit Scotland.
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# Renfrewshire Valuation Joint Board

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Annual Financial Statements 2014/15



**Renfrewshire Valuation Joint Board  
Annual Accounts 2014/15**

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## **Management Commentary**

### **Introduction**

The requirements governing the format and content of local authorities' annual accounts (under s106 of the Local Government (Scotland) Act 1973 joint boards and committees are classed as local authorities) are contained in The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). The annual accounts and contents have been prepared in accordance with chapter 5 of HM Treasury's Financial Reporting Manual 2014-15.

### **History and Statutory Background**

Renfrewshire Valuation Joint Board was established by the Valuation Joint Boards (Scotland) Order 1995 to carry out the valuation functions of Renfrewshire, East Renfrewshire and Inverclyde Councils. The Joint Board came into existence on 1 April 1996 and was also given the responsibility of carrying out the Electoral Registration on behalf of the three constituent authorities.

### **Our Aims**

- To ensure that the services we provide are delivered within statutory provisions
- To ensure that equal opportunities and social inclusion are central elements in our planning and delivery of services.
- To strive for continuous improvement in the delivery of our services
- To ensure that our service provision reflects the needs and priorities of our stakeholders
- To consult our stakeholders about the way we develop and deliver our services.
- To work in partnership with our constituent authorities to achieve improvements in service provision for our mutual customers
- To publish information about the level of services customers can expect to receive.
- To develop clear and effective customer suggestion and complaints systems.
- To develop & maintain systems for measuring, monitoring and managing our performance.
- To develop systems which encourage employees to communicate openly.
- To promote a safe and healthy working environment for our employees.
- To encourage our employees to develop themselves to achieve their full potential.

### **Electoral Registration**

The Scottish Independence Referendum and introduction of Individual Electoral Registration (IER) made 2014-15 a challenging year for electoral registration. The additional work associated with The Referendum placed an additional strain on the Joint Board resources but all of the work was completed accurately and on time, whilst continuing to verify all work prior to completion.

The aim of IER is to increase the percentage of the population that is registered to vote whilst improving security, preventing fraud and simplifying the process. The process had a "Go Live" date of 19 September 2014, Scottish commencement being delayed until the conclusion of The Referendum. The Annual Canvass from January to late February was the first to be performed under IER regulations. IER will continue to be monitored, developed and supported throughout 2015-16

### **Public Services Network**

The Government introduced Public Sector Network (PSN) to create a secure environment for IT traffic between government users such as local authorities and Joint Boards. As a result of IER, it became evident that the Joint Board would need to become PSN compliant in its own right, as opposed to being covered by Renfrewshire Council's accreditation.

This involved a number of significant changes within the Joint Board's IT infrastructure to develop its internal capacity and capability. The Joint Board successfully received PSN accreditation on 31 October 2014.

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## Valuation

During 2014-15 the main focus of work within council tax and non-domestic valuation was the addition of new houses to the valuation list and the deletion of demolished houses as well as the maintenance of the valuation roll. The target is to have 99.5% of domestic adjustments and 95% of non domestic adjustments updated on the roll within 6 months, this target was met during 2014-15.

As well as maintaining the roll during 2015-16, the Joint Board will also be making preparations for the revaluation of all non domestic properties due come into effect on 1 April 2017. The "tone date", the date that will be used to collate and validate evidence for the revaluation, has been set for the whole of the UK (excluding Northern Ireland) as the 1 April 2015. The process requires a large bulk issue of forms to various interested parties which are returned and analysed with any gaps in the information required being followed up. This process is in itself a major part of the 2017 revaluation and is key to delivering a successful and accurate Valuation Roll.

## Financial Performance

### Revenue

The Comprehensive Income and Expenditure Account on page 15 summarises the total costs of providing services and the income available to fund those services.

The Joint Board has returned a surplus of £127,449 for the financial year 2014/15, compared to a budgeted breakeven position; returning an underspend of £127,449. This underspend excludes accounting adjustments relating to pensions and short-term accumulating compensated absences. The difference between the employee costs figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension costs (£98,000) and accrued employee benefits £17,010.

The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension interest costs (£3,800).

A summary of the outturn position against the agreed budget is shown below:

|                                   | Budget<br>£        | Actual<br>£        | Variance<br>£    |
|-----------------------------------|--------------------|--------------------|------------------|
| Employee Costs                    | 1,703,900          | 1,781,875          | (77,975)         |
| Property Costs                    | 233,300            | 248,592            | (15,292)         |
| Payments to Other Bodies          | 19,700             | 21,514             | (1,814)          |
| Supplies and Services             | 59,500             | 178,269            | (118,769)        |
| Contractors & Others              | 25,000             | 15,474             | 9,526            |
| Administrative Costs              | 429,700            | 409,461            | 20,239           |
| <b>Total Expenditure</b>          | <b>2,471,100</b>   | <b>2,655,185</b>   | <b>(184,085)</b> |
| Requisition Income                | (2,281,800)        | (2,281,800)        | -                |
| Sales, Fees and Charges           | (14,100)           | (19,757)           | 5,657            |
| Other Income                      | (175,200)          | (481,077)          | 305,877          |
| <b>Total Income</b>               | <b>(2,471,100)</b> | <b>(2,782,634)</b> | <b>311,534</b>   |
| <b>(Surplus)/Deficit for Year</b> | <b>-</b>           | <b>(127,449)</b>   | <b>127,449</b>   |

The overspend in Employee Costs is due to additional canvassing work as a result of the roll out of the Independent Electoral Registration (IER) Scheme and staff overtime worked in the lead up to the Scottish Referendum. These costs have been fully recovered by the Cabinet Office and Scottish Government respectively. The overspend has been partially offset by vacancies within valuation and staff maternity leave.



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Additional maintenance and repair work, some of which was recommended to make the premises secure for the Public Sector Network (PSN), has resulted in the overspend in Property Costs.

The Overspend in Supplies and Services is due to the IT costs related to gaining PSN accreditation. 85% of these costs have been recovered and is included in Other Income.

Consultation fees in relation to valuation appeals have been lower than anticipated leading to the underspend in Contractors.

Investment in new printers, funded by the Cabinet Office to help with IER, have resulted in lower printing costs leading to the underspend in Administration Costs.

The over recovery in Other Income relates to the income received from the Cabinet Office and Scottish Government for PSN, IER and the Scottish Referendum discussed above.

### **Capital and Reserves**

The Joint Board does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Joint Board are matched by creditor balances. The largest creditor balance relates to the revenue reserve balance of £591,440.

### **Provisions, Contingencies and Write-offs**

The Joint Board is not aware of any eventualities which may have a material effect on the financial position of the Joint Board, and has made no provisions for such eventualities.

In general, any contingent liabilities known to the Joint Board are covered by insurance arrangements.

There were no debt write-offs during the year.

### **Net Pension Position**

The disclosure requirements for pension benefits under IAS19 are detailed at Note 16. The appointed actuaries have confirmed a net liability position of £3.966 million, an increase of £1.523 million in their assessment of the position of the pension fund. This movement is the net outturn from both increased liabilities linked to a lower real discount rate (thereby leading to an increased value of future liabilities), and better than expected investment returns in the year. The net deficit position of the pension reserve impacts on the net asset position of the Joint 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.

### **Service changes and Future Developments**

The roll out of the Individual Electoral Registration which began during 2013-14 will continue during 2015-16. The focus in 2015-16 will be on maximising voter registration, particularly within the student population and younger voters in general, and ensuring accuracy of the register. The Deputy Prime Minister announced on 9 January 2015 that additional funding would be made available to cover the related costs, however, the Assessor and Treasurer will continue to monitor this position closely.

### **Events after the Balance Sheet Date**

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration.

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**Impact of Economic Climate**

The Joint Board recognises the difficult financial climate facing local authorities and has continued to seek efficiencies wherever possible. This allowed the Joint Board to approve the same requisition levels in 2015/16 as were approved in 2014/15.

**Conclusion**

We would wish 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.

**Councillor Sam Mullin**  
Convenor

**Alan Russell CPFA**  
Treasurer

**Alasdair MacTaggart**  
Assessor and Electoral Registration Officer

## **Statement of Responsibilities for the Annual Accounts**

### **The Joint Board's Responsibilities**

The Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Joint Committee has the responsibility for the administration of those affairs. (section 95 of the Local Government (Scotland) Act 1973). The Director of Finance and Resources at Renfrewshire Council is the designated Officer and operates as the Treasurer for Renfrewshire Valuation Joint Board;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure 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 Joint Board at its meeting on the 21 August 2015.

Signed on behalf of Renfrewshire Valuation Joint Board:

**Councillor Sam Mullin**

Convenor

21 August 2015

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Joint Board's Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept proper accounting records which were up to date;
- 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 Joint Board at the reporting date and the transactions of the Joint Board for the year ended 31 March 2015.

**Alan Russell CPFA**

Treasurer

21 August 2015

## **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 below:

- 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,
- Policies to regulate employee related matters, including the employee code of conduct and disciplinary procedures,
- Arrangements to manage risk, including the risk management strategy and Corporate Risk Register and business continuity plans,
- Clear customer complaints procedures,
- Comprehensive policies and procedures for physical and information security. The Joint Board achieved accreditation to the Public Service Network in October 2014,
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines.

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 is 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,

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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 and Electoral Registration Officer, including the use of a self-assessment tool involving completion of a 30 point checklist covering four key areas of governance:

- Service Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity

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

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 satisfactory level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems.

