

## RENFREWSHIRE VALUATION JOINT BOARD

**To:** Renfrewshire Valuation Joint Board

**On:** 19 August 2016

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**Report by:** The Treasurer

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**Heading:** Audited Annual Accounts 2015-16

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### 1. Summary

- 1.1 At the meeting of the Renfrewshire Valuation Joint Board on 20 May 2016 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 2016, in accordance with the accounting policies detailed in the accounts.
  - 1.3 A report on the 2015-16 audit by Audit Scotland is also submitted for members information.
  - 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 2015/16



**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

## **CONTENTS**

Management Commentary	3
Statement of Responsibilities for the Annual Accounts	7
Governance Statement	8
Remuneration Report	11
Independent Auditor's Report	15
Movement in Reserves Statement for the year ended 31 March 2016	17
Comprehensive Income and Expenditure Statement for the year ended 31 March 2016	18
Balance Sheet as at 31 March 2016	19
Cash flow Statement for the year ended 31 March 2016	20
Note 1 Summary of Significant Accounting Policies	21
Note 2 Accounting Standards Issued not Adopted	25
Note 3 Critical Judgements in Applying Accounting Policies	25
Note 4 Assumptions made about the future	25
Note 5 Events after the balance sheet date	26
Note 6 Details of Movement in Reserves	26
Note 7 Reconciliation of the Balance on the Comprehensive Income & Expenditure Statement to the Movement in Reserves Statement	27
Note 8 Financing & Investment Income	28
Note 9 Operating Leases	28
Note 10 Debtors	28
Note 11 Creditors	29
Note 12 Transfer to Creditors	29
Note 13 Related Parties	29
Note 14 External Audit Costs	30
Note 15 Retirement Benefits	30
Note 16 Contingent Liabilities and Assets	34



**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

## **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 are prepared in line with The Local Authority Accounts (Scotland) Regulations 2014.

### **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 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.

### **Corporate Plan**

The Corporate Plan is currently in the process of being updated and will be published in Autumn.

### **Electoral Registration**

Individual Electoral Registration, which was introduced in 2014-15, is now out of its transition phase, although the return to "business as usual" is not without potential for change that may be accompanied by additional costs. Consultations are already in place in respect of on-going developments. Although some financial assistance may be available, this cannot be guaranteed.

### **Valuation**

During 2015/16 the main focus of work has been preparing for the forthcoming Revaluation of Non Domestic property which comes into effect on the 1st of April 2017. This has involved a bulk issue of forms, following up non returners and missing information followed by analysis of this information to set the levels of value for the revaluation. Valuation staff have successfully completed the majority of the analysis with the valuations of bulk class subjects such as Shops, Offices and Industrial subjects almost complete. Over the coming months the focus will shift to the more complex subjects requiring to be re-valued. All 10,000+ subjects in the Valuation Roll require to have their new values to be sent to the Scottish Government by the Autumn of 2016.

The Revaluation of Telecoms Subjects is a costly exercise, largely arising from the cost of harmonisation across UK with regular meeting in London between SAA, VOA, the Telecoms

## **Renfrewshire Valuation Joint Board Annual Accounts 2015/16**

Companies and Economic Advisors. Significant (hundreds of millions of pounds) values are involved and the risk from not properly resourcing the work would be inaccurate and/or unsustainable valuations. The Assessor for Renfrewshire is the "Designated Assessor" for Fixed Line Telecoms throughout Scotland and these Values are entered at the end of the Valuation Roll for the Renfrewshire Council Area.

Alongside the non-domestic work the Council Tax List has to be maintained with the addition of new houses, deletion of demolished houses and any appeal work which arises throughout the year. There may be a surge in these appeals due to the changes announced by the Scottish Government to the amounts payable by the higher bands of council tax. This work will require to be absorbed into business as usual for the foreseeable future.

### **Performance**

The time taken to enter new houses into the Valuation (Council Tax) list narrowly missed the performance target of 99.5% within 6 months due to circumstances out with the control of RVJB. However, the average number of days to add a new house has come down considerably in the past 9 years.

The full details of the performance report can be found in the link below.

[Link to Performance Report](#)

### **Financial Performance**

#### **Revenue**

The Comprehensive Income and Expenditure Account on page 18 summarises the total costs of providing services and the income available to fund those services.

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

The Joint Board has returned a deficit of £124,735 for the financial year 2015/16, compared to a budgeted deficit of £41,100, returning an overspend of £83,635. This overspend 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 (£150,000) and accrued employee benefits £1,991. 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 (£4,101).

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

	Budget £	Actual £	Variance £
Employee Costs	1,796,900	1,972,197	(175,297)
Property Costs	240,900	241,539	(639)
Payments to Other Bodies	12,500	18,010	(5,510)
Supplies and Services	65,100	93,365	(28,265)
Contractors & Others	25,000	5,189	19,811
Administrative Costs	282,600	403,795	(121,195)
<b>Total Expenditure</b>	<b>2,423,000</b>	<b>2,734,095</b>	<b>(311,095)</b>
Requisition Income	(2,281,800)	(2,281,800)	-
Sales, Fees and Charges	(9,100)	(16,513)	7,413
Other Income	(91,000)	(311,047)	220,047
<b>Total Income</b>	<b>(2,381,900)</b>	<b>(2,609,360)</b>	<b>227,460</b>
<b>(Surplus)/Deficit for Year</b>	<b>41,100</b>	<b>124,735</b>	<b>(83,635)</b>

The overspend in Employee Costs is due to additional canvassing work as a result of the roll out of the Individual Electoral Registration (IER) Scheme and staff overtime worked in the lead up to the Scottish Parliamentary Election. In January 2015 the Board authorised the Assessor to carry out a review of the staffing structure and approved the utilisation of balances to meet the costs of any subsequent VR/VER arrangements. Following the completion of this exercise two members of staff have been released on Voluntary Early Retirement (VER) with a resultant draw on reserves of £99,737.

An IT specialist on secondment from Renfrewshire Council to help develop the Electoral Management System (EMS) for IER has resulted in the overspend in Payments to Other Bodies

The overspend in Supplies and Services is due to the IT costs related to gaining PSN accreditation.

Consultation fees in relation to valuation appeals have been lower than anticipated leading to the underspend in Contractors and Others, this is anticipated to increase next year.

The overspend in Administration Costs is due to additional printing and postage costs in relation to the annual canvass combined with business as usual registrations. This overspend is offset by an over recovery in Other Income in respect of IER as noted below.

The over recovery in Other Income relates to income received from the Cabinet Office and Scottish Government for Individual Electoral Registration (IER), Electoral Management System (EMS) development costs and changes to the franchise for the Scottish Parliament Election.

