

# Report

**4**

Report to:	<b>Lanarkshire Valuation Joint Board</b>
Date of Meeting:	<b>4 September 2017</b>
Report by:	<b>Treasurer to Lanarkshire Valuation Joint Board</b>

Subject:	<b>Audited Accounts 2016/17 and External Auditor's Report to the Board</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ Advise members of the outcome of the audit by the Board's external auditor, Audit Scotland, and
- ◆ Advise members of the requirement to approve the Audited Accounts for 2016/2017 for signature.

## **2. Recommendation(s)**

2.1. The Board is asked to approve the following recommendations:-

- (1) that it be noted that the Accounts 2016/2017 received a clean audit certificate (section 4.3);
- (2) that the audited Accounts 2016/2017, be approved for signature (Appendix 1); and
- (3) that it be noted that the Accounts 2016/2017 will be advertised as being available to the general public (section 4.4).

## **3. Background**

3.1. The Board's external auditor, Audit Scotland, is required to supply an audit certificate outlining the findings of the audit process undertaken in relation to the Accounts 2016/17.

3.2. Following the publication of The Local Authority Accounts (Scotland) Regulations 2014, the members of the Board have to meet to consider whether to approve the audited Accounts for signature, no later than the 30 September 2017. The members are also required to have regard to any report made or advice provided on the Accounts by the auditor.

## **4. Audited Accounts**

4.1. As noted in 3.2. above, members are now required to approve the audited Accounts for signature. Appendix 1 attached provides a copy of the Accounts for members' consideration.

- 4.2. As detailed in a previous report, the Board's current external auditors, Audit Scotland, have completed an audit which extends across the 2016/17 Accounts and related matters.
- 4.3. In summary, the report provides a clean audit certificate. It also provides actions which will be progressed during 2017/18. These are as detailed in the Auditor's report.
- 4.4. Copies of the audited Accounts 2016/17 are available on request from Finance Services, Floor 4, Council Offices, Almada Street, Hamilton. Copies will also be available in the Assessor's office at the Hamilton Academicals' Stadium and on the Lanarkshire Valuation Joint Board's website.

## **5. Employee Implications**

- 5.1. None

## **6. Financial Implications**

- 6.1. The financial details of the auditor's report are contained within sections 4 above. The audit report confirms that there are no changes to the final reported position, including utilisation of monies carried forward, previously reported to the Board (26 June 2017).

## **7. Other Implications**

- 7.1. The main risk associated with the Board's Annual Report and Accounts is a qualified audit report. The risk was minimised by the detailed preparation in relation to the year end process and training undertaken by key finance staff. Finance and the Board's staff work together to achieve key deadlines and actions set from timetables. This has resulted in a clean audit certificate.
- 7.2. There are no implications for sustainability in terms of the information contained in this report.

## **8 Equality Impact Assessment and Consultation Arrangements**

- 8.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 8.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**  
**Treasurer**

25 August 2017

## **Previous References**

- ◆ None

### **List of Background Papers**

- ◆ Lanarkshire Valuation Joint Board Annual Report and Accounts 2016/17 and External Auditor's report

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

***LANARKSHIRE VALUATION JOINT BOARD***

***ANNUAL ACCOUNTS***

***2016/2017***



# LANARKSHIRE VALUATION JOINT BOARD

## ANNUAL ACCOUNTS 2016/2017

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## **Introduction by the Convener of Lanarkshire Valuation Joint Board**

This is my last year of five as Convener of the Board, I would like to express my grateful thanks to the Assessor and all related staff for their efforts during 2016/2017 – the year to 31 March 2017 has again been a busy year for both Board members and staff.

I would like to take the opportunity to commend the work carried out by the Assessor and his staff during my time as Convenor. Major changes have taken place including the introduction of Individual Electoral Registration, the biggest change to how people register to vote in over 100 years, and major electoral events resulting in unprecedented registration activity, including the lowering of the age to register to include 16 and 17 year olds. Implementation of these changes and the day to day running of the service have been undertaken in a time of continual budgetary pressures, and all involved have done a great job.

I would also like to express my thanks to the staff of South Lanarkshire Council, as the lead authority, for continuing to provide an efficient support service to the Board.

North and South Lanarkshire Council Board members have continued to work together to ensure that effective decision making has again been undertaken during the financial year.

As I finish my role, I would like to take this opportunity to wish the Board every success in its efforts to effectively fulfil all of its duties to the benefit of the citizens of Lanarkshire.

**Councillor John Cairney**  
**Convener – Lanarkshire Valuation Joint Board**

## **Management Commentary 2016/2017**

### **Introduction**

The Management Commentary of the Lanarkshire Valuation Joint Board will provide the reader with information on the environment in which the Board operates and on the Board's performance, both operationally and in financial terms.

The following commentary relates to the 2016/2017 financial year, a period which proved yet again to be very challenging with increased workload in relation to the annual canvass of electors as a result of the introduction of Individual Electoral Registration (IER), and the requirement to complete a full scale revaluation of non domestic properties, all against the continued backdrop of budgetary pressures.

### **Mission and Vision**

Mission:

As an independent Local Government organisation, Lanarkshire Valuation Joint Board's mission is to deliver equitable, customer focussed, professional valuation and electoral services to all stakeholders.

Vision:

Our vision is to deliver quality, efficient services to all service users, ensuring completeness and accuracy in the work which we undertake.