### **Statement on the Role of Chief Financial Officer**

CIPFA published this statement in 2010 and under the Code, the Joint Board is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Joint Board complies with the principles set out in CIPFA's Role of the Chief Financial Officer.

### **Continuous Improvement**

The annual review of corporate governance arrangements and their effectiveness has identified employee registers of interests as an area for improvement to be progressed during 2015/16.

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**Assurance**

In conclusion, it is our opinion that the annual review of governance together with the work of internal and external auditors and certification of assurance from the Assessor and Electoral Registration Officer 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 Sam Mullin**  
Convenor

**Alasdair MacTaggart**  
Assessor and Electoral Registration Officer

## Remuneration report

All information disclosed in sections two to four in this Remuneration Report will be audited by the council'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.

### 1. Remuneration policy for elected members

As noted by the Board on the 17<sup>th</sup> May 2013, from the 1<sup>st</sup> April 2013 the Joint Board makes no remuneration payment to any elected member, nor does it pay any expenses, fees or allowances to elected members. Further, no recharges have been made by member authorities in relation to elected member remuneration.

### 2. Remuneration policy for senior employees

The Remuneration Policy of the Joint 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 Joint Board of 24<sup>th</sup> January, 1997 that the salary of the posts of Assessor and Electoral Registration Officer and his depute be set at 66% and 49% respectively of the salary of the Chief Executive of Renfrewshire Council. Following a review of Chief Executives' salaries in 2001, it was agreed that this arrangement should continue. These arrangements were agreed through approval of the Salaries of the Assessor and Electoral Registration Officer and Depute Assessor and Electoral Registration Officer report at a meeting of the Joint Board on 22<sup>nd</sup> November, 2002.

| 2013/14        | Senior Employees    |  | 2014/15                     |  |                |
|----------------|---------------------|--|-----------------------------|--|----------------|
| Total          | Name                | Post Held  | Salary, fees and allowances | Expenses allowance chargeable to UK income tax | Total          |
| £              |                     |  | £                           | £  | £              |
| 88,457         | Alasdair MacTaggart | Assessor & Electoral Registration Officer        | 89,341                      | -  | 89,341         |
| 67,530         | Kate Crawford       | Depute Assessor & Electoral Registration Officer | 68,205                      | -  | 68,205         |
| <b>155,987</b> | <b>Total</b>        |  | <b>157,546</b>              | <b>-</b>                                       | <b>157,546</b> |

### 3. Pension rights

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

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age is 65.

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.

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| 2013/14            | Member contribution rates on earnings in the bands below | 2014/15            |
|--------------------|--|--------------------|
| Up to £19,800      | 5.5%   | Up to £20,335      |
| £19,801 to £24,200 | 7.25%  | £20,336 to £24,853 |
| £24,201 to £33,200 | 8.5%   | £24,854 to £34,096 |
| £33,201 to £44,200 | 9.5%   | £34,097 to £45,393 |
| Over £44,201       | 12%  | Over £45,394       |

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government employment, not just that relating to their current post.

| Senior Employees    |  | Accrued Pension benefits<br>as at 31 March 2015 |                | Change in accrued pension<br>benefits since 31 March<br>2014 |                | Pension contributions<br>made by RVJB during<br>2014-2015 |
|---------------------|--|---|----------------|--|----------------|---|
| Name                | Post Held  |   |                |  |                |   |
|                     |  | Pension<br>£m                                   | Lump Sum<br>£m | Pension<br>£m  | Lump Sum<br>£m | £   |
| Alasdair MacTaggart | Assessor & Electoral<br>Registration Officer           | 0.045   | 0.110          | +0.001   | +0.002         | 17,243  |
| Kate Crawford       | Depute Assessor &<br>Electoral Registration<br>Officer | -   | -              | -  | -              | -   |
| <b>Total</b>        |  | <b>0.045</b>                                    | <b>0.110</b>   | <b>+0.001</b>  | <b>+0.002</b>  | <b>17,243</b>   |

No pension contributions are made for the Joint Board Convener or Vice Convener

#### 4. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2014/15, in bands of £5,000.



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| <b>2013/14</b>   | <b>Remuneration Band</b> | <b>2014/15</b>   |
|------------------|--------------------------|------------------|
| <b>Number of</b> |                          | <b>Number of</b> |
| <b>employees</b> |                          | <b>employees</b> |
| -                | £50,000 - £54,999        | 1                |
| -                | £55,000 - 59,999         | -                |
| -                | £60,000 - £64,999        | -                |
| 1                | £65,000 - 69,999         | 1                |
| -                | £70,000 - £74,999        | -                |
| -                | £75,000 - £79,999        | -                |
| -                | £80,000 - £84,999        | -                |
| <u>1</u>         | £85,000 - £89,999        | <u>1</u>         |
| 2                |                          | 3                |

**Councillor Sam Mullin**  
Convenor

**Alasdair MacTaggart**  
Assessor and Electoral Registration Officer

## **Independent Auditors Report**

### **Annual Accounts 2014-15**

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

I certify that I have audited the financial statements of the Renfrewshire Valuation Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

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

#### **Respective responsibilities of Treasurer and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the applicable law and the 2014/15 Code of the state of the affairs of the body as at 31 March 2015 and of the income and expenditure of the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 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.

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**Opinion on other prescribed matters**

In my opinion:

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

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Anne McGregor  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT  
21 August 2015

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## **Movement in Reserves Statement for the year ended 31 March 2015**

This statement shows the movement in the year on the different reserves held by the Joint Board, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Joint Board's services, more details of which are shown in the **comprehensive income and expenditure statement**.

|  | Note    | Usable reserves  |                    | Unusable reserves                     |                    |
|--|---------|------------------|--------------------|---------------------------------------|--------------------|
|  |         | Revenue Reserve  | Pension Reserve    | Employee Statutory Adjustment Account | Total Reserves     |
|  |         | £                | £                  | £                                     | £                  |
| <b>Balance at 31 March 2013 carried forward</b>                                |         | -                | (1,991,000)        | (36,329)                              | (2,027,329)        |
| <i>Movement in reserves during 2013-14</i>                                     |         |                  |                    |                                       |                    |
| Surplus or (deficit) on the provision of services                              |         | (209,986)        |                    |                                       | (209,986)          |
| Other comprehensive income and expenditure                                     | 6b      | -                | (295,000)          |                                       | (295,000)          |
| <b>Total comprehensive income and expenditure</b>                              |         | <b>(209,986)</b> | <b>(295,000)</b>   | <b>-</b>                              | <b>(504,986)</b>   |
| Adjustments between accounting basis and funding basis under regulations       | 6a & 6b | 177,643          | (157,000)          | (20,643)                              | -                  |
| Transfer from Creditors  | 6a      | 496,334          |                    |                                       | 496,334            |
| <b>Net increase or (decrease) before transfers to other statutory reserves</b> |         | <b>463,991</b>   | <b>(452,000)</b>   | <b>(20,643)</b>                       | <b>(8,652)</b>     |
| Transfers to or (from) other statutory reserves                                |         | -                | -                  | -                                     | -                  |
| Transfer to creditors  | 12      | (463,991)        | -                  | -                                     | (463,991)          |
| <b>Increase or (decrease) in 2013-14</b>                                       |         | <b>-</b>         | <b>(452,000)</b>   | <b>(20,643)</b>                       | <b>(472,643)</b>   |
| <b>Balance at 31 March 2014 carried forward</b>                                |         | <b>-</b>         | <b>(2,443,000)</b> | <b>(56,972)</b>                       | <b>(2,499,972)</b> |
| <i>Movement in reserves during 2014-15</i>                                     |         |                  |                    |                                       |                    |
| Surplus or (deficit) on the provision of services                              |         | (60,542)         |                    |                                       | (60,542)           |
| Other comprehensive income and expenditure                                     | 6b      |                  | (1,318,000)        |                                       | (1,318,000)        |
| <b>Total comprehensive income and expenditure</b>                              |         | <b>(60,542)</b>  | <b>(1,318,000)</b> | <b>-</b>                              | <b>(1,378,542)</b> |
| Adjustments between accounting basis and funding basis under regulations       | 6a & 6b | 187,991          | (205,000)          | 17,009                                | -                  |
| Transfer from Creditors  | 6a      | 463,991          |                    |                                       | 463,991            |
| <b>Net increase or (decrease) before transfers to other statutory reserves</b> |         | <b>591,440</b>   | <b>(1,523,000)</b> | <b>17,009</b>                         | <b>(914,551)</b>   |
| Transfers to or (from) other statutory reserves                                |         |                  |                    |                                       | -                  |
| Transfer to creditors  | 12      | (591,440)        |                    |                                       | (591,440)          |
| <b>Increase or (decrease) in 2014-15</b>                                       |         | <b>-</b>         | <b>(1,523,000)</b> | <b>17,009</b>                         | <b>(1,505,991)</b> |
| <b>Balance at 31 March 2015 carried forward</b>                                |         | <b>-</b>         | <b>(3,966,000)</b> | <b>(39,963)</b>                       | <b>(4,005,963)</b> |

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**Comprehensive Income and Expenditure Statement for the year ended 31 March 2015**

This statement shows the accounting cost of providing services and managing the Joint Board during the year. It includes, on an accruals basis, all of the Joint 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**.