### **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 includes the revenue reserve balance of £466,704.

### **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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Net Pension Position**

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15. The appointed actuaries have confirmed a net liability position of £2.786 million, a decrease of £1.180 million in their assessment of the position of the pension fund. This improvement is a net result of an increase in the net discount rate over the period which outweighed lower than expected asset returns. 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.

**Events after the Balance Sheet Date**

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

**Impact of Economic Climate and Future Developments**

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 a reduced requisition level for 2016/17. However, the impact of this reduction may result in the curtailment of certain projects, such as working with the local High Schools to encourage registration of young voters and attendance at various Youth Group meetings and Private Landlord Forums etc.

Previous performance in excess of KPIs may be affected as the full effect of undertaking the Revaluation while carrying out two Polls within a very short period of time and then a further Canvass in the summer of 2016 become apparent.

**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 Board 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 19 August 2016.

Signed on behalf of Renfrewshire Valuation Joint Board:

### **Councillor Sam Mullin**

Convenor  
19 August 2016

### **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 2016.

### **Alan Russell CPFA**

Treasurer  
19 August 2016

## **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. An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines,
- A register of interest is in place and updated on an annual basis.

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,

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 as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

## Renfrewshire Valuation Joint Board Annual Accounts 2015/16

### 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 reasonable 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

An internal Governance Working Group has been formed and meets regularly with an extensive agenda reporting to the SMT.

The monthly Senior Management Team meetings have had their agenda altered to include an item for governance updating and policy review. A programme of continuous review of the Board's policies and procedures is included within this agenda item.

A Forward Planner has been devised to timetable items into the year and serves as a checklist for managing governance issues and reporting protocols.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**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

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

## 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.

2014/15	Senior Employees		2015/16		
Total	Name	Post Held	Salary, fees and allowances	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
89,341	Alasdair MacTaggart (i)	Assessor & Electoral Registration Officer	99,540	-	99,540
68,205	Kate Crawford	Depute Assessor & Electoral Registration Officer	69,418	-	69,418
<b>157,546</b>	<b>Total</b>		<b>168,958</b>	<b>-</b>	<b>168,958</b>

Notes

(i) Salaries Fees and Allowances for Alasdair MacTaggart include £7,452 of backdated payments in relation to prior year Chief Officers pay awards.

### 3. Pension rights

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

From 1<sup>st</sup> April 2015 benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

2014/15	Member contribution rates on earnings in the bands below	2015/16
Up to £20,335	5.5%	Up to £20,500
£20,336 to £24,853	7.25%	£20,501 to £25,000
£24,854 to £34,096	8.5%	£25,001 to £34,400
£34,097 to £45,393	9.5%	£34,401 to £45,800
Over £45,394	12%	Over £45,801

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

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

The 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 as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		Pension contributions made by RVJB during 2015-2016
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	£
Alasdair MacTaggart	Assessor & Electoral Registration Officer	0.049	0.113	+0.004	+0.003	19,212
Kate Crawford	Depute Assessor & Electoral Registration Officer	-	-	-	-	-
<b>Total</b>		<b>0.049</b>	<b>0.113</b>	<b>+0.004</b>	<b>+0.003</b>	<b>19,212</b>

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

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**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 2015/16, in bands of £5,000.

2014/15 Number of employees	Remuneration Band	2015/16 Number of employees
1	£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	-
1	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	1
<u>3</u>		<u>3</u>

**5. Exit Packages**

Renfrewshire Valuation Joint Board has agreed two exit packages in 2015-16 as detailed in the table below. The exit packages agreed were all on a voluntary basis with no compulsory redundancies.

The total exit package costs in the table below include redundancy, pension strain and compensatory lump sum payments; and also the notional capitalised costs of compensatory added years. These notional costs are not based on actual costs but are the estimated present value of projected costs over the lifetime of the individuals in receipt of the exit package based on the following assumptions:

	2014/15	2015/16
Future Life Expectancy at age 65 - males	24.8 years	24.8 years
Future Life Expectancy at age 65 - females	26.2 years	26.2 years
Pension Increase Rate	2.4%	2.2%
Discount Rate	3.2%	3.5%

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

2014/15		Exit package cost	2015/16	
Number of departures agreed	Total cost of exit packages in each band £m		Number of departures agreed	Total cost of exit packages in each band £m
-	-	£0 - £20,000	-	-
-	-	£20,001 - £40,000	-	-
-	-	£40,001 - £60,000	1	0.043
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
-	-	£100,001 - £150,000	1	0.117
-	-	£150,001 - £200,000	-	-
-	-	£200,001 - £250,000	-	-
-	-	£250,001 - £300,000	-	-
-	-	£300,001 - £350,000	-	-
-	-		2	0.160

**Councillor Sam Mullin**  
Convenor

**Alasdair MacTaggart**  
Assessor and Electoral Registration Officer

## **Independent Auditors Report**

### **Annual Accounts 2015-16**

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

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

#### **Respective responsibilities of the treasurer and auditor**

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

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**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

19 August 2016

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Movement in Reserves Statement for the year ended 31 March 2016**

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 2014 carried forward</b>		-	(2,443,000)	(56,972)	(2,499,972)
<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>
<i>Movement in reserves during 2015-16</i>					
Surplus or (deficit) on the provision of services		(402,745)			(402,745)
Other comprehensive income and expenditure	6b		1,460,000		1,460,000
<b>Total comprehensive income and expenditure</b>		<b>(402,745)</b>	<b>1,460,000</b>	<b>-</b>	<b>1,057,255</b>
Adjustments between accounting basis and funding basis under regulations	6a & 6b	278,009	(280,000)	1,991	-
Transfer from Creditors	6a	591,440			591,440
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>466,704</b>	<b>1,180,000</b>	<b>1,991</b>	<b>1,648,695</b>
Transfers to or (from) other statutory reserves					-
Transfer to creditors	12	(466,704)			(466,704)
<b>Increase or (decrease) in 2015-16</b>		<b>-</b>	<b>1,180,000</b>	<b>1,991</b>	<b>1,181,991</b>
<b>Balance at 31 March 2016 carried forward</b>		<b>-</b>	<b>(2,786,000)</b>	<b>(37,972)</b>	<b>(2,823,972)</b>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Comprehensive Income and Expenditure Statement for the year ended 31  
March 2016**

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>2014/15</b>		<b>Note</b>	<b>2015/16</b>
£			£
1,862,865	Employee Costs		2,120,206
248,592	Property Costs		241,539
178,269	Supplies & Services		93,365
15,474	Contractors		5,189
409,462	Administration Costs		403,796
21,514	Payments to Other Bodies		18,010
<b>2,736,176</b>	<b>Cost of Services</b>		<b>2,882,105</b>
(19,757)	Sales, Fees & Charges		(16,513)
(477,277)	Other Income		(306,946)
103,200	Financing & Investment Income and Expenditure	8	125,899
(2,281,800)	Requisitions from Members Authorities	13	(2,281,800)
<b>60,542</b>	<b>(Surplus) or deficit on the provision of services</b>		<b>402,745</b>
1,318,000	Actuarial (Gains) or losses on pension assets and liabilities	15a	(1,460,000)
<b>1,318,000</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(1,460,000)</b>
<b>1,378,542</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(1,057,255)</b>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Balance Sheet as at 31 March 2016**