In order that we fulfil our Mission and achieve our Vision we will:-

- Ensure that our services are delivered in accordance with all statutory requirements
- Plan service development and delivery in accordance with the principles of efficient government and continuous improvement
- Undertake customer care surveys to assist us in improving our service delivery
- Recognise our employees as both stakeholders and our most important asset
- Take individual and collective responsibility for the services provided by Lanarkshire Valuation Joint Board
- Encourage innovation and recognise achievement within the organisation
- Monitor and report performance levels to stakeholders
- Integrate Equalities issues into all aspects of our service provision
- Undertake our duties having regard to sustainability
- Build on our achievements to date

## **Principal Activities**

The principal activities carried out in 2016/2017 within the three main business areas of the Board were as follows;

**Electoral registration** – within the electoral registration service delivery area, in addition to a number of by elections throughout 2016/2017, there was the referendum of membership of the European Union held in June 2016, another major electoral event for the Board's staff to manage. Again the extensive work undertaken by staff as part of the implementation of Individual Electoral registration (IER) resulted in the efficient and effective delivery of that election. The annual canvass of electors began in autumn 2016 and continues to be, due to the introduction of IER (introduced in Scotland in September 2014), resource intensive and very onerous, principally due to the number of households which now require to be visited. The annual canvass was completed in time for the publication of the new electoral registers on 1 December 2016. There is also the added challenge at the annual canvass of the requirement to capture 16 and 17 year olds as part of the extension to the electoral registration franchise for Scottish elections.

**Non Domestic Valuation** – within the valuation service delivery area, a large proportion of staff's time was allocated to the 2017 non domestic revaluation which was completed in time for the issue of the revaluation notices on 15 March 2017. The notices advised proprietors, tenants and occupiers of entries in the valuation roll of their new rateable values which came into effect from 1 April 2017. In Lanarkshire, the number of valuation roll entries revalued amounted to circa 19,800, with the additional responsibility of revaluing electricity subjects in accordance with the Non-Domestic Rating (Valuation of Utilities) (Scotland) Order 2005. Engagement was undertaken with stakeholders throughout the revaluation project, including presentations to the Scottish Renewables Forum and the Lanarkshire Valuation Appeal Panel. The Revaluation project impacted on the performance with regards to undertaking alterations to the valuation roll, albeit less of an impact as has previously been the case in corresponding periods at previous non domestic revaluations.

In respect of non domestic appeal activity, there continued to be a steady number of running roll appeals, some of which proceeded to a full hearing of a committee of the Lanarkshire Valuation Appeal Panel. Decisions of committees of the Lanarkshire Valuation Appeal Panel in connection with non domestic appeals continue to be displayed on the Panel's website ([www.lvap.org](http://www.lvap.org)).

**Council Tax** – with regards to workload associated with council tax, 2016/2017 again saw an increase in the number of new dwellings being entered in the Valuation List and a slight decrease in the number of band changes as a result of a dwelling being materially altered and subsequently sold. In respect of council tax appeals, a steady number of cases proceeded through the year to a full hearing by a committee of the Lanarkshire Valuation Appeal Panel.



## Operational Performance

During 2016/17 the Board continued with its commitment to the 'Mission and Vision' statements. They illustrate our continuing emphasis on the services provided by the Joint Board to the people of Lanarkshire, and reflect our commitment to continuous improvement in accordance with the Best Value process. For our valuation service, performance is measured against Key Performance Indicators which have been agreed with the Scottish Government. Performance in each of our key business areas for 2016/2017 is set out below.

### The Valuation Roll (Non Domestic Rating)

The Valuation Roll is a document which sets out the rateable values of all non-domestic properties in the valuation area. The rateable values shown in the Valuation Roll are used by local authorities as the basis for the calculation of non-domestic rates bills. The Valuation Roll for Lanarkshire in 2016/2017 contained, as at 1 April 2016, 19,654 properties.

During the year to 31 March 2017 some 1,197 alterations were made to the Valuation Roll, excluding alterations made as a result of appeal settlements. As at 31 March 2017, there were some 19,819 entries in the Valuation Roll with a rateable value of around £942 million. The following table illustrates the performance in 2016/17 set against in-house targets together with the previous year's performance:

Period	2016/17 Target	2016/17 Actual	2015/16 Previous Year
Within 3 months	75%	72%	85%
Within 6 months	92%	87%	95%

Performance is down from 2015/16, however, as has been the case with corresponding periods from previous non domestic revaluations, the work involved in undertaking a full revaluation has an impact on this service delivery area. There is no doubt that the workload associated with the revaluation, together with budgetary pressures, combined with the difficulty experienced in retaining and recruiting qualified staff, posed a major challenge with regards to maintaining the valuation roll throughout 2016/2017.

Notwithstanding this, following consultation with LVJB's management team, and after considering the anticipated workload for the coming period in particular now that the revaluation is complete, internal targets have been increased slightly for 2017/2018 as follows:

Alter Valuation Roll within 3 months	77%
Alter Valuation Roll within 6 months	92%

## **The Valuation List (Council Tax)**

This list shows the addresses of all domestic properties and the allocated Council Tax Band, which is based on the market value of the property as at April 1991. Local Authorities use these bands to calculate annual council tax bills.