| <b>2013/14</b>   |   |             | <b>2014/15</b>   |
|------------------|---|-------------|------------------|
| <b>£</b>         |   | <b>Note</b> | <b>£</b>         |
| 1,793,916        | Employee Costs  |             | 1,862,865        |
| 245,581          | Property Costs  |             | 248,592          |
| 64,956           | Supplies & Services   |             | 178,269          |
| 98,241           | Contractors   |             | 15,474           |
| 366,770          | Administration Costs  |             | 409,462          |
| 21,724           | Payments to Other Bodies                                      |             | 21,514           |
| <b>2,591,188</b> | <b>Cost of Services</b>                                       |             | <b>2,736,176</b> |
| (8,746)          | Sales, Fees & Charges   |             | (19,757)         |
| (175,354)        | Other Income  |             | (477,277)        |
| 84,698           | Financing & Investment Income and Expenditure                 | 8           | 103,200          |
| (2,281,800)      | Requisitions from Members Authorities                         | 13          | (2,281,800)      |
| <b>209,986</b>   | <b>(Surplus) or deficit on the provision of services</b>      |             | <b>60,542</b>    |
| 295,000          | Actuarial (Gains) or losses on pension assets and liabilities | 16a         | 1,318,000        |
| <b>295,000</b>   | <b>Other Comprehensive Income &amp; Expenditure</b>           |             | <b>1,318,000</b> |
| <b>504,986</b>   | <b>Total Comprehensive Income &amp; Expenditure</b>           |             | <b>1,378,542</b> |

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**Balance Sheet as at 31 March 2015**

The **balance sheet** shows the value as at 31 March 2015 of the assets and liabilities recognised by the Joint Board. The net assets of the Joint 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 Joint 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 Joint Board is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

| <b>31st March<br/>2014</b> |   | <b>Note</b> | <b>31st March<br/>2015</b> |
|----------------------------|---|-------------|----------------------------|
| £                          |   |             | £                          |
|                            | <b><u>Current Assets</u></b>                          |             |                            |
| 494,891                    | Funds held by Renfrewshire Council                    |             | 727,907                    |
| 109,498                    | Debtors and Prepayments                               | 10          | 20,017                     |
| 100                        | Cash in Hand  |             | 100                        |
| <hr/> 604,489              |   |             | <hr/> 748,024              |
|                            | <b><u>less Current Liabilities</u></b>                |             |                            |
| (661,462)                  | Creditors And Accruals                                | 11          | (787,987)                  |
| <hr/> (56,972)             | <b>Net Assets Excluding Pension (Liability)/Asset</b> |             | <hr/> (39,963)             |
|                            | <b><u>Long Term Liabilities</u></b>                   |             |                            |
| (2,443,000)                | Pension (liability)/Asset                             | 16c         | (3,966,000)                |
| <hr/> (2,499,972)          | <b>Net (Liabilities)/Asset Including Pension</b>      |             | <hr/> (4,005,963)          |
|                            | <b><u>Represented by:</u></b>                         |             |                            |
|                            | <b>Revenue Reserves</b>                               |             |                            |
|                            | <b>Useable Reserves</b>                               |             |                            |
| 463,991                    | Balance due to Member Authorities                     |             | 591,440                    |
| (463,991)                  | Transfer to Creditors                                 | 12          | (591,440)                  |
|                            | <b>Unuseable Reserves</b>                             |             |                            |
| (56,972)                   | Employee Statutory Adjustment Account                 | 6c          | (39,963)                   |
| (2,443,000)                | Pension Reserve                                       | 6b          | (3,966,000)                |
| <hr/> (2,499,972)          |   |             | <hr/> (4,005,963)          |

The audited accounts were issued on 21 August 2015. Balance sheet signed by:

**Alan Russell CPFA**  
Treasurer  
21 August 2015

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**Cash flow Statement for the year ended 31 March 2015**

This statement shows the changes in cash and cash equivalents during the year. It shows how the Joint Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Board are funded by way of requisition income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Joint Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Joint Board.

| 2013/14<br>£       |  | 2014/15<br>£       |
|--------------------|--|--------------------|
|                    | <b>Operating Activities</b>  |                    |
|                    | <b>Cash Inflows</b>  |                    |
| (2,392,547)        | Sale of goods and rendering of services  | (2,903,218)        |
| (6,302)            | Interest received  | (3,800)            |
| <b>(2,398,849)</b> | <b>Cash inflows generated from operating activities</b>  | <b>(2,907,018)</b> |
|                    | <b>Cash Outflows</b>   |                    |
| 1,456,212          | Cash paid to and on behalf of employees  | 1,523,045          |
| 712,061            | Cash paid to suppliers of goods and services   | 911,629            |
| 324,071            | Other payments for operating activities  | 239,328            |
| <b>2,492,344</b>   | <b>Cash outflows generated from operating activities</b>   | <b>2,674,002</b>   |
| <b>93,495</b>      | <b>Net (increase)/decrease in cash and cash equivalents</b>  | <b>(233,016)</b>   |
| 588,486            | Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council | 494,991            |
| 494,991            | Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council       | 728,007            |
| <b>93,495</b>      | <b>Net cash (inflow)/outflow in cash and cash equivalents in year</b>  | <b>(233,016)</b>   |

## **Note 1 Summary of Significant Accounting Policies**

The Financial Statements for the year ended 31 March 2015 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice for Local Authorities 2014/15, (SeRCOP) supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Board and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

**Accruals basis** - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received.

**Going concern** - the going concern concept assumes that the Joint Board will continue in existence for the foreseeable future.

**Understandability** – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government.

**Relevance** – the information in the financial statements is useful for assessing Joint Board's stewardship of public funds and for making economic decisions.

**Materiality** - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information.

**Reliability** – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.

**Primacy of legislative requirements** - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The accounts have been prepared under the historic cost convention. The following accounting policies used in the preparation of the statements have been reviewed in line with changes made to the Accounting Code following the introduction of International Financial Reporting Standards.

### **Accruals of Expenditure and Income**

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

- i. Revenue from the sale of goods is recognised when the Joint 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 Joint Board.
- ii. Revenue from the provision of services is recognised when the Joint Board can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Board.
- iii. 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.



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- iv. 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.
- v. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by the Balance Sheet date.

### **Cash and Cash Equivalents**

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

### **Contingent Assets and Liabilities**

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

### **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 and flexi-leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

#### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Joint Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance. They are charged on an accruals basis to the Employee Costs line in the Comprehensive Income and Expenditure Statement when the Joint Board is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary severance. The Joint Board is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the Joint Board.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Revenue balances to be charged with the amount payable by the Joint Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to 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.

#### Post employment benefits

The Joint Board participates in the Local Government Pension Scheme which is administered by the Strathclyde Pension Fund. The Local Government Pension Scheme is accounted for as a defined benefit scheme, and in accordance with International Accounting Standard 19 (IAS19) the Joint Board has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future.

This involves the recognition in the Balance Sheet of the Joint Board's share of the net pension asset or liability in the Strathclyde Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability.

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Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the Strathclyde Pension Fund attributable to the Joint Board are included in the Balance Sheet on an actuarial basis using the projected unit method ie 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 available on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The assets of the Strathclyde Pension Fund attributable to the Joint 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.

Note 16 to the Core Financial Statements provides further information.

### **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 Statements 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 Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements 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 Statements. Note 5 provides further information.

### **Prior Period Adjustment**

Where there has been a change in accounting policy, that change will be applied retrospectively, that is, prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimate, that change will be applied prospectively, that is, prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

### **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 Joint Board when there is reasonable assurance that:

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

Amounts recognised as due to the Joint Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are

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classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Joint Board is not party to any finance leases.

*Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 (eg, 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.

**Property, Plant and Equipment**

Renfrewshire Valuation Joint Board is a Joint Board as constituted under s106(1) of the Local Government (Scotland) Act 1973. The Joint Board has no legal power to hold assets. Any cash assets held are matched by an equivalent creditor balance.

**Provisions**

Provisions are made where an event has taken place that gives the Joint Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Renfrewshire Valuation Joint Board becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Board settles the obligation.

**Reserves**

The Joint Board has three reserve funds. The Revenue Reserve contains any balance of requisition income from members of the Joint Board.

The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Joint Board share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Joint Board's share of the Pension Fund net liability chargeable to the Income and Expenditure Account.

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the Revenue Reserve from accruing for short term accumulating 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, time in lieu or credit flexi-time 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 the Revenue Reserve is neutralised by transfers to or from the Employee Statutory Adjustment Account.

## **VAT**

Income and Expenditure excludes any amount relating to Value Added Tax (VAT), as all VAT is payable to HM Revenue & Customs and all VAT is recoverable from them.

## **Note 2 Accounting Standards Issued not Adopted**

There are no accounting standards relevant to the financial statements of the Joint Board which have not been adopted.

## **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Joint 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 and other properties leased by the Joint Board has concluded they are operating leases. |
|--------|--|

## **Note 4 Assumptions made about the future**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>        | <b>Uncertainties</b>  | <b>Effect if Results differ from Assumption</b>   |
|--------------------|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint 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 £1.653 million. However, the assumptions interact in complex ways. During 2014/15, the appointed actuaries advised that the net pensions liability had increased by £1.318 million attributable to updating of the assumptions. |

## **Note 5 Events after the balance sheet date**

Events taking place after the authorised issue date 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 2015, 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.