The **balance sheet** shows the value as at 31 March 2016 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 2015</b>		<b>Note</b>	<b>31st March 2016</b>
£			£
	<b><u>Current Assets</u></b>		
727,907	Funds held by Renfrewshire Council		636,277
20,017	Debtors and Prepayments	10	18,401
100	Cash in Hand		100
<u>748,024</u>			<u>654,778</u>
	<b><u>less Current Liabilities</u></b>		
(787,987)	Creditors And Accruals	11	(692,751)
<u>(39,963)</u>	<b>Net Assets Excluding Pension (Liability)/Asset</b>		<u>(37,972)</u>
	<b><u>Long Term Liabilities</u></b>		
(3,966,000)	Pension (liability)/Asset	15c	(2,786,000)
<u>(4,005,963)</u>	<b>Net (Liabilities)/Asset Including Pension</b>		<u>(2,823,972)</u>
	<b><u>Represented by:</u></b>		
	<b>Revenue Reserves</b>		
	<b>Useable Reserves</b>		
591,440	Balance due to Member Authorities		466,704
(591,440)	Transfer to Creditors	12	(466,704)
	<b>Unuseable Reserves</b>		
(39,963)	Employee Statutory Adjustment Account	6c	(37,972)
(3,966,000)	Pension Reserve	6b	(2,786,000)
<u>(4,005,963)</u>			<u>(2,823,972)</u>

The audited accounts were issued on 19 August 2016. Balance sheet signed by:

**Alan Russell CPFA**  
Treasurer  
19 August 2016

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Cash flow Statement for the year ended 31 March 2016**

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.

2014/15 £		2015/16 £
	<b>Operating Activities</b>	
	<b>Cash Inflows</b>	
(2,903,218)	Sale of goods and rendering of services	(2,551,626)
(3,800)	Interest received	(4,101)
<b>(2,907,018)</b>	<b>Cash inflows generated from operating activities</b>	<b>(2,555,727)</b>
	<b>Cash Outflows</b>	
1,523,045	Cash paid to and on behalf of employees	1,583,895
911,629	Cash paid to suppliers of goods and services	687,449
239,328	Other payments for operating activities	376,013
<b>2,674,002</b>	<b>Cash outflows generated from operating activities</b>	<b>2,647,357</b>
<b>(233,016)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>91,630</b>
494,991	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	728,007
728,007	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	636,377
<b>(233,016)</b>	<b>Net cash (inflow)/outflow in cash and cash equivalents in year</b>	<b>91,630</b>

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

The Financial Statements for the year ended 31 March 2016 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 2015/16, (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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

- 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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

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 15 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.

## Renfrewshire Valuation Joint Board Annual Accounts 2015/16

### 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 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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

## 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

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/2017 code:

- Amendment to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiatives)
- Changes to the format of the Comprehensive Income and Expenditure Statement

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/2016 financial statements.

## 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.
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## 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 2016 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 £1.562 million. However, the assumptions interact in complex ways. During 2015/16, the appointed actuaries advised that the net pensions liability had decreased by £1.460 million attributable to updating of the assumptions.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**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 2016, 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.

On 23 June the result of the referendum on membership of the European Union was a majority vote to leave. The UK Government would cease its EU membership from the date of agreement or, failing that, within two years of the notification under Article 50 process to negotiate the terms of the UK's exit, with the possibility of extending this time frame with the agreement of the other 27 member states. There is no immediate impact on the RVJB, however, the referendum result has created uncertainty in various areas, for example, employment legislation, procurement, pension liabilities and many more. It is not currently possible to comment on the impact that this may have on the medium term for the RVJB.

**Note 6 Details of Movement in Reserves**

**a. Revenue Reserve**

2014/15		2015/16
£		£
(463,991)	Balance as at 1 April	(591,440)
(205,000)	Transfer to pension reserve	(280,000)
17,009	Transfer to employee statutory adjustment account	1,991
60,542	(Surplus) or Deficit on provision of services (from the Comprehensive Income & Expenditure Account)	402,745
<b><u>(591,440)</u></b>	<b>Balance as at 31 March</b>	<b><u>(466,704)</u></b>

**b. Pension Reserve**

2014/15		2015/16
£		£
(2,443,000)	Balance as at 1 April	(3,966,000)
(1,318,000)	Actuarial Gains and Losses (see note 15)	1,460,000
(205,000)	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	(280,000)
<b><u>(3,966,000)</u></b>	<b>Balance as at 31 March</b>	<b><u>(2,786,000)</u></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.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**c. Employee Statutory Adjustment Account**

2014/15		2015/16
£		£
(56,972)	Balance as at 1 April	(39,963)
56,972	Reversal of prior year accrual for short-term accumulating compensated absences	39,963
(39,963)	Recognition of the accrual for short-term accumulating compensating absences at 31 March	(37,972)
<b><u>(39,963)</u></b>	<b>Balance as at 31 March</b>	<b><u>(37,972)</u></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 £278,009 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.

2014/15		2015/16
£		£
	<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>	
(437,000)	Net charges made for retirement benefits in accordance with IAS19	(515,000)
17,009	Net charges for employment short-term accumulating absences	1,991
<u>(419,991)</u>		<u>(513,009)</u>
	<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>	
<u>232,000</u>	Employers contributions payable to the Strathclyde Pension Fund	<u>235,000</u>
<u>(187,991)</u>	<b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>	<u>(278,009)</u>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Note 8 Financing & Investment Income**

2014/15		2015/16
£		£
(3,800)	Interest on Balances	(4,101)
107,000	Pension Interest Cost	130,000
<b>103,200</b>	<b>Total Financing and Investment Income</b>	<b>125,899</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. A previous agreement with Inverclyde Council to rent office space within their Customer Service Centre in Greenock ended in August 2015. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £55,581 (2014/15 £57,000).