During 2016/2017, our staff added 2,372 new dwellings to the Council Tax List. As at 31 March 2017, the list contained 324,294 entries (including domestic garages). Additionally, in accordance with The Council Tax (Alteration of Lists and Appeals) (Scotland) Regulations 1993, some 173 council tax entries had their band increased as a result of a material increase in the value of the dwelling (essentially due to substantial alterations being carried out) and the subsequent sale of the property.

The following table illustrates the performance for 2016/2017 set against in-house targets and previous years' performance:

Period	2016/17 Target	<b>2016/17 Actual</b>	2015/16 Previous Year
Within 3 months	85%	<b>96%</b>	98%
Within 6 months	92%	<b>99%</b>	99%

Whilst performance was down slightly from 2015/2016, the benefits of the separate council tax sections, set up a few years ago to address the workload challenges associated with maintaining the Valuation List for Council Tax, continue to be realised, particularly given that staff from these sections were also involved in the non domestic revaluation.

Following consultations with LVJB's management team, and after consideration of the anticipated workload for 2017/18, with particular consideration to performance achieved in a year preceding a non domestic revaluation, internal targets have been increased slightly with regards to entering new houses in the Council Tax list within 3 months as follows:

New houses added to Council Tax List within 3 months	87%
New houses added to Council Tax List within 6 months	92%

## **The Electoral Register**

The Electoral Register is a list of people eligible to vote at elections and at 31 March 2017 contained over 500,000 electors.

The introduction of Individual Electoral Registration continues to result in the requirement to undertake comprehensive door to door visits as part of the annual canvass of electors. The project involved expanding our pool of canvassers from around 80 to approximately 250, with more households requiring to be visited than would have been the case with previous canvasses. The principal reason for this was the removal of the ability to data match electors from other data sources in order that they could remain on the electoral register.

As part of the 2016 canvass project, circa 302,000 households were issued with a household enquiry form, followed by approximately 188,000 postal reminders. Following the period allowed for postal reminders to be returned, some 110,000 households were visited. On publication of the revised registers on 1<sup>st</sup> December 2016, approximately 78% of households had made a return.

Whilst the canvass costs escalated, principally as a result of the comprehensive door to door visits required, these costs were covered by the UK Cabinet Office as part of the centralised funding in connection with the move from a household electoral registration system to one of individual registration. Our staff worked tirelessly to ensure that both the onerous canvass project was complete in time for the publication of the revised registers, and also to ensure that as many electors as possible who were not matched to the Department of Works and Pensions database were contacted to make certain that they had every opportunity to remain on the electoral register.

Rolling Registration activity, introduced in 2000 to assist in maintaining the Electoral Register, ensuring that it is as up to date as possible, continued throughout 2016/2017 with the bulk of registration applications coming via the central government online registration system ([www.gov.uk/register-to-vote](http://www.gov.uk/register-to-vote)). Staff have been working on initiatives to capture 16 and 17 year olds as part of the extension of the electoral registration franchise for Scottish elections.

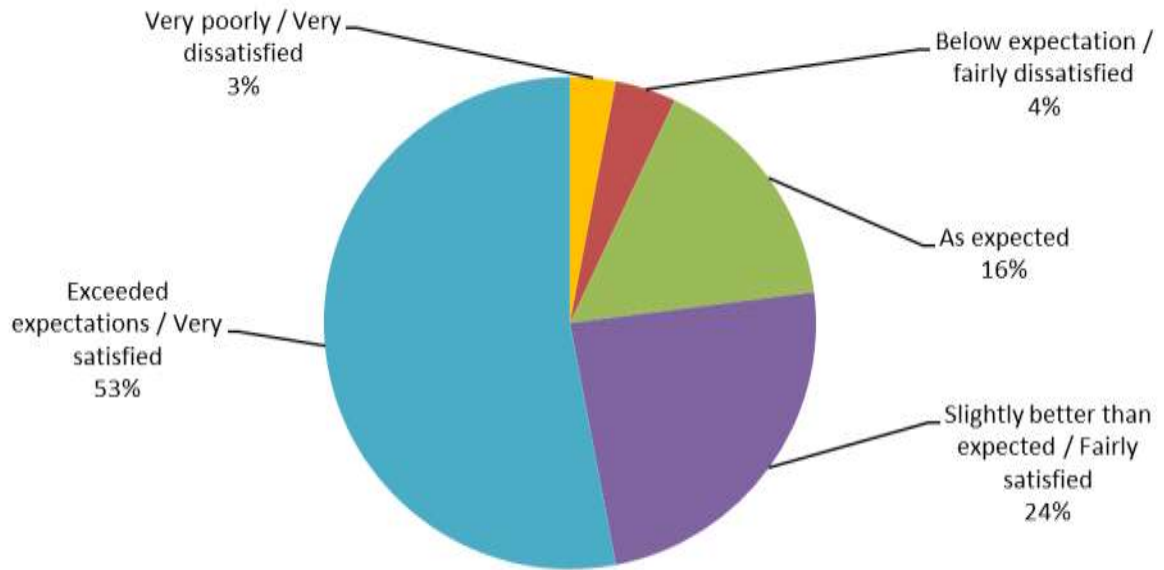
### **Customer Satisfaction**

Users of the Joint Board's services are sampled at random for their comments on the service Lanarkshire Valuation Joint Board provides. The questionnaires include a section on gender, ethnicity and disability to enable service monitoring on equalities issues.