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**Note 6 Details of Movement in Reserves**

**a. Revenue Reserve**

| 2013/14          |   | 2014/15          |
|------------------|---|------------------|
| £                |   | £                |
| (496,334)        | Balance as at 1 April   | (463,991)        |
| (157,000)        | Transfer to pension reserve   | (205,000)        |
| (20,643)         | Transfer to employee statutory adjustment account   | 17,009           |
| 209,986          | (Surplus) or Deficit on provision of services (from the Comprehensive Income & Expenditure Account) | 60,542           |
| <b>(463,991)</b> | <b>Balance as at 31 March</b>   | <b>(591,440)</b> |

**b. Pension Reserve**

| 2013/14            |  | 2014/15            |
|--------------------|--|--------------------|
| £                  |  | £                  |
| (1,991,000)        | Balance as at 1 April  | (2,443,000)        |
| (295,000)          | Actuarial Gains and Losses (see note 16)   | (1,318,000)        |
| (157,000)          | Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year | (205,000)          |
| <b>(2,443,000)</b> | <b>Balance as at 31 March</b>  | <b>(3,966,000)</b> |

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 Joint 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 Joint 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 Joint Board's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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**c. Employee Statutory Adjustment Account**

| 2013/14         |  | 2014/15         |
|-----------------|--|-----------------|
| £               |  | £               |
| (36,329)        | Balance as at 1 April  | (56,972)        |
| 36,329          | Reversal of prior year accrual for short-term accumulating compensated absences          | 56,972          |
| (56,972)        | Recognition of the accrual for short-term accumulating compensating absences at 31 March | (39,963)        |
| <b>(56,972)</b> | <b>Balance as at 31 March</b>  | <b>(39,963)</b> |

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, time in lieu or credit flexi-time 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.

**Note 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement**

The surplus for the year on the Revenue Reserves was £187,991 greater 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 Joint Board's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Board to debit and credit the Revenue Reserve Balance.

| 2013/14          |  | 2014/15          |
|------------------|--|------------------|
| £                |  | £                |
|                  | <b>Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement</b> |                  |
| (396,000)        | Net charges made for retirement benefits in accordance with IAS19  | (437,000)        |
| (20,643)         | Net charges for employment short-term accumulating absences  | 17,009           |
| <b>(416,643)</b> |  | <b>(419,991)</b> |
|                  | <b>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement</b>   |                  |
| 239,000          | Employers contributions payable to the Strathclyde Pension Fund  | 232,000          |
| <b>(177,643)</b> | <b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>   | <b>(187,991)</b> |

**Renfrewshire Valuation Joint Board  
Annual Accounts 2014/15**

**Note 8 Financing & Investment Income**

| <b>2013/14</b> |  | <b>2014/15</b> |
|----------------|--|----------------|
| £              |  | £              |
| (6,302)        | Interest on Balances                         | (3,800)        |
| 91,000         | Pension Interest Cost                        | 107,000        |
| <b>84,698</b>  | <b>Total Financing and Investment Income</b> | <b>103,200</b> |

**Note 9 Operating Leases**

The Joint Board has acquired office accommodation at the Robertson Centre in Paisley by entering into an operating lease until 2020. The Joint Board also have an agreement with Inverclyde Council to rent office space within their Customer Service Centre in Greenock. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £57,000 (2013/14 £59,000).

| <b>2013/14</b> |   | <b>2014/15</b> |
|----------------|---|----------------|
| £              |   | £              |
|                | Future Minimum Lease Payments                       |                |
| 57,000         | - not later than one year                           | 57,000         |
| 228,000        | - later than one year and not later than five years | 228,000        |
| 57,000         | - later than five years                             | -              |
| <b>342,000</b> | <b>Total</b>  | <b>285,000</b> |

**Note 10 Debtors**

| <b>31st March<br/>2014</b> |                                 | <b>31st March<br/>2015</b> |
|----------------------------|---------------------------------|----------------------------|
| £                          |                                 | £                          |
| 54,100                     | Central government bodies       | -                          |
| -                          | Other local authorities         | 1,764                      |
| 55,398                     | Other Entities and Individuals  | 18,253                     |
| <b>109,498</b>             | <b>Total short term debtors</b> | <b>20,017</b>              |

**Renfrewshire Valuation Joint Board  
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**Note 11 Creditors**

| <b>31st March<br/>2014</b> |                                   | <b>31st March<br/>2015</b> |
|----------------------------|-----------------------------------|----------------------------|
| £                          |                                   | £                          |
| 21,993                     | Central government bodies         | 51,030                     |
| 463,991                    | Other local authorities           | 592,624                    |
| 56,972                     | Short Term Accumulating Absences  | 39,963                     |
| 82,173                     | Accrued Payrolls                  | 92,020                     |
| 36,332                     | Other entities and individuals    | 12,350                     |
| <b><u>661,462</u></b>      | <b>Total short term creditors</b> | <b><u>787,987</u></b>      |

**Note 12 Transfer to Creditors**

| <b>2013/14</b>        |   | <b>2014/15</b>        |
|-----------------------|---|-----------------------|
| £                     |   | £                     |
| <b><u>463,991</u></b> | In terms of Section 58 of the Local Government (Scotland) Act 1973, Joint Boards have no specific powers to retain reserves to meet future funding requirements and the amount due to member authorities has been transferred to creditors. | <b><u>591,440</u></b> |

**Note 13 Related parties**

The Joint Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Board, or to be controlled or significantly influenced by the Joint Board. The Joint 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 Joint 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 Joint Board.

The member authorities of the Joint Board have contributed requisitions in the following proportions to enable the Joint Board to carry out its objectives. The Joint Board in turn pays Renfrewshire Council for support services. The amount paid in respect of these services for the year ended 31 March 2015 was £106,770 (2013/14 £106,770).

| <b>2013/14</b>   |                   |               | <b>2014/15</b>   |
|------------------|-------------------|---------------|------------------|
| £                | Council           | Percentage    | £                |
| 463,200          | East Renfrewshire | 20.3%         | 463,200          |
| 540,800          | Inverclyde        | 23.7%         | 540,800          |
| <u>1,277,800</u> | Renfrewshire      | <u>56.0%</u>  | <u>1,277,800</u> |
| <b>2,281,800</b> | <b>Total</b>      | <b>100.0%</b> | <b>2,281,800</b> |



#### **Note 14 External audit costs**

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2014-2015 were £7,090 (£7,020 in 2013/14). There were no fees paid to Audit Scotland in respect of any other services.

#### **Note 15 Termination benefits**

The Joint Board did not terminate the contract of any employee during 2014-2015.

#### **Note 16 Retirement Benefits**

As part of the terms and conditions of employment of its employees, the Joint Board offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint 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 final salary scheme meaning that the Joint Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

##### **16a. 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 Joint 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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2014/15**

The following transactions have been made in the accounting statements in 2014/15:

| 2013/14<br>£   |  | Note  | 2014/15<br>£ |
|--|--|-------|--------------|
| <b>Comprehensive Income &amp; Expenditure Statement</b>  |  |       |              |
| Cost of Services   |  |       |              |
| 305,000  | Current service cost   | (i)   | 330,000      |
| -  | Past service cost/(gain)   |       | -            |
| -  | Settlements & curtailments   | (ii)  | -            |
| 305,000  |  |       | 330,000      |
| <b>Financing &amp; Investment Income &amp; Expenditure</b>   |  |       |              |
| 91,000   | Net Interest   | (iii) | 107,000      |
| 396,000  | <b>Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services</b> |       | 437,000      |
| <b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b> |  |       |              |
| (206,000)  | Return on assets excluding amounts included in net interest  |       | (667,000)    |
| 504,000  | Actuarial (gains) and losses arising on changes in financial assumptions                             |       | 1,985,000    |
| (3,000)  | Other (gains) and losses   |       | -            |
| 295,000  | <b>Total Actuarial (gain)/Losses</b>   |       | 1,318,000    |
| 691,000  | <b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>   |       | 1,755,000    |
| <b>Movement in Reserves Statement</b>  |  |       |              |
|  | Reversal of net charges made to the Surplus or Deficit for the                                       | (iv)  |              |
| (452,000)  | Provision of Services for post employment benefits according with the Code                           |       | (1,523,000)  |
| 239,000  | <b>Employers Contributions paid to Strathclyde Pension Fund</b>                                      |       | 232,000      |

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Curtailments are the pension costs to employees retired under redundancy terms.
- iii. The 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.
- iv. 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 Joint Board to the Strathclyde Pension Fund during the year (£205,000).

The Joint Board is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2014/15 these amounted to £5,148 (2013/14 £4,368).

**Renfrewshire Valuation Joint Board  
Annual Accounts 2014/15**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £1.318 million are included in the Movement in Reserves Statement (2013/14 £0.295 million loss). The cumulative amount of actuarial losses is £4.409 million (2013/14 £3.091 million).