2014/15		2015/16
£		£
	Future Minimum Lease Payments	
57,000	- not later than one year	55,000
228,000	- later than one year and not later than five years	165,000
-	- later than five years	-
<b>285,000</b>	<b>Total</b>	<b>220,000</b>

**Note 10 Debtors**

31st March 2015		31st March 2016
£		£
1,764	Other local authorities	-
18,253	Other Entities and Individuals	18,401
<b>20,017</b>	<b>Total short term debtors</b>	<b>18,401</b>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**Note 11 Creditors**

31st March 2015 £		31st March 2016 £
51,030	Central government bodies	-
592,624	Other local authorities	466,704
39,963	Short Term Accumulating Absences	37,972
92,020	Accrued Payrolls	149,828
12,350	Other entities and individuals	38,246
<b><u>787,987</u></b>	<b>Total short term creditors</b>	<b><u>692,751</u></b>

**Note 12 Transfer to Creditors**

2014/15 £		2015/16 £
<b><u>591,440</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>466,704</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. As approved by the Joint Board in February 2000, the relative allocation of the requisition across constituent authorities is adjusted each year in line with relative proportions of Grant Aided Expenditure as issued by the Scottish Government.

2014/15 £	Council	Percentage	2015/16 £
463,200	East Renfrewshire	20.5%	467,800
540,800	Inverclyde	23.3%	531,700
<u>1,277,800</u>	Renfrewshire	<u>56.2%</u>	<u>1,282,300</u>
<b>2,281,800</b>	<b>Total</b>	<b>100.0%</b>	<b>2,281,800</b>

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 2016 was £106,770 (2014/15 £106,770).

#### **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 2015-2016 were £7,090 (£7,090 in 2014/15). There were no fees paid to Audit Scotland in respect of any other services.

#### **Note 15 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.

##### **15a. 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 2015/16**

The following transactions have been made in the accounting statements in 2015/16:

2014/15 £	Note	2015/16 £
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
330,000	(i)	385,000
-		-
-	(ii)	-
330,000		385,000
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
107,000	(iii)	130,000
437,000		515,000
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
(667,000)		64,000
1,985,000		(1,426,000)
-		(98,000)
1,318,000		(1,460,000)
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
1,755,000		(945,000)
Movement in Reserves Statement		
(1,523,000)	(iv)	1,180,000
232,000		235,000
<b>Employers Contributions paid to Strathclyde Pension Fund</b>		

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 (£280,000).

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

The Joint Board is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2015/16 these amounted to £4,634 (2014/15 £5,148). In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £1.460 million are included in the Movement in Reserves Statement (2014/15 £1.318 million loss). The cumulative amount of actuarial losses is £2.949 million (2014/15 £4.409 million).

**15b. 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:

2014/15		2015/16
£000		£000
12,298	Opening present value	14,799
330	Current service cost	385
528	Interest Cost	476
78	Employee Contributions	79
	Remeasurement (gains)/losses:	
1,985	Actuarial (gains)/losses arising from changes in financial assumptions	(1,524)
-	Other (gains)/losses	-
(420)	Benefits Paid	(336)
<b>14,799</b>	<b>Closing present value of scheme liabilities</b>	<b>13,879</b>

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

2014/15		2015/16
£000		£000
9,855	Opening Fair Value	10,833
421	Interest Income	346
	Remeasurement gain/(loss):	
667	Return on assets excluding amounts included in net interest	(64)
232	Contributions from employer	235
78	Contributions from employee	79
(420)	Benefits Paid	(336)
<b>10,833</b>	<b>Closing fair value of scheme assets</b>	<b>11,093</b>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

**15c. Fund history**

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present Value of Liabilities	(9,327)	(11,234)	(12,298)	(14,799)	(13,879)
Fair value of assets	7,915	9,243	9,855	10,833	11,093
<b>Surplus/(deficit) in the scheme</b>	<b>(1,412)</b>	<b>(1,991)</b>	<b>(2,443)</b>	<b>(3,966)</b>	<b>(2,786)</b>

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

The total liability of £2.786 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 2017 is £0.235 million.

**15d. 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 2014.

The principal assumptions used by the actuary have been:

31st March 2015	Year Ended:	31st March 2016
<b>Mortality assumptions</b>		
	Longevity at 65 for current pensioners	
22.1 years	• Men	22.1 years
23.6 years	• Women	23.6 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	24.8 years
26.2 years	• Women	26.2 years
4.3%	Rate of increase in salaries*	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	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%

**Renfrewshire Valuation Joint Board  
Annual Accounts 2015/16**

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

<b>31st March 2015 £000</b>		<b>Percentage</b>	<b>31st March 2016 £000</b>
	<b>Equity Securities</b>		
1,024	Consumer	9.4%	1,040
817	Manufacturing	7.5%	831
322	Energy and Utilities	2.9%	327
753	Financial Institutions	6.9%	765
440	Health and Care	4.0%	448
623	Information Technology	5.7%	633
<b>3,979</b>	<b>Total Equity</b>	<b>36.5%</b>	<b>4,044</b>
	<b>Private Equity</b>		
1,054	All	9.7%	1,079
<b>1,054</b>	<b>Total Private Equity</b>	<b>9.7%</b>	<b>1,079</b>
	<b>Real Estate</b>		
990	UK Property	10.7%	1,192
-	Overseas Property	0.0%	-
<b>990</b>	<b>Total Real Estate</b>	<b>10.7%</b>	<b>1,192</b>
	<b>Investment Funds &amp; Unit Trusts</b>		
3,108	Equities	26.0%	2,879
1,372	Bonds	12.2%	1,354
4	Commodities	0.0%	4
37	Infrastructure	0.0%	0
20	Other	1.4%	156
<b>4,541</b>	<b>Total Investment Funds &amp; Unit Trusts</b>	<b>39.6%</b>	<b>4,393</b>
	<b>Derivatives</b>		
-	Inflation	0.0%	-
-	Interest Rate	0.0%	-
-	Foreign Exchange	0.0%	-
3	Other	0.0%	3
<b>3</b>	<b>Total Derivatives</b>	<b>0.0%</b>	<b>3</b>
	<b>Cash &amp; Cash Equivalents</b>		
266	All	3.4%	382
<b>266</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>3.4%</b>	<b>382</b>
<b>10,833</b>	<b>Total</b>	<b>100%</b>	<b>11,093</b>

**15e. 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 to 2017-18.

**Note 16 Contingent Liabilities and Assets**

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



# Renfrewshire Valuation Joint Board

Proposed 2015/16 Annual  
audit report to Members  
and the Controller of Audit

9 August 2016

## 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/about/](http://www.audit-scotland.gov.uk/about/)).

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

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

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.

## Contents

Key messages .....	3
Introduction .....	4
Audit of the 2015/16 financial statements.....	5
Financial management and sustainability .....	8
Governance and transparency .....	13
Best Value and performance .....	16
Appendix I: Significant audit risks .....	18
Appendix II: Summary of local audit reports 2015/16 .....	20
Appendix III: Summary of Audit Scotland national reports 2015/16 .....	21
Appendix IV: Action plan .....	22

# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- No significant adjustments to the financial statements as a result of the audit.