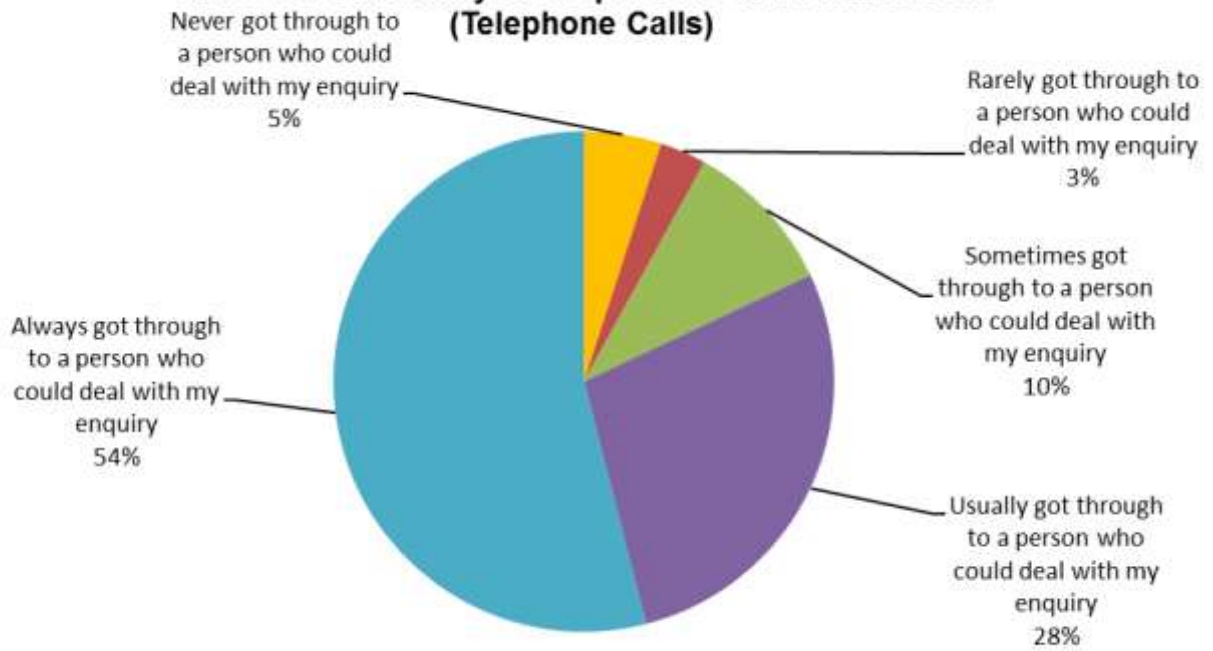
If you receive such a questionnaire, please take the time to complete it and respond. The results of these questionnaire returns are important to us and your comments are used to assist development of Lanarkshire Valuation Joint Board services to meet the needs of our customers.

Results from the 2016/17 Customer Satisfaction Survey are contained in the graphs overleaf:

### Customer Care Analysis 1 April 2016 to 31 March 2017



### Customer Care Analysis 1 April 2016 to 31 March 2017 (Telephone Calls)



## **Financial Performance**

The Comprehensive Income and Expenditure Statement and its accompanying notes and statements summarise the costs and sources of funding in carrying out the Board's activities.

For 2016/2017, the Revenue Expenditure results for the Board show a bottom line Net Operating Deficit of £3.365m (page 17). This is negated by accounting entries which leave the Board with a balanced Comprehensive Income and Expenditure Statement at the end of the financial year. The creditor balance brought forward from 2015/16 included £0.356m of monies owed to the constituent authorities. As a result of operating activity in 2016/2017, this creditor has decreased to £0.276m and is detailed in Note 8 to the Financial Statements (page 33). This shows a positive financial performance for the Board in terms of controllable expenditure.

A significant proportion of the Board's expenditure incurred was in respect of Employee Costs (£2.930m, 69.15%).

To comply with the International Accounting Standard 19, the Board's Statement of Accounts disclose certain information concerning assets and liabilities related to pension schemes for its employees. This is explained in Note 1 to the Financial Statements.

The major element of the Board's income is in respect of the requisitions levied on North and South Lanarkshire Councils who contribute to the estimated expenditure of the Board. This contribution totalled £3.686m in 2016/17 per Note 5 to the Financial Statement (page 32).

There is no movement in cash for 2016/2017, as the cumulative underspend is invested in South Lanarkshire Council's Loans Fund. This reflects the practical arrangement that exists between the Board and South Lanarkshire Council where the Council's Loans Fund lends or borrows according to the required cash flow and activities of the Board.

The Statement of Accounting Policies details the policies implemented when compiling and presenting the Comprehensive Income and Expenditure Statement, Balance Sheet and related statements. The accounting policies are those recommended by the Code of Practice on Local Authority Accounting in Great Britain, as supported by the International Accounting Standards.

The Statement of Responsibilities advises that the Executive Director of Finance and Corporate Resources of South Lanarkshire Council is designated Treasurer to the Board and is responsible for the proper administration of the Board's financial affairs. Full details of the Treasurer's responsibilities are included in this statement.

The cumulative balance at the end of the year, which is available to the constituent authorities on a 50:50 basis, will be held by the Board, on behalf of the authorities, for utilisation in future years. These monies are reflected as a creditor balance on the Balance Sheet as owing to the constituent authorities.