**16b. Assets and liabilities in relation to retirement benefits**

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

| <b>2013/14</b> |  | <b>2014/15</b> |  |
|----------------|--|----------------|--|
| <b>£000</b>    |  | <b>£000</b>    |  |
| 11,234         | Opening present value  | 12,298         |  |
| 305            | Current service cost   | 330            |  |
| 507            | Interest Cost  | 528            |  |
| 82             | Employee Contributions   | 78             |  |
|                | Remeasurement (gains)/losses:  |                |  |
| 504            | Actuarial (gains)/losses arising from changes in financial assumptions | 1,985          |  |
| (3)            | Other (gains)/losses   | -              |  |
| (331)          | Benefits Paid  | (420)          |  |
| <b>12,298</b>  | <b>Closing present value of scheme liabilities</b>                     | <b>14,799</b>  |  |

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

| <b>2013/14</b> |   | <b>2014/15</b> |  |
|----------------|---|----------------|--|
| <b>£000</b>    |   | <b>£000</b>    |  |
| 9,243          | Opening Fair Value  | 9,855          |  |
| 416            | Interest Income   | 421            |  |
|                | Remeasurement gain/(loss):                                  |                |  |
| 206            | Return on assets excluding amounts included in net interest | 667            |  |
| 239            | Contributions from employer                                 | 232            |  |
| 82             | Contributions from employee                                 | 78             |  |
| (331)          | Benefits Paid   | (420)          |  |
| <b>9,855</b>   | <b>Closing fair value of scheme assets</b>                  | <b>10,833</b>  |  |

**Renfrewshire Valuation Joint Board  
Annual Accounts 2014/15**

**16c. Fund history**

|  | 2010/11      | 2011/12        | 2012/13        | 2013/14        | 2014/15        |
|--|--------------|----------------|----------------|----------------|----------------|
|  | £000         | £000           | £000           | £000           | £000           |
| Present Value of Liabilities           | (8,776)      | (9,327)        | (11,234)       | (12,298)       | (14,799)       |
| Fair value of assets                   | 8,199        | 7,915          | 9,243          | 9,855          | 10,833         |
| <b>Surplus/(deficit) in the scheme</b> | <b>(577)</b> | <b>(1,412)</b> | <b>(1,991)</b> | <b>(2,443)</b> | <b>(3,966)</b> |

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

The total liability of £3.966 million has a substantial impact on the net worth of the Joint Board as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Joint 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 2016 is £0.228 million.

**16d. Basis for estimating assets and liabilities**

The Joint 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 2011.

The principal assumptions used by the actuary have been:

| 31st March<br>2014           | Year Ended:   | 31st March<br>2015 |
|------------------------------|---|--------------------|
| <b>Mortality assumptions</b> |   |                    |
|                              | Longevity at 65 for current pensioners                                |                    |
| 21.0 years                   | • Men   | 22.1 years         |
| 23.4 years                   | • Women   | 23.6 years         |
|                              | Longevity at 65 for Future pensioners                                 |                    |
| 23.3 years                   | • Men   | 24.8 years         |
| 25.3 years                   | • Women   | 26.2 years         |
| 5.1%                         | Rate of increase in salaries*   | 4.3%               |
| 2.8%                         | Rate of increase in pensions  | 2.4%               |
| 4.3%                         | Rate for discounting scheme liabilities                               | 3.2%               |
|                              | 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%              |

\*Salary increases are assumed at 1% p.a. until 31 March 2015 and reverting to long term assumption thereafter

**Renfrewshire Valuation Joint Board  
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The pension scheme's assets consist of the following categories, by proportion of the total assets held:

| <b>31st March<br/>2014</b> |   |                   | <b>31st March<br/>2015</b> |
|----------------------------|---|-------------------|----------------------------|
| <b>£000</b>                |   | <b>Percentage</b> | <b>£000</b>                |
|                            | <b>Equity Securities</b>                        |                   |                            |
| 908                        | Consumer  | 9.5%              | 1,024                      |
| 798                        | Manufacturing                                   | 7.5%              | 817                        |
| 361                        | Energy and Utilities                            | 3.0%              | 322                        |
| 659                        | Financial Institutions                          | 7.0%              | 753                        |
| 338                        | Health and Care                                 | 4.1%              | 440                        |
| 537                        | Information Technology                          | 5.8%              | 623                        |
| <b>3,601</b>               | <b>Total Equity</b>                             | <b>36.7%</b>      | <b>3,979</b>               |
|                            | <b>Private Equity</b>                           |                   |                            |
| 929                        | All   | 9.7%              | 1,054                      |
| <b>929</b>                 | <b>Total Private Equity</b>                     | <b>9.7%</b>       | <b>1,054</b>               |
|                            | <b>Real Estate</b>                              |                   |                            |
| 690                        | UK Property                                     | 9.1%              | 990                        |
| -                          | Overseas Property                               | 0.0%              | -                          |
| <b>690</b>                 | <b>Total Real Estate</b>                        | <b>9.1%</b>       | <b>990</b>                 |
|                            | <b>Investment Funds &amp; Unit Trusts</b>       |                   |                            |
| 3,000                      | Equities  | 28.7%             | 3,108                      |
| 1,144                      | Bonds   | 12.7%             | 1,372                      |
| 4                          | Commodities                                     | 0.0%              | 4                          |
| 14                         | Infrastructure                                  | 0.3%              | 37                         |
| -                          | Other   | 0.2%              | 20                         |
| <b>4,162</b>               | <b>Total Investment Funds &amp; Unit Trusts</b> | <b>41.9%</b>      | <b>4,541</b>               |
|                            | <b>Derivatives</b>                              |                   |                            |
| -                          | Inflation                                       | 0.0%              | -                          |
| -                          | Interest Rate                                   | 0.0%              | -                          |
| -                          | Foreign Exchange                                | 0.0%              | -                          |
| 2                          | Other   | 0.0%              | 3                          |
| <b>2</b>                   | <b>Total Derivatives</b>                        | <b>0.0%</b>       | <b>3</b>                   |
|                            | <b>Cash &amp; Cash Equivalents</b>              |                   |                            |
| 471                        | All   | 2.5%              | 266                        |
| <b>471</b>                 | <b>Total Cash &amp; Cash Equivalents</b>        | <b>2.5%</b>       | <b>266</b>                 |
| <b>9,855</b>               | <b>Total</b>                                    | <b>100%</b>       | <b>10,833</b>              |

**16e. 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. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2015-16 and 2016-17. This rate may vary thereafter following triennial valuation to be carried out as at 31 March 2014.

The fund will require to assess the impact for future accruals and contributions from impending changes to the LGPS such as the move from 1 April 2015 to a career average revalued earning (CARE) scheme.

**Note 17 Contingent Liabilities and Assets**

As at the Balance Sheet date the Joint Board had no material contingent assets or liabilities.





# **Renfrewshire Valuation Joint Board**

Annual audit report to  
Members and the  
Controller of Audit

August 2015

## Key contacts

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. ([www.audit-scotland.gov.uk/about/ac](http://www.audit-scotland.gov.uk/about/ac))

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk))

The Accounts Commission has appointed Anne McGregor as the external auditor of Renfrewshire Valuation Joint Board (RVJB) for the period 2011/12 to 2015/16.

This report has been prepared for the use of RVJB and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by RVJB. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.







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# Key messages

|   |  |
|---|--|
|    | <ul style="list-style-type: none"> <li>• Unqualified independent auditor's report on the 2014/15 financial statements.</li> </ul>  |
|    | <ul style="list-style-type: none"> <li>• RVJB operating within annual budgets and recovering costs on significant projects.</li> <li>• Level of balances due to local authorities increased to £0.6m at 31 March 2015, which is high at 24% of 2015-16 expenditure but there are plans to use £0.2m of that to fund voluntary/severance scheme in 2015-16.</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>• Systems of internal control operated effectively.</li> <li>• Internal audit concluded satisfactory assurance over systems of internal control but work still required on disaster recovery arrangements.</li> <li>• Meetings and papers are open to the public but an on-line register of interest would improve transparency.</li> </ul>                             |
|  | <ul style="list-style-type: none"> <li>• RVJB met the significant challenge of implementing Individual Electoral Registration and in 2015/16 is planning for the next significant project; the revaluation of all non domestic properties due for 2017. Good financial management remains a priority as requisitions level remain at £2.291m for 2015-16, the same level for a third year in a row.</li> </ul> |

# Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of the Renfrewshire Valuation Joint Board (RVJB). The report is divided into sections which reflect our public sector audit model.
2. The management of RVJB is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of RVJB, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.

5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.
6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that RVJB understands its risks and has arrangements in place to manage these risks. Members and executive officers group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

|                   |  |
|-------------------|--|
| Audit opinion     | <ul style="list-style-type: none"><li>We have completed our audit and issued an unqualified independent auditor's report.</li></ul>  |
| Going concern     | <ul style="list-style-type: none"><li>The financial statements have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on RVJB to continue as a going concern.</li></ul>   |
| Other information | <ul style="list-style-type: none"><li>We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li></ul> |

## Submission of financial statements for audit

9. We received the unaudited financial statements on 3 June 2015, in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team.

## Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan provided to management in March 2015.
11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee

for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

14. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

15. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

16. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of RVJB we set our planning materiality for 2014/15 at £27,346 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £13,673 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

17. On receipt of the financial statements we reviewed our materiality levels. Materiality remained at 1% but all pension costs were now

included and materiality increased to £28,416 and performance materiality to £14,208.

## Evaluation of misstatements

18. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. We have no unadjusted misstatements to bring to your attention.