## Financial management and sustainability

- RVJB is financially sustainable in the short to medium-term. In previous years we have reported on the high level of reserves. In 2015/16 RVJB used reserves to fund costs of voluntary severance and 2016/17 budget includes planned use of reserves. Reserves as at 31 March 2017 are forecast at 14% of core turnover, a level seen as prudent to protect against unforeseen costs.
- A review of non-requisition income and scenario planning over the medium to long-term would improve financial management.

## Governance and transparency

- Systems of internal control operated effectively but disaster recovery arrangements to be completed.
- Internal audit concluded reasonable assurance over systems of internal control
- Meetings and papers are open to the public.

## Outlook

- A new corporate plan is being finalised. In the meantime focus over the coming months will be completing the revaluation of all non-domestic properties by the 30 September 2016.
- Good financial management remains a priority as requisitions decrease by 3% (after remaining at the same level for the previous three years) and funding from the Cabinet Office decreases.

# Introduction

summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.

1. This report is a summary of our findings arising from the 2015/16 audit of Renfrewshire Valuation Joint Board (RVJB). The report is divided into sections which reflect our public sector audit model.
2. The management of RVJB 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,
  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. The RVJB 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.
  9. 2015/16 is the final year of the current five-year audit appointment. From 2016/17 the auditor of RVJB will be a new Audit Scotland team. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

# Audit of the 2015/16 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"><li>• We have completed our audit of the RVJB and issued an unqualified independent auditor's report.</li></ul>
<b>Going concern</b>	<ul style="list-style-type: none"><li>• The financial statements of the RVJB have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the RVJB's ability to continue as a going concern.</li></ul>
<b>Other information</b>	<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

10. We received the unaudited financial statements on 13 May 2016 and working papers in June, in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team which assisted the delivery of the audit to deadline.

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

11. 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 presented to the Audit Committee on 20 May 2016.

12. 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 2015/16 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.

13. 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.

14. 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

15. 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).

16. 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.

17. 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 2015/16 at £25,400 (one per cent of gross expenditure). Performance materiality was calculated at

£19,000, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

18. On receipt of the financial statements we reviewed our materiality levels. Materiality remained at one per cent but all pension costs were now included in the calculation. Therefore materiality increased to £30,165 and performance materiality to £22,625. We report all misstatements greater than £1,000.

## Evaluation of misstatements

19. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.
20. 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. One small financial error was identified and the financial statements changed; the effect of the adjustment was to decrease the cost of services, and increase prepayments by £4,388.

## Significant findings from the audit

21. 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.
22. There are no matters, other than those set out elsewhere in this report, to which we wish to draw to your attention.

## **Future accounting and auditing developments**

### **Code of Audit Practice**

23. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Financial sustainability.
  - Financial management.
  - Governance and transparency.
  - Value for money.
24. In addition, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial management and sustainability



## Financial management

25. In this section we comment on the RVJB's financial outcomes and assess the council's financial management arrangements.
26. RVJB sets an annual budget to meet its service and other commitments for the forthcoming financial year. Regular monitoring

of expenditure and income against agreed budgets is central to effective financial management.

## Financial outcomes

27. RVJB incurred an accounting deficit on the provision of services of £0.403m, as shown in the Comprehensive Income and Expenditure Statement (CIES). In the CIES, cost of services increased from £2.736m to £2.882m, a 5% increase. The main increase from

2014/15 is on employee costs. This is due to additional canvassing work as a result of the roll out of IER, staff overtime in the lead up to Scottish Parliamentary elections and a result of two members of staff being released under a voluntary early retirement exercise.

**28.** The deficit as presented in the management commentary (and in the table above), of £0.125m 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.

**29.** RVJB planned for a deficit of £0.041m but the final deficit was £0.125m and is higher primarily due to voluntary retirement costs. In previous years we reported on the high level of reserves and in January 2016 members approved to use reserves to meet the costs associated with voluntary severance.

### Financial management arrangements

- 30.** As auditors, we need to consider whether RVJB have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the proper officer has sufficient status within the RVJB to be able to deliver good financial management
  - financial regulations are comprehensive, current and promoted within the 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
- members provide a good level of challenge and question budget holders on significant variances.

**31.** We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the RVJB complies with the statement's five principles.

**32.** We reviewed the RVJB's financial regulations, which were last revised in August 2014, and concluded that they are comprehensive and current. The financial regulations, along with Joint Board meeting papers and minutes, are available on Renfrewshire Council's website.

**33.** 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. The accounts include details of final outturn to budget.

**34.** As shown at **Exhibit 1** below, there has been a trend in recent years in the over-recovery of Other Income, with actual exceeding the budget amount quite considerably. The majority of other income is for recovery of costs for specific projects and in particular Individual Electoral Registration (IER).

**35.** We recommend RVJB review the budget setting process for *Other Income* to see if they can find a process which would bring the

budget figure more in line with the expected activity and recovery of costs. For 2016/17, there is now a separate budget for IER.

**Appendix IV – action plan point 1**

**Exhibit 1: Other Income**

As at 31 March	2015/16	2014/15	2013/14	2012/13
Budget	£91,000	£175,200	£3,000	£3,000
Actual	£311,047	£481,077	£181,656	£192,981
Variance	£220,047	£305,877	£178,656	£189,981

Source: Renfrewshire Valuation Joint Board Accounts 2013/14 – 2015/16

**Financial sustainability**

36. 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
- investment in services and assets is effective.

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

**Balance due to Local Authorities**

38. 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.
39. In previous years we have reported on the high level of reserves and note the overall level of unallocated reserves held by RVJB has decreased by £0.125m (21%). The closing balance of £0.467m is 19% of 2016/17 budgeted expenditure. The projected closing balance as at 31 March 2017 is 14% of core turnover which officers assess as being a prudent level to protect against unforeseen costs.

**Exhibit 2: Reserves/balances due to Local Authorities**

As at 31 March	2017 projected	2016	2015	2014
Balance	£336,590	£466,704	£591,440	£463,991

Source: Renfrewshire Valuation Joint Board Accounts 2013/14 – 2015/16

**Pension liability**

40. The net liability on RVJB's balance sheet decreased from £4.006m in 2014/15 to £2.824m in 2015/16, a reduction of £1.182m. The principal reason for this decrease is the £1.180m decrease in the pension liability from £3.966m to £2.786m.

41. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.
42. 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.

### Financial planning

43. RVJB approved its 2016/17 budget in January 2016 with budgeted expenditure £2.487m.
44. RVJB has decreased the requisitions from member authorities in 2016/17 by 3%, meaning that the requisition income for 2016/17 is £2.213m. The difference between income and expenditure will be met by drawing down £0.110m from the reserves balance.

45. In June 2014, Audit Scotland reported on [Scotland's public finances](#) and identified that public bodies "face increasingly difficult choices in reducing spending while maintaining service standards and meeting rising demand". The report identified that financial planning improvements were required by public bodies.