From a financial perspective, the budget for 2017/2018 has been agreed by the Board. The Board has set a budget of £4.097m utilising £0.188m from the balances held on behalf of constituent authorities. This allows these accounts to be prepared on a going concern basis.

The statutory arrangements for funding the long term deficit in respect of the net pension liability, supports the preparation of these accounts on a going concern basis.

## **Conclusion and Future Outlook**

2016/2017 again proved to be very challenging for our organisation, with increased workload and in turn service delivery demands across both electoral registration and valuation service delivery areas against a backdrop of continued budgetary pressures. These demands have placed some strain on service provision, however both electoral and valuation service delivery areas have responded well to the demands. Staff responded very well to the challenge of undertaking a full non domestic revaluation, a significant undertaking for our valuation service delivery area, whilst within our electoral registration service delivery area staff again coped admirably with the onerous annual canvass of electors project.

With regards to non domestic valuation, whilst performance levels were down from 2015/2016, this is not unusual in a period involving a full non domestic revaluation. Whilst staff have improved performance in maintaining the valuation roll in a year preceding a revaluation, it was ambitious to maintain the in house target for alterations to the valuation roll for 2016/2017 in line with 2015/2016. Without the preparatory work associated with a revaluation required to be undertaken for the forthcoming period, in house targets have been slightly increased for 2017/2018, however these will have to be reviewed further once the full position is known with regards to the volume of appeals received in connection with the non domestic revaluation. The retention and recruitment of suitably qualified Valuers is expected to pose a challenge for the organisation going forward.

In relation to Council Tax, 2016/2017 saw an increase in the number of houses being entered into the Valuation List, whereas there was a slight decrease in changes to bandings as a result of a sale of a dwelling following significant alteration. Staff have again performed very well in dealing with all the council tax workload throughout the period.

In Electoral Registration, the biggest challenge continued to be the annual canvass of electors, in particular the requirement to carry out house visits to all non responders. The capturing of young people's details in connection with the change in franchise for voting at Scottish elections, adds a different dimension to the challenges faced by our electoral registration service delivery area, one that again proves to be resource intensive. Staff continue to cope well with these challenges, however as funding continues to be squeezed, meeting these challenges will become increasingly more difficult. LVJB's management team will continue to actively review all methods of how we deliver our services with a view to maintaining high levels of efficiency, whilst ensuring that all statutory undertakings are met. Adequate funding from the UK Cabinet Office will be key to ensuring that the continued challenges posed by the introduction of IER, and in particular the ability to undertake another comprehensive door to door annual canvass of electors, is successfully met.

The Board and its staff will continue to work closely with North and South Lanarkshire Councils, the Scottish Assessors' Association through its various standing committees and working groups, and all other stakeholders to ensure that shared services are delivered where appropriate, and principally that service users of Lanarkshire Valuation Joint Board receive equitable, customer focused professional services from our organisation.

## **Web Site**

The Board's web site ([www.lanarkshire-vjb.gov.uk](http://www.lanarkshire-vjb.gov.uk)) includes a host of useful information. There is the facility to download application forms relating to Electoral Registration. Additionally, the site contains useful information on the Assessor's functions and the processes involved in making appeals against entries in the Valuation Roll and Council Tax List. The web site is compatible with mobile devices.

The web site has useful links to North and South Lanarkshire Council's web sites, and to the Scottish Assessor's Association Portal ([www.saa.gov.uk](http://www.saa.gov.uk)), which provides a single point access to Non-Domestic Rating, Council Tax and Electoral Registration information on a Scotland-wide basis.

## **Equal Opportunities**

Lanarkshire Valuation Joint Board is committed to achieving equal opportunities in all aspects of our business and in relationships with our service users and other stakeholders. This means ensuring that services, facilities, and employment opportunities are accessible and receptive to the values and the diversity needs within the community. In meeting this commitment, we shall aim to prevent – as well as eliminate – any form of discrimination that occurs in the workplace or in service delivery. We also aim to provide good quality services which users can access freely without prejudice, discrimination and/or harassment. Details of our Equal Opportunities policy and our Mainstreaming Equalities report can be viewed on our website, together with our employee information report.

Further information on the Board's finances can be obtained from the Treasurer to the Board, Finance and Corporate Resources, Floor 4, Almada Street, Hamilton, ML3 0AA.

**Contacting Lanarkshire Valuation Joint Board**

**Address: Lanarkshire Valuation Joint Board**

**North Stand**

**Cadzow Avenue**

HAMILTON

ML3 0LU

Telephone: 01698 476000

Fax: 01698 476010

E-mail: [assessor@lanarkshire-vjb.gov.uk](mailto:assessor@lanarkshire-vjb.gov.uk)

Web site: [www.lanarkshire-vjb.gov.uk](http://www.lanarkshire-vjb.gov.uk)

**Paul Manning**

**Treasurer**

**Lanarkshire Valuation Joint Board**

**Gary Bennett**

**Assessor and Electoral Registration Officer**

**Lanarkshire Valuation Joint Board**



## **Annual Governance Statement 2016/2017**

This statement details the framework within which the Board operates to ensure that proper arrangements are in place for the governance of the Board's affairs. This framework allows effective exercise of the Board's functions but ensures that appropriate systems of internal control are in place and that there are arrangements in place for the management of risk.

### **Responsibility of the Board**

In delivering its aims and objectives, the 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.