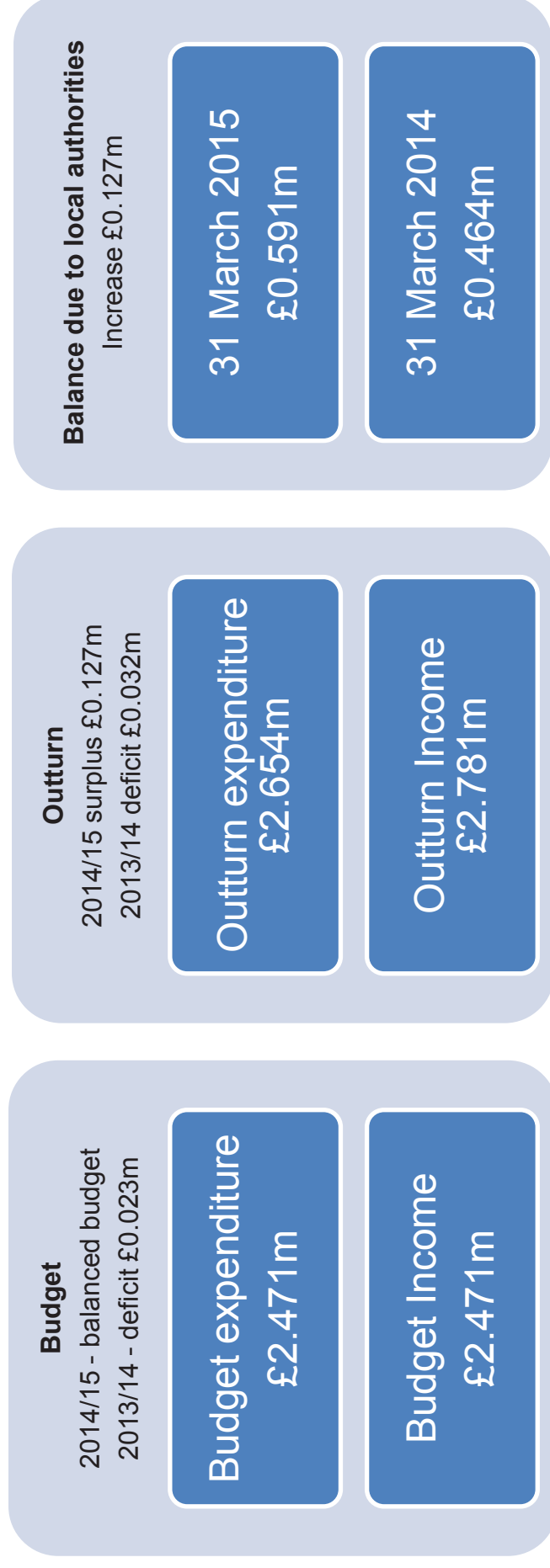
## Significant findings from the audit

19. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

20. There are no matters, others than those set out elsewhere in this report, to which we wish to draw your attention.

# Financial management and sustainability



## Financial management

21. RVJB sets an annual budget to meet its commitments for the forthcoming financial year. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

## Financial outcomes

22. RVJB incurred an accounting deficit on the provision of services of £0.061m, as shown in the Comprehensive Income and Expenditure Statement (CIES). In the CIES, cost of services increased from £2.591m to £2.735m, a 5.6% increase. The main increases from 2013/14 are on supplies and services which are for IT costs related to Public Sector Network (PSN) accreditation. The majority of costs



were recovered and included in other Income which increased from £0.175m to £0.476m.

**23.** The surplus as presented in the management commentary (and in the table above), of £0.127m is different because it is prior to items such as pension adjustments and employee leave accrual. As the budget is prepared and monitored against in this way, it is appropriate for the management commentary details to be presented as such.

**24.** When compared to budget, both outturn income and expenditure were higher than expected resulting in the year end surplus position of £0.127m. Overspends recorded against employee costs, supplies and services were offset by an over recovery in other income.

**25.** The overspend in employee costs of £0.078m was due to additional canvassing work relating to the roll out of the Independent Electoral Registration Scheme (IER) and staff overtime leading up to the Scottish Referendum. The higher employee costs were partially offset by vacancies in the valuations department and staff on maternity leave. The costs relating to IER and the Scottish Referendum were fully recovered from the Cabinet Office and the Scottish Government and have been included in Other Income.

### Financial management arrangements

**26.** As auditors, we need to consider whether public sector organisations have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- financial regulations are comprehensive, current and promoted within RVJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance.

**27.** Internal audit confirmed that a review and update of RVJB's financial regulations and codes was undertaken during 2014/15, to ensure that any revisions made to the Renfrewshire Council financial regulations and codes are incorporated as appropriate.

**28.** Revenue budget monitoring reports are submitted to the Joint Board on a quarterly basis. As well as providing comments on income and expenditure to date, the reports forecast the year-end outturn.

### Financial sustainability

**29.** Financial sustainability means that RVJB has the capacity to meet the current and future needs of its users. In assessing financial sustainability we are concerned with whether:

- there is an adequate level of reserves
- spending is being balanced with income in the short term
- long term financial pressures are understood and planned for
- investments in services are effective.

Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.



## Pension liability

- 30.** The net liability on RVJB's balance sheet increased by £1.506m, from £2.500m in 2013/14 to £4.006m in 2014/15. The main reason for this increase is the pension liability rise from £2.443m to £3.966m. This 64% increase is driven by changes in pension actuary's assumptions, mainly by the reduction in the net discount rate over this period.
- 31.** The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.
- 32.** A material net liability can highlight a potential going concern issue however we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

## Balances due to local authorities

- 33.** Like all joint boards, RVJB has no specific powers to retain reserves to meet future requirements and technically the amounts are due to local authorities. These balances are used to support medium term financial planning and address any unforeseen costs.
- 34.** The overall level of unallocated reserves held by RVJB increased by £0.127m. When the 2015/16 budget was prepared in January 2015, it was anticipated £0.017m would be drawn from working balances

but due to the level of income from recovery of costs that changed to adding £0.127m to working balances.

- 35.** In previous years we have noted the growing balance and that while some of level of contingency is desirable to cover unexpected costs RVJB had not earmarked any reserves. The closing balance represents 24% of 2015/16 expenditure budget but we can see plans for using some of the balances for voluntary exit packages.

**Table 1: Reserves/ balances due to local authorities**

| As at 31 March                    | 2016 projected | 2015     | 2014     | 2013     |
|-----------------------------------|----------------|----------|----------|----------|
| Balances due to local authorities | £206,391       | £591,440 | £463,991 | £496,334 |

Source: Renfrewshire Valuation Joint Board Annual Accounts 2012/13-2014/15

## Financial planning

- 36.** RVJB approved its 2015/16 budget in January 2015. The 2015/16 budget of total expenditure was set at £2.428m, a decrease of £0.043m from 2014/15. The main alterations from the previous year is budgeting for an increase in employee costs of £0.058 million, assuming a pay increase of 1.5%, and reducing budgeted administration costs by £0.116 million from 2014/15 levels.
- 37.** In their revenue budget report for 2015/16, RVJB reported that they would undertake a staffing review to assess whether any employees

would be interested in voluntary redundancy (VR) /voluntary early retirement (VER). It is anticipated that costs, up to a maximum of £0.200m, can affordably be met from existing reserve balances.

## Conclusion

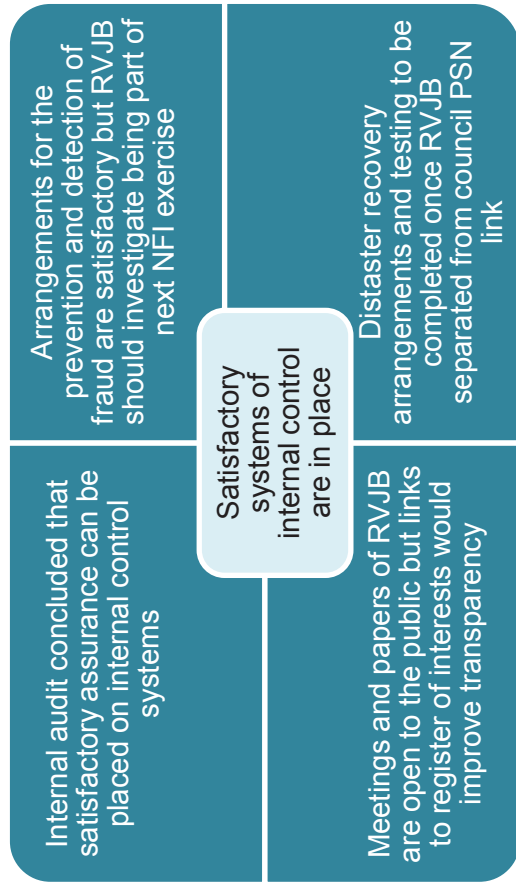
38. Over the past two years RVJB has been able to recover costs on large projects like PSN and IER however, Other Income has been significantly different from that budgeted and the level of balances due to local authorities has been growing but there had been no plans to use the balances. With VR/VER plans in place for 2015-16, balance should reduce.

### Appendix IV – action plan point 1

## Outlook

39. An indicative budget has also been prepared for 2016/17 although the funding settlement for that year and beyond is uncertain. It is recognised that over the medium term the funding position of local government across Scotland is likely to involve a further period of contraction in available resources. The level of any contraction has yet to be established and is unlikely to emerge until December 2015. It is currently forecast that RVJB will be required to find recurrent savings in the region of £0.100m to £0.200m by 2016/17, depending on local government settlement levels.

# Governance and transparency



understandable, relevant and timely information about how RVJB is taking decisions and how it is using its resources. Overall we concluded that RVJB is open and transparent.

## Corporate governance

42. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and we found that RVJB has satisfactory governance arrangements in place. In 2014 a number of policies and procedures were reviewed, in line with the phased programme. These include the Code of Conduct for RVJB employees, the whistleblowing policy and the introduction of a Declaration of Interest form for both senior officers and staff.

## Internal control

43. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
44. With Renfrewshire Council (the council) being the host for RVJB, all financial transactions of RVJB are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit.