46. In the [local government overview](#) report in March 2016, Audit Scotland set out some key questions. These include the following:

- Do we have a long-term financial strategy covering at least five years that accounts for future pressures?
- Is our five-year strategy supported by detailed financial plans covering a minimum period of three years?
- How well do our financial plans set out the implications of different levels of income spending and activity?
- How does our financial strategy link to our vision for the future?

47. Local Government bodies continue to have their overall budgets reduced each year which will likely have a consequential impact on the level of requisition funding available to the Joint Board over the medium term. At present, only the local government grant settlement position for 2016/17 has been announced by the Scottish Government, meaning that RVJB has published a budget for financial year 2016/17 only.

48. RVJB anticipates it will need to identify further recurrent savings from 2017/18 and the Assessor will undertake a further review of the service in order to identify saving options.

49. We recommend that in the absence of longer term financial settlements, scenario planning is carried out to assess the savings options being identified.

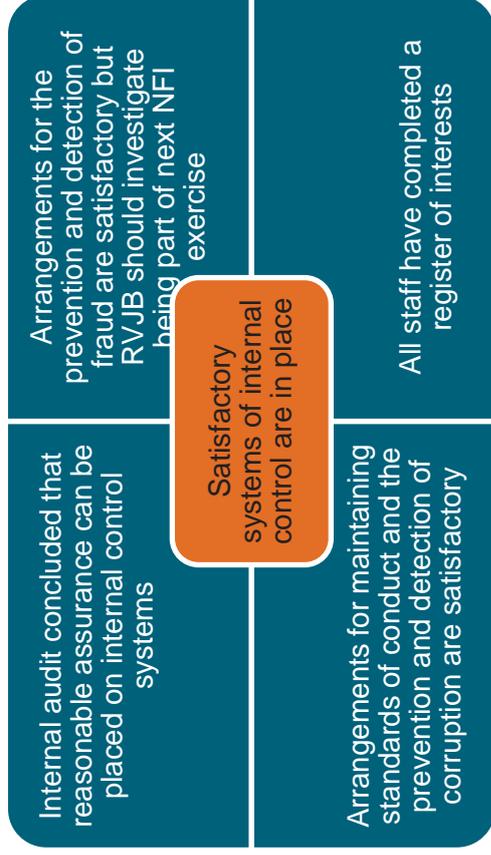


### Appendix IV – action plan point 2

## **Conclusion on financial sustainability**

50. RVJB has a strong level of reserves and has affordable short term financial plans in place through using the reserves. Overall we conclude that the financial position is sustainable in the short and medium term although reductions in requisition income, at the same time that Cabinet Office funding is reducing, will place a strain on the RVJB's capacity to deliver services at the current levels.

# Governance and transparency



to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources. Overall we concluded that the RVJB is open and transparent although there are some areas where practices could be improved.

## Internal control

- 53. 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.
- 54. 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
- 55. Internal audit issued two reports for 2015/16: an assurance audit on the valuation system, which concluded that control environment was operating satisfactorily and the Annual Report 2015/16 where reasonable assurance was provided on the adequacy and effectiveness of RVJB's internal control, risk management and governance arrangements.

## Internal audit

- 56. Internal audit provides members and management of the RVJB with independent assurance on risk management, internal control and

- 51. Members and management of the 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.
- 52. Citizens should be able to hold the RVJB to account about the services it provides. Transparency means that citizens have access

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.

57. 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. Per our audit plan, in respect of our wider governance and performance audit work we reviewed the findings of internal audit's annual report and review of the valuation system, as noted above.

## Public Service Network and ICT

58. RVJB achieved PSN accreditation in October 2014 and successfully renewed this for a second year in October 2015.
59. Our 2013/14 Annual Report on the audit 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 has agreed a new disaster recovery plan under PSN guidelines and are partnering with Renfrewshire Council on putting in place final arrangements.

### Appendix IV – action plan point 3 and 4

## Risk Management

60. A review of the risk management strategy was presented to members in May 2016 and risk register will be submitted to the Joint Board in August 2016.

## Arrangements for the prevention and detection of fraud

61. 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, but could be improved by participating in the National Fraud Initiative (NFI). No system can eliminate the risk of fraud entirely.
62. RVJB is not part of this year's NFI; 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>.
63. We recommend RVJB liaise with Renfrewshire Council Internal Audit (who manage the process for Renfrewshire Council) and consider being involved in the next exercise in 2016/17.

### Appendix IV – action plan point 5

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

expenditure and income clearly linked to budgeted figures, as described in the management commentary.

64. The arrangements for the prevention and detection of corruption in RVJB are satisfactory. During 2015/16 all members of staff completed a register of interest and these are available on request from RVJB. We are not aware of any specific issues that we need to record in this report.

## Transparency

65. When assessing transparency we consider questions such as:
- Financial statements; clarity, presentation, clutter etc.
  - Budget monitoring reports.
  - Performance reporting see PABV assessments of councils.
  - Excessive use of “exclusion of press and public” under 1973 Act.
  - Are registers of interest available on the website.
  - Website.
  - Have we encountered any evidence to suggest that information is routinely and unjustifiably withheld from public scrutiny.
66. 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

# Best Value and performance

67. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The RVJB 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 and corporate plan

68. 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 ended on 31 December 2015 and the challenge is now to move the IER project into standard part of RVJB's work.

69. 2015 was the final year of the five year Service Statement 2010/2015 by the Assessor and Electoral Registration Officer.

70. As noted in our annual audit plan, a new corporate plan was being prepared and this will be submitted to the August 2016 Joint Board meeting along with the business continuity plan.

## Overview of performance targets in 2015/16

71. One of key tasks RVJB has been involved in during 2015/16 is in the preparation of the 2017 Non Domestic Rating Revaluation which comes into effect on the 1st April 2017. Valuations have been carried out for the majority of all retail, office and industrial subjects throughout each of the three local authority areas, which equates to 65% of the total valuation roll. Focus over the coming months will be to complete valuations of the remaining properties.

72. 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.

### Exhibit 3: Time taken to register new houses

Time taken to enter new houses into the Valuation (Council Tax) List – Period 1st April 2015 to 31st March 2016

Council Area	No. Added	Within 3 months	Between 3 & 6 months	More than 6 months
Renfrewshire	757	735	10	12
East Renfrewshire	261	256	5	0
Inverclyde	225	221	4	0
<b>Total</b>	<b>1243</b>	<b>1212</b>	<b>19</b>	<b>12</b>

73. 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 98.47%. The 1,243 houses added in the year was higher than previous years figures (947 in 2014/15, 1,019 in 2013/14) and the average number of days taken to add a house to the valuation list was 26.68 days, within the 38 day target.