In discharging this responsibility, the 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.

### **Governance Framework**

The Board operates a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate all risks. Therefore they can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are properly recorded, and material errors are either prevented or detected timeously.

The main features of our governance arrangements are:

- Clearly defined Standing Orders, Scheme of Delegation and Financial Regulations;
- Arrangements to manage risk, including a risk management strategy and Corporate Risk Register;
- Employee Code of Conduct and Disciplinary Procedures to manage employee related matters; and
- Regular public performance monitoring

As part of the overall control arrangements, the system of internal control is designed to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. This system is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by managers within the Board. In particular, the system includes:

- Financial management supported by Financial Regulations;
- Detailed budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure performance, including financial performance;
- The preparation of regular financial reports that compare actual expenditure and income against forecasts; and
- Defined capital expenditure guidelines

With South Lanarkshire Council as lead authority, all financial transactions of the Board are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of the Council. This includes regular reviews by the Council's Internal Audit Manager.

### **Review of Effectiveness**

The Board purchases an internal audit service from South Lanarkshire Council, through a Service Level Agreement. The role of Internal Audit is key to providing assurance that the core elements of the internal control framework are adhered to.

The internal audit service provided to the Board operates in accordance with the Public Sector Internal Audit Standards. An annual review is undertaken, including the review of key financial and operational systems, to investigate reported frauds and to assist in the management of risks. The annual programme of work is targeted at the areas of greatest risk.

The Internal Audit Manager provides an annual report to the Board and an audit opinion on the adequacy and effectiveness of the system of internal control. The annual report for 2016/2017 was presented to the Board on 24 June 2017. The Internal Audit Manager's annual assurance statement concluded that an adequate level of assurance can be placed on the adequacy and effectiveness of the Board's internal control systems.

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

CIPFA published the statement on the role of the Chief Financial Officer in 2010 and under the Code, the 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 Board's financial management arrangements comply with the principles set out in CIPFA's statement on the Role of the Chief Financial Officer.

### **Continuous Improvement**

As part of the annual audit review, recommendations are provided which not only assist management to improve their control environment, but also provide an assessment of the adequacy of existing systems and procedures, including highlighting any necessary improvements to maintain and improve the Board's governance arrangements going forward.

### **Assurance**

In conclusion, there were no significant weaknesses identified in the Annual Audit Report relating to improvements requiring action in 2016/2017. Systems are in place to continually review and improve the control environment and governance arrangements operated by the Board.

The effectiveness of governance is dependent on the actions of officers of the Board and by the work of Internal and External audit. It is the Board's view that the governance arrangements were effective during financial year 2016/2017.

**Gary Bennett BSc MSc AEA (Cert-Scotland) MRICS IRRV (Hons)**  
**Assessor and Electoral Registration Officer**  
**Lanarkshire Valuation Joint Board**  
**4 September 2017**

**Councillor John Cairney**  
**Convenor – Lanarkshire Valuation Joint Board**  
**4 September 2017**

## Expenditure and Funding Analysis Statement

The Expenditure and Funding Analysis Statement shows the expenditure and income figures reported to Lanarkshire Valuation Joint Board and, through a single adjustments column, reconciles it to the accounting figures presented in the Comprehensive Income and Expenditure Statement.

### Expenditure and Funding Analysis Statement 2015/2016

	<b>Net Exp. Chargeable to GF Balance (Period 14 Report)</b>	<b>Adj between Funding and Accounting Basis</b>	<b>Net Exp in CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	2,839	179	3,018
Property Costs	349	0	349
Supplies and Services	133	0	133
Administration Costs	777	14	791
Payments to Other Bodies	17	0	17
Financing Charges	10	0	10
Income	(4,105)	0	(4,105)
<b>Net Cost of Services</b>	<b>20</b>	<b>193</b>	<b>213</b>
Other Income and Expenditure	0	185	185
<b>Surplus or Deficit</b>	<b>20</b>	<b>378</b>	<b>398</b>
Transfer of Surplus / (Deficit) to Creditors	(20)	0	(20)
Actuarial Losses on pension liabilities	0	(2,553)	(2,553)
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(2,175)</b>	<b>(2,175)</b>

	<b>General Fund £000</b>
<b>Opening General Fund Balance</b>	<b>0</b>
Less/plus Surplus or Deficit on General Fund (per column 1 of EFA)	0
Transfers to/from other Reserves	0
<b>Closing General Fund Balance</b>	<b>0</b>

Expenditure and Funding Analysis Statement 2016/2017

	<b>Net Exp. Chargeable to GF Balance (Period 14 Report)</b>	<b>Adj between Funding and Accounting Basis</b>	<b>Net Exp in CIES</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	2,832	98	2,930
Property Costs	352	0	352
Supplies and Services	91	0	91
Administration Costs	824	12	836
Payments to Other Bodies	17	0	17
Financing Charges	11	0	11
Income	(4,047)	0	(4,047)
<b>Net Cost of Services</b>	<b>80</b>	<b>110</b>	<b>190</b>
Other Income and Expenditure	0	124	124
<b>Surplus or Deficit</b>	<b>80</b>	<b>234</b>	<b>314</b>
Transfer of Surplus / (Deficit) to Creditors	(80)	0	(80)
Actuarial Losses on pension liabilities	0	3,131	3,131
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>3,365</b>	<b>3,365</b>