40. Members and management of RVJB are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the RVJB has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
41. Citizens should be able to hold RVJB to account about the services it provides. Transparency means that citizens have access to

45. In the Internal Audit Annual Report 2014/15 on RVJB, the Chief Auditor concluded that satisfactory assurance can be placed upon the adequacy and effectiveness of RVJB's internal control, risk management and governance arrangements.

## Internal audit

46. Internal audit provides members and management of RVJB with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

47. Our review of internal audit concluded that they operate in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place. We placed reliance on their work on treasury management and payroll systems.

## Public service network and ICT

48. Last year we reported that after discussion with the Cabinet Office and Renfrewshire Council, who have been hosting /managing the majority of the IT services, RVJB chose to provide their own IT capability internally and to become PSN compliant in their own right. They were looking to implement their own connection to the PSN

network as opposed to connecting via the Renfrewshire Council system.

49. RVJB achieved PSN accreditation in October 2014 and recently completed a separate connection. The final stage is for Renfrewshire Council to separate RVJB from the council PSN connection but this work has still to take place.

### Appendix IV – action plan point 2

50. Last year we noted that internal audit had reported that areas of the disaster recovery arrangements needed to be improved upon as a matter of urgency to ensure the organisation can continue to provide their services during a period of interruption. The senior management team are rewriting the disaster recovery plan under PSN guidelines and then testing will take place.

### Appendix IV – action plan point 3

## Arrangements for the prevention and detection of fraud

51. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within RVJB are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.
52. RVJB is not part of this year's National Fraud Initiative (NFI). NFI is a counter-fraud exercise led by Audit Scotland, overseen by the Cabinet Office for the UK as a whole. It uses computerised

techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. These exercises are undertaken every two years. <http://www.audit-scotland.gov.uk/work/nfi.phpf>. We would encourage RVJB to consider being involved in the next exercise in 2016/17.

## **Arrangements for maintaining standards of conduct and the prevention and detection of corruption**

53. The arrangements for the prevention and detection of corruption in RVJB are satisfactory and we are not aware of any specific issues that we need to record in this report.

## **Transparency**

54. When assessing transparency we consider questions such as:
- Are meetings are held in public?
  - Are papers and corporate documents available online and there is only limited use of taking papers in private?
  - Are financial statements clearly presented and budget monitoring papers concise and clear?
  - Is a register of interests available on the website?
55. Meetings of RVJB are held in public and papers available from the Renfrewshire Council website. RVJB website also publishes

information on corporate policies, targets and performance. We concluded that the financial statements are clear and actual expenditure and income clearly linked to budgeted figures, as described in the commentary. However, there is no link to registers of interest for members or senior officers.

## **Appendix IV – action plan point 4**



# Best Value and performance

56. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Performance management

57. Over the past five years RVJB has been working on significant projects including individual electoral registration and working towards the independence referendum in 2014. Access to IER funding ends on 31 December 2015 and challenge is now to move the IER project into standard part of RVJB's work.
58. 2015 is the final year of the five year Service Statement 2010/2015 by the Assessor and Electoral Registration Officer.
59. Each year the Assessor and Electoral Registration Officer prepare performance reports which are provided to members and available on RVJB website. Examples of performance are included below.

## Overview of performance targets in 2014/15

60. A key task for RVJB is to encourage electoral participation. As at 31 March 2015, the Electoral Registration officer concluded that legally satisfactory information is held for 96.75% (97.5% for 2013/14 and 2012/13) of residential properties across the joint board area.
61. RVJB maintains an up to date valuation list by adding new houses and the deletion of demolished houses. The Table below shows the performance figures for 2014/15.

**Table 2: Time taken to enter new houses onto CT list**

| Time taken to enter new houses into the Valuation (Council Tax) List – Period 1st April 2014 to 31st March 2015 |            |                 |                      |                    |
|---|------------|-----------------|----------------------|--------------------|
| Council Area  | No. Added  | Within 3 months | Between 3 & 6 months | More than 6 months |
| Renfrewshire  | 565        | 560             | 5                    | 0                  |
| East Renfrewshire   | 252        | 239             | 10                   | 3                  |
| Inverclyde  | 130        | 128             | 2                    | 0                  |
| <b>Total</b>  | <b>947</b> | <b>927</b>      | <b>17</b>            | <b>3</b>           |

62. The performance exceeded targets of 95% within three months but the target of 99.5% within 6 months was not achieved as the final performance was 98.21%. The 947 houses added in the year was down on previous years figures (1,019 in 2013/14, 1,171 in 2012/13)

and the average number of days taken to add a house to the valuation list was 24.90 days, within the 38 day target.

requisitions level remain at £2.291m for 2015-16, the same level for a third year in a row.

## National performance audit reports

63. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, a number of reports were issued specifically covering local government topics. These are outlined in appendix III. While these reports might not directly cover the work of RVJB, there may be lessons learned or helpful information on wider issues in local government. However, there are no formal processes in place to update members on these reports and disseminate the impact for RVJB.

### Appendix IV – action plan point 5

## Outlook

64. RVJB met the significant challenge of implementing Individual Electoral Registration and in 2015/16 is planning for the next significant project; the revaluation of all non domestic properties due for 2017. Good financial management remains a priority as





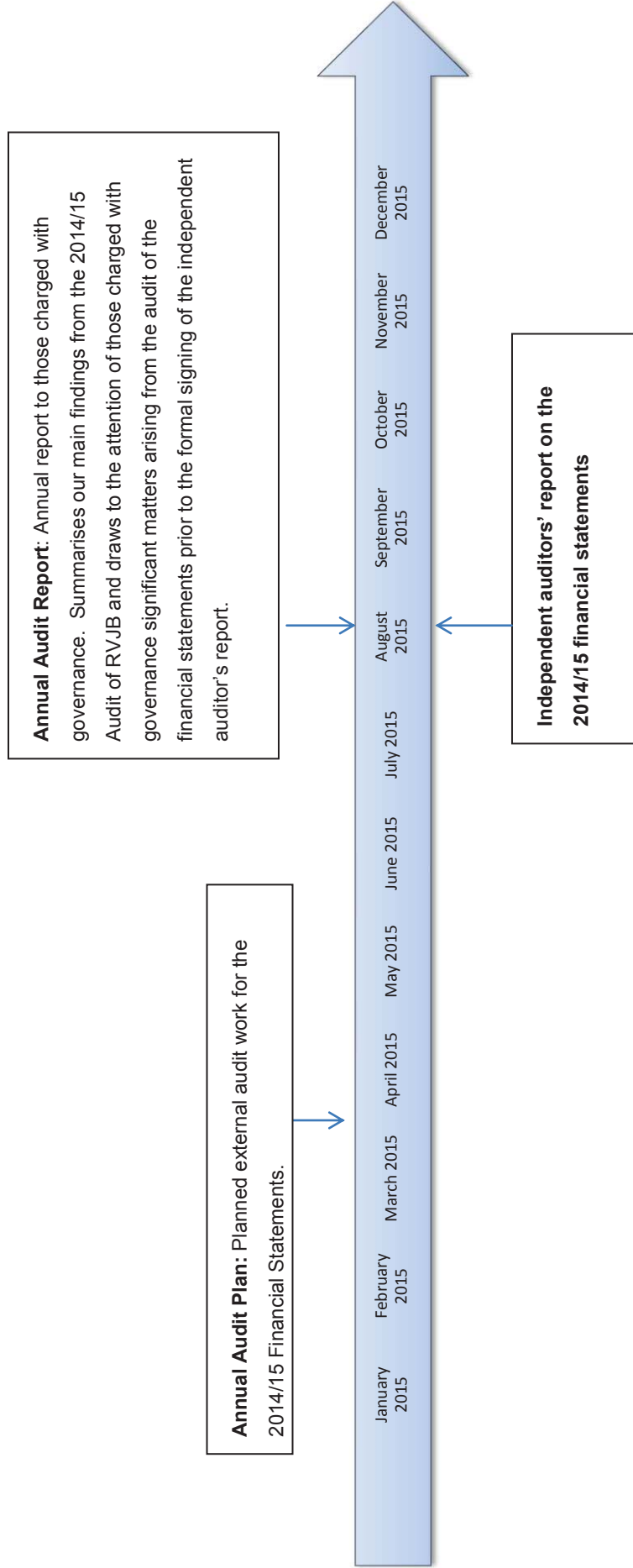
# Appendix I – Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

| Assurance procedure   |   |  | Results and conclusions  |
|---|---|--|--|
| Audit Risk  |   |  |  |
| Risk of material misstatement   |   |  |  |
| <b>Management override of controls</b><br>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. | <ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates for bias.</li> <li>Evaluating significant transactions that are outside the normal course of business.</li> </ul> | <ul style="list-style-type: none"> <li>Review of the project costs as part of the financial statements audit to ensure that income and expenditure has been accurately matched.</li> <li>Cut-off testing will be undertaken on this account area to ensure income is accounted for in the correct financial year.</li> </ul> | No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position.                                |
|   |   |  | No issues were identified with the recognition of income from the Cabinet Office. Officers had introduced improved monitoring and recording of income and related expenditure. |