### **National performance audit reports**

74. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued specifically covering local government topics. These are outlined in [appendix III](#). The Depute Assessor and Divisional Assessor attend the Scottish Assessors Association Governance Committee where reports of interest (including relevant Audit Scotland reports) are discussed and information disseminated. Any key risks are then shared with the Joint Board by the Depute Assessor.

### **Outlook**

75. Focus over the coming months will be carrying out valuations on the remaining category of subjects working toward the goal of having all properties revalued by the 30 September 2016.

76. On top of this, good financial management will continue to be a priority in 2016/17. Requisition levels have decreased by 3% for 2016/17, a reduction of £0.069m from previous years.



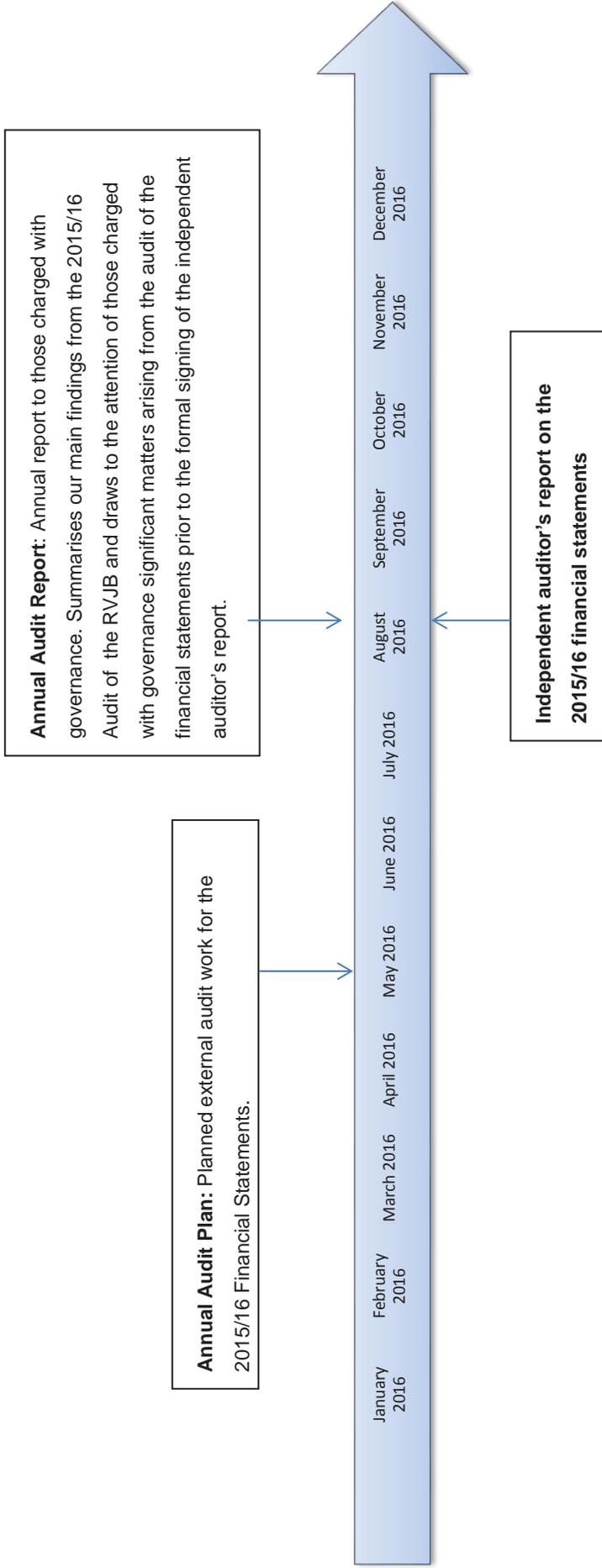
# Appendix I: Significant audit risks

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.

Audit Risk		Assurance procedure	Results and conclusions
<p><b>Risk of material misstatement</b></p> <p><b>Risk of management override of control</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p><b>Risk</b></p> <p>Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<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>No issues have arisen as part of our audit work that would indicate management override of controls affecting the outcome or year-end position.</li> <li>Testing on exit packages satisfactory.</li> </ul>	
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>			
<p><b>Corporate Plan</b></p> <p>There is no formal updated corporate plan which has been provided to members; the previous plan being Future business challenges 2012-2015.</p> <p><b>Risk</b></p>	<ul style="list-style-type: none"> <li>Review calendar of governance requirements.</li> <li>Review corporate plan when issued and provide an update in the annual report on the audit.</li> </ul>	<ul style="list-style-type: none"> <li>A corporate plan has been prepared and will be submitted to the Joint Board at its August 2016 meeting.</li> </ul>	