	<b>General Fund £000</b>
<b>Opening General Fund Balance</b>	<b>0</b>
Less/plus Surplus or Deficit on General Fund (per column 1 of EFA)	0
Transfers to/from other Reserves	0
<b>Closing General Fund Balance</b>	<b>0</b>

## Comprehensive Income and Expenditure Statement for year ended 31 March 2017

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

<b>2015/16</b>		<b>2016/17</b>	note
<b>Actual</b>		<b>Actual</b>	
<b>£000</b>		<b>£000</b>	
3,018	Employee Costs	2,930	
349	Property Costs	352	
133	Supplies and Services	91	
791	Administration Costs	836	
17	Payment to Other Bodies	17	
10	Financing Charges	11	
<b>4,318</b>	<b>Total Expenditure</b>	<b>4,237</b>	
(4,105)	Income	(4,047)	
<b>213</b>	<b>Net Cost on Services</b>	<b>190</b>	
185	Financing and Investment Income and Expenditure	124	
<b>398</b>	<b>Deficit on the Provision of Services</b>	<b>314</b>	
(20)	Transfer of Surplus / (Deficit) to Creditors	(80)	8
(2,553)	Actuarial (Gains)/Losses on pension liabilities	3,131	1
<b>(2,175)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>3,365</b>	

## Balance Sheet as at 31 March 2017

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Valuation Board.

31 March 2016 £000		31 March 2017 £000	Note
	<b><u>Current Assets</u></b>		
24	Debtors	23	7
367	Cash and Cash Equivalents	291	6
<b>391</b>	<b><u>Total Assets</u></b>	<b>314</b>	
	<b><u>Current Liabilities</u></b>		
(401)	Creditors	(326)	8
(401)	<b>Total Current Liabilities</b>	(326)	
<b>(10)</b>	<b>Total Assets less Current Liabilities</b>	<b>(12)</b>	
	<b><u>Long Term Liabilities</u></b>		
(3,506)	Pension Liability	(6,869)	1
<b>(3,516)</b>	<b>Total Assets less Liabilities</b>	<b>(6,881)</b>	
	<b>Financed by :</b>		
	<b><u>Unusable Reserves</u></b>		
(3,506)	Pension Reserve	(6,869)	2
(10)	Accumulating Compensated Absences Reserve	(12)	2
<b>(3,516)</b>		<b>(6,881)</b>	

The notes on pages 14 to 36 form part of the financial statements.

The unaudited accounts were approved for issue by the board on 26 June 2017, and the audited accounts were authorised for issue on 4 September 2017. The audited accounts are signed on behalf of the Board by:

**Paul Manning**  
Treasurer - Lanarkshire Valuation Joint Board  
4 September 2017

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Valuation Board, analysed into usable reserves and unusable reserves.

	<b>General Fund Balance £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2015</b>	0	0	(5,691)	(5,691)
<b>Movement in Reserves during 2015/2016</b>				
Cost on the Provision of Services	(378)	(378)	0	(378)
Other Comprehensive Income and Expenditure	2,553	2,553	0	2,553
<b>Total Comprehensive Income and Expenditure</b>	2,175	2,175	0	2,175
Adjustment between Accounting Basis and funding Basis under Regulations	(2,175)	(2,175)	2,175	0
<b>Net Decrease before Transfers to/from Earmarked Reserves</b>	0	0	2,175	2,175
Transfers to/from Earmarked Reserves	0	0	0	0
<b>Increase in 2015/2016</b>	0	0	2,175	2,175
<b>Balance at 31 March 2016 carried forward</b>	<b>0</b>	<b>0</b>	<b>(3,516)</b>	<b>(3,516)</b>
	<b>General Fund Balance £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2016</b>	0	0	(3,516)	(3,516)
<b>Movement in Reserves during 2016/2017</b>				
Cost on the Provision of Services	(234)	(234)		(234)
Other Comprehensive Income and Expenditure	(3,131)	(3,131)		(3,131)
<b>Total Comprehensive Income and Expenditure</b>	(3,365)	(3,365)		(3,365)
Adjustment between Accounting Basis and funding Basis under Regulations	3,365	3,365	(3,365)	0
<b>Net Increase before Transfers to/from Earmarked Reserves</b>	0	0	(3,365)	(3,365)
Transfers to/from Earmarked Reserves	0	0	0	0
<b>Decrease in 2016/2017</b>	0	0	(3,365)	(3,365)
<b>Balance at 31 March 2017 carried forward</b>			<b>(6,881)</b>	<b>(6,881)</b>



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Board during the reporting period. The statement 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the Joint Board.

Investing activities represent the extent to which cash outflows have been made for resources which 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 (i.e. borrowing) to the Joint Board.

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
378	Net deficit/ (surplus) on the provision of services	234
(378)	Adjust net deficit or surplus on the provision of services for non cash movements (note 11)	(235)
1	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1
<b>1</b>	<b>Net cash flows from Operating Activities</b>	<b>0</b>
(26)	Investing Activities (note 10)	(76)
(25)	Net increase or decrease in cash and cash equivalents	(76)
392	Cash and cash equivalents at the beginning of the reporting period	367
<b>367</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>291</b>

## Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory statement of accounts.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Officers of Scottish Local Authorities. Circular CO/144 sets the amount of salary for Chief Officers.