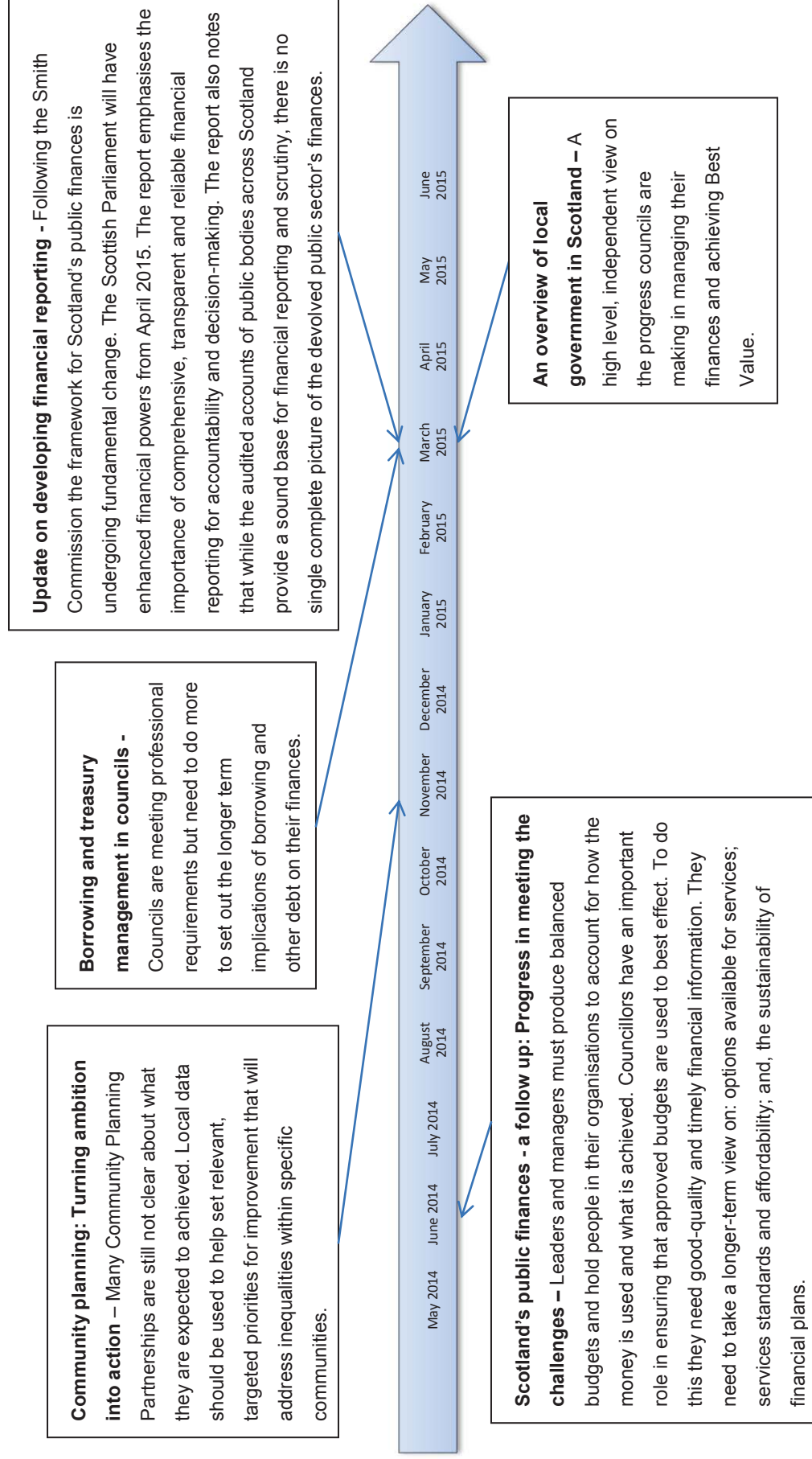
| Audit Risk   | Assurance procedure  | Results and conclusions   |
|--|--|---|
| <p><b>Annual Governance Statement</b></p> <p>The Annual Governance Statement is replacing the System of Internal Financial Control in 2014/15. The AGS requires greater detail in it and management may not include sufficient information to satisfy the Regulations.</p>   | <ul style="list-style-type: none"> <li>Review of disclosures in the annual governance statement against the <i>Delivering good governance in local government</i> framework.</li> <li>Ensure disclosures are consistent with the information in the financial statements.</li> </ul> | <p>The annual governance statement followed the guidelines and was consistent with information on the audit. There was only a minor presentation change to wording.</p>   |
| <p><b>Review of policies</b></p> <p>The Joint Board are to revisit their policy database in 2015 to review existing policies and all new ICT policies. A number of new ICT policies were required as part of the PSN compliance work in 2014.</p> <p>There is a risk the annual governance statement does not reflect the position with review of the policy database.</p> | <ul style="list-style-type: none"> <li>We will follow up progress on the review of the policies to be provided in our final report on the audit.</li> <li>We will review the annual governance statement disclosures.</li> </ul>   | <p>This is an on-going process with three policies going to the September meeting of the Board.</p> <p>No additional disclosures needed for the governance statement.</p> |
| <p><b>Management Commentary</b></p> <p>The 2014 regulations require the annual accounts to include a management commentary. The Commentary will include a number of additional disclosures in comparison to the current explanatory foreword.</p>  | <ul style="list-style-type: none"> <li>Ensure information in management commentary is consistent with that contained in the financial statement.</li> </ul>  | <p>We compared the management commentary to the Scottish Government guidance issued. In general the commentary met the guidance.</p>                                      |

# Appendix II - Summary of local audit reports 2014/15





# Appendix III - Summary of national reports 2014/15





# Appendix IV - Action plan

| No.<br>Page/para | Issue/risk/Recommendation   | Management action/response  | Responsible officer    | Target date      |
|------------------|---|---|------------------------|------------------|
| 1<br>11/38       | <p><b>Balances due to local authorities</b><br/>The level of reserves at 31 March 2016 represents 24% of gross expenditure for 2015/16.</p> <p><b>Risk</b><br/>RVJB might not be making best use of accumulated balances. Staff may not express interest in the VER scheme, leaving again a high level of reserves balances at the year end.</p> <p><b>Recommendation</b><br/>Level of reserves should be reviewed for 2016/17 budget setting and plans implemented to use part of reserves in 2015/16.</p> | <p>In 2015/16, RVJB will be undertaking a staffing review and have earmarked £200k of reserve balances for VER.</p> <p>Treasurer and Assessor continue to monitor level of balances and should there be delays with VER, they update members with progress on utilising balances.</p> | Treasurer and Assessor | 30 November 2015 |

| No.<br>Page/para         | Issue/risk/Recommendation  | Management action/response  | Responsible officer           | Target date              |
|--------------------------|--|---|-------------------------------|--------------------------|
| <b>2</b><br><b>13/49</b> | <p><b>PSN connection</b></p> <p>RVJB achieved PSN accreditation in October 2014 and recently completed a separate connection. The final stage is for Renfrewshire Council to separate RVJB from the council PSN connection but this work has still to take place.</p> <p><b>Risk</b></p> <p>There is a risk RVJB incur additional costs and confusion over who has responsibility over security of connections.</p> <p><b>Recommendation</b></p> <p>RVJB work with Renfrewshire Council officers and agree a timetable for RVJB to be disconnected from council PSN.</p> | <p>Assessor and Deputy assessor will liaise with Treasurer to agree a timetable for RVJB to be separated from the Renfrewshire Council PSN.</p> | <p>Treasurer and Assessor</p> | <p>31 September 2015</p> |



| No.<br>Page/para         | Issue/risk/Recommendation  | Management action/response  | Responsible officer | Target date       |
|--------------------------|--|---|---------------------|-------------------|
| <b>3</b><br><b>13/50</b> | <p><b>Disaster Recovery</b><br/>RVJB achieved PSN accreditation in October 2014 and recently completed a separate connection. The final stage is for Renfrewshire Council to separate RVJB from the council PSN connection but this work has still to take place.</p> <p><b>Risk</b><br/>There is a risk that RVJB would not be able to provide services during a period of interruption, or quickly get services up and running after a period of interruption.</p> <p><b>Recommendation</b><br/>Implementation plans are prepared which include timetable for testing disaster recovery plans.</p> | The senior management team are rewriting the disaster recovery plan under PSN guidelines and then testing will take place.  | Deputy Assessor     | 31 September 2015 |
| <b>4</b><br><b>14/55</b> | <p><b>Register of interests</b><br/>The register of interests is not available on-line.</p> <p><b>Risk</b><br/>There is a risk that RVJB is not demonstrating that there are no conflicts of interests in its decision making.</p> <p><b>Recommendation</b><br/>The register of interests is put onto RVJB website.</p>  | Members' registers are available of their own council websites and we will look at putting links from our own website to these sites.<br><br>Register of interests for senior officers will be put onto the RVJB website. | Deputy Assessor     | 30 September 2015 |

| No.<br>Page/para         | Issue/risk/Recommendation  | Management action/response   | Responsible officer | Target date      |
|--------------------------|--|--|---------------------|------------------|
| <b>5</b><br><b>16/63</b> | <p><b>Audit Scotland National Reports</b></p> <p>There is no formal process in place to review Audit Scotland national reports pertinent to RVJB.</p> <p><b>Risk</b></p> <p>There is a risk that RVJB miss out on lessons learned from other audits across local government.</p> <p><b>Recommendation</b></p> <p>Audit Scotland reports are reviewed by officers and summary information or lessons learned disseminated to members.</p> | Deputy assessor will put in place arrangements for reports to be reviewed and decide which should be summarised for members. | Deputy Assessor     | 30 November 2015 |