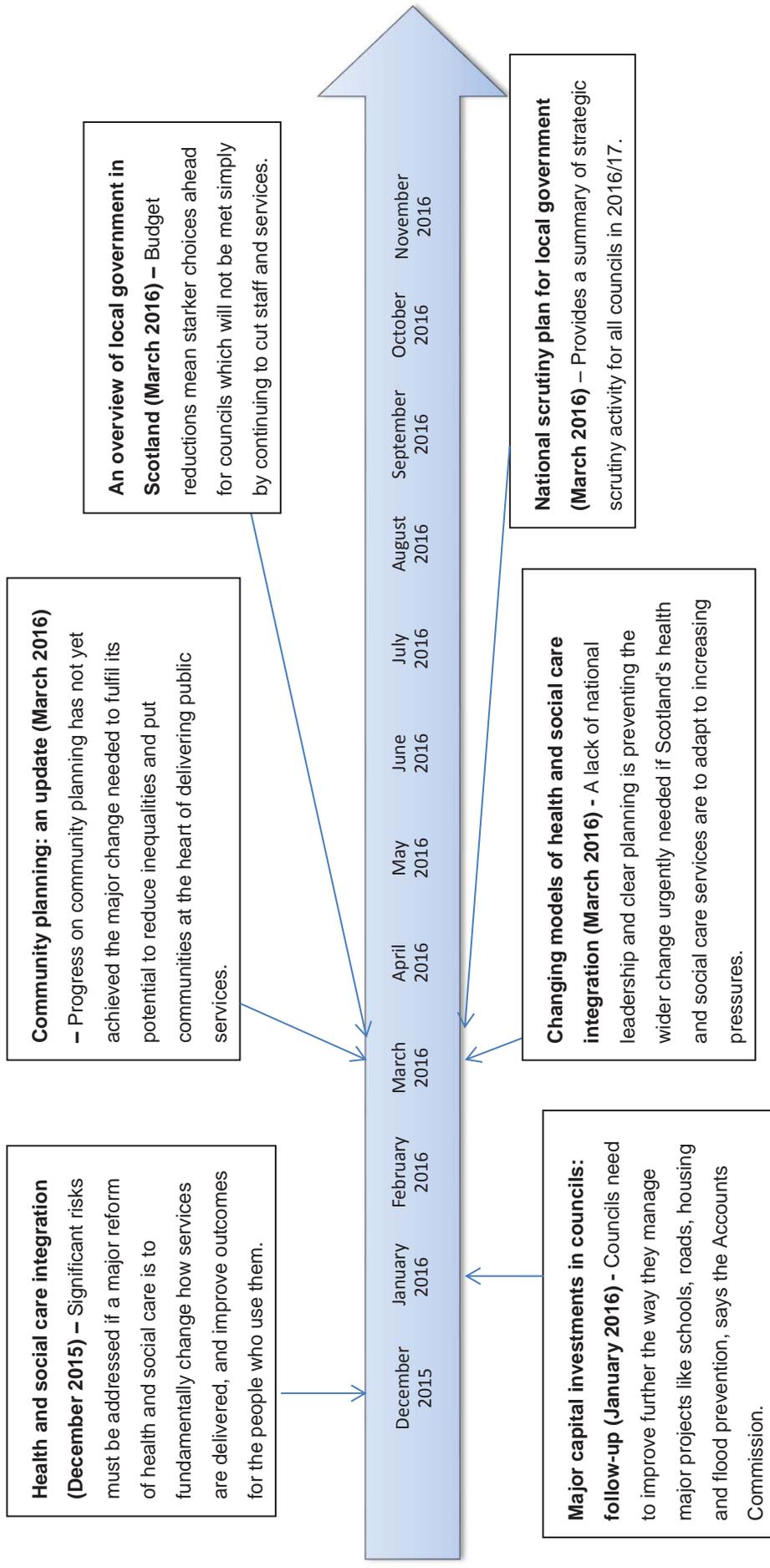
Audit Risk	Assurance procedure	Results and conclusions
<p>Without a plan, there is a risk there is no clear statement of priorities for services and improvement, nor clear information about how RVJB will address significant issues in the context of other priorities and challenges.</p>		
<p><b>Financial Sustainability</b></p> <p>Financial reports to members explain that with uncertainty over future funding settlements, it is still forecast that savings will need to be made into 2017/18; income will be reducing as requisitions decrease but there are increasing pressures on costs.</p> <p><b>Risk</b></p> <p>A reduction in requisition budgets could mean that RVJB is unable to provide its current level of service in future years.</p>	<ul style="list-style-type: none"> <li>Review of financial monitoring reports during the year and comment on the financial position within our annual report on the audit.</li> </ul>	<ul style="list-style-type: none"> <li>RVJB has a strong level of reserves and has affordable short term financial plans in place through using the reserves. Overall we conclude that the financial position is sustainable in the short and medium term although reductions in requisition income, at the same time that Cabinet Office funding is reducing, will place a strain on the RVJB's capacity to deliver services at the current levels.</li> </ul>

# Appendix II: Summary of local audit reports 2015/16





# Appendix III: Summary of Audit Scotland national reports 2015/16





# Appendix IV: Action plan

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer/Target date
<b>Actions from 2015/16</b>				
1.	35	<p><b>Budgets for Other income</b></p> <p>In recent years Other income (ie non-requisition income) has been significantly different from that budgeted.</p> <p>There is a risk that the budgets are not reflecting all the different work and level of activity at RVJB and budgets not being clear to members.</p> <p><b>Recommendation</b></p> <p>We recommend the budget process is reviewed to better identify all anticipated third party funding for projects.</p>	<p>Budget monitoring reports are taken to each meeting of the Joint Board and contain updates on non-requisition income.</p> <p>Budget process for 2017/18 will review process for identifying and estimating non-requisition income.</p>	<p>Treasurer and Assessor</p> <p>31 December 2016</p>
2.	49	<p><b>Medium-term financial planning</b></p> <p>Only budget details for 2016/17 have been published. No medium or long term plans have been provided to members with options or scenarios on savings or service options.</p> <p>There is a risk there is insufficient information to inform decision-making.</p> <p><b>Recommendation</b></p> <p>We recommend that scenario planning is carried out and key messages from that planning presented to members.</p>	<p>We considered there was too much uncertainty for future funding to set indicative budgets for 2017/18 onwards. Implications of funding changes are discussed between senior officers and finance team.</p> <p>We will review longer-term plan once 2017/18 settlement becomes available.</p>	<p>Treasurer and Assessor</p> <p>31 December 2016</p>

No. Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer/Target date
<b>Update on actions from 2014/15 Annual Report on the audit</b>			
3.	<p><b>PSN connection</b></p> <p>RVJB were PSN accredited in October 2014 and completed a separate connection. The final stage is for Renfrewshire Council to separate RVJB from the council PSN connection but this work has to take place.</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> RVJB work with Renfrewshire Council officers and agree a timetable for RVJB to be disconnected from council PSN.</p>	<p>RVJB was re-accredited in 2015/16.</p> <p>Renfrewshire Council is responsible for PSN connection.</p> <p>The Depute Assessor is investigating alternative means of connections for PSN. RVJB has its own connection, which has been tested and has a fall-back position to the Department of Work and Pensions.</p>	Depute Assessor 31 July 2017

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer/Target date
4.	59	<p><b>Disaster Recovery</b> 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> 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> Implementation plans are prepared which include timetable for testing disaster recovery plans.</p>	<p>RVJB back-up is with Renfrewshire Council. Plans are being formalised for sharing Renfrewshire Council's proposed cloud-based site. Business continuity report is being submitted to the Joint Board in August 2016.</p>	Depute Assessor 30 May 2017
5.	63	<p><b>National Fraud Initiative</b> RVJB has not been included in the NFI counter fraud exercise in recent years and there is a risk that fraud cases are being missed.</p> <p><b>Recommendation</b> We recommend that senior officers liaise with Renfrewshire Council internal audit to put in place arrangements to be part of the next exercise.</p>	Assessor will liaise with internal audit to plan for RVJB to be included in the next NFI exercise.	Assessor Chief Internal Auditor 31 October 2016

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer/Target date
6.	64	<p><b>Register of interests</b> The register of interests is not available on-line.</p> <p><b>Risk</b> 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> The register of interests is put onto RVJB website.</p>	Register of interest is now in place for all staff and available on request.	-
7.	74	<p><b>Audit Scotland National Reports</b> There is no formal process in place to review Audit Scotland national reports pertinent to RVJB. There is a risk that RVJB miss out on lessons learned from other audits across local government.</p> <p><b>Recommendation</b> Audit Scotland reports are reviewed by officers and summary information or lessons learned disseminated to members.</p>	Depute Assessor and Divisional Assessor attend the Scottish Assessors Association Governance Committee where reports of interest (including relevant Audit Scotland reports) are discussed and information disseminated. Any key risks are then shared with the Joint Board by the Depute Assessor.	-