Banding	Number of Employees 2016/17	Number of Employees 2015/16
£50,000 - £54,999	1	1
£55,000 - £59,999	2	1
£60,000 - £64,999	0	2
£65,000 - £69,999	2	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	1	0
£110,000 - £114,999	0	1

### Senior Officers

Name / Post	Salary / Fees	Expenses Allowance	Compensation For Loss of Office	Any Other Remuneration	2016/17 Total	2015/16 Total
G Bennett Assessor and Electoral Registration Officer	£109,143	0	0	0	£109,143	£111,930
D Combe Assistant Assessor and Electoral Registration Officer	£65,260	0	0	0	£65,260	£64,976
J Neason Assistant Assessor and Electoral Registration Officer	£65,458	0	0	0	£65,458	£64,807
<b>Total</b>	<b>£239,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>£239,861</b>	<b>£241,713</b>

The senior employees included in the table include any local authority (Board) employee:

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

## Councillors

The Convenor and Vice-convenor of the Lanarkshire Valuation Joint Board are remunerated by the Council of which they are a council member.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2015 (SSI Number 2015/7). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. These regulations also set out the amounts a councillor may be paid for being a convenor or vice-convenor of a Joint Board. This is inclusive of any amount payable to them as either a councillor or senior councillor.

The Board has an arrangement with each Council who remunerates the Convenor and Vice Convenor/s to reimburse the Council for the additional costs of that councillor arising from them being a Convenor or Vice-Convenor of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

Name / Post	Salary / Fees	Expenses Allowance	Compensation For Loss of Office	Any Other Remuneration	2016/17 Total	2015/16 Total
J Cairney Convenor	£4,794	0	0	0	£4,794	£4,171
M Ross Vice Convener (From 6 June 2016 to 31 March 2017)	£2,483	0	0	0	£2,483	£2,424
<b>Total</b>	<b>£7,277</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>£7,277</b>	<b>£6,595</b>

## Pension Rights

Pension benefits for councillors and Lanarkshire Valuation Joint Board (LVJB) employees are provided through the Local Government Pension Scheme (LGPS). Prior to 1 April 2015 for LVJB employees this was a final salary pension scheme. As of 1 April 2015, pension benefits for LVJB employees are based on career average pay. The employee's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay.

There are no pension rights applicable to the Convenor or Vice Convenors to the Board.

Name / Post		Accrued Pension Benefits March 2017	Movement in accrued pension benefits since 31 March 2016	Pension Contribution made by Board 2016/17	Pension Contribution made by Board 2015/16
G Bennett Assessor and Electoral Registration Officer	Pension Lump Sum	£48,628 £99,664	£2,722 £979	£21,065	£20,858
D Combe Assistant Assessor and Electoral Registration Officer	Pension Lump Sum	£34,019 £74,511	£1,672 £752	£12,569	£12,442
J Neason Assistant Assessor and Electoral Registration Officer	Pension Lump Sum	£30,999 £65,451	£1,641 £660	£12,569	£12,442
<b>Total</b>				<b>£46,203</b>	<b>£45,742</b>

Paul Manning  
Treasurer – Lanarkshire Valuation Joint Board  
4 September 2017

## **Notes to the Financial Statements**

### **1 Employee Pension Scheme**

Unfunded Pension payment of £23,000 relates to Unfunded Pension Payments and Enhanced Payments to Strathclyde Pensions Fund, this all relates to recurring costs.

In accordance with IAS 19 – Retirement Benefits the Valuation Board is required to disclose certain information concerning assets and liabilities related to pension schemes for its employees.

The Valuation Board is required to follow IFRS in accounting for pension costs. IAS 19 is therefore incorporated into the Code of Practice on Local Authority Accounting in the United Kingdom, as supported by the International Financial Reporting Standards (IFRS).

The assets and liabilities of the Board are provided for by the Board's Actuary (Hymans Robertson LLP). Future rates of employer contributions to the Scheme are also dictated by the Actuary and contained within Actuarial Valuation Reports.

Under the direction of the Accounting Code Of Practice (ACOP), as supported by the IFRS, the Board is required to disclose additional information in relation to Pension Costs as set out below.

#### **Participation in Pensions Schemes**

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

The Board participates in the Local Government Pension Scheme (Strathclyde Pension Fund) for civilian employees, administered by Glasgow City Council – this is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### **Transactions Relating to Retirement Benefits**

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
• current service cost	(493)	(575)
• past service gains	0	0
• Losses on Curtailments and Settlements	0	0
Financing and Investment Income and Expenditure		
• net interest expense	(124)	(185)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>(617)</u>	<u>(760)</u>
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
• expected return on pension fund assets	3,707	(109)
• actuarial gains and losses arising on changes in demographic assumptions	0	0
• actuarial gains or losses arising on changes on financial assumptions	(6,825)	2,504
• actuarial gains or losses arising on changes in other experience	(13)	158
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>(3,748)</u>	<u>1,793</u>
<b>Movement in Reserves Statement</b>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	617	760
Actual amount charged against the General Fund balance for pensions in the year:		
• employers' contributions payable to the scheme	(385)	(382)

### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Lanarkshire Valuation Joint Board's obligation in respect of its defined benefit plan is as follows:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	(30,094)	(22,246)
Fair value of pension fund assets	23,225	18,740
<b>Net Liability arising from Defined Benefit Obligation</b>	<u><b>(6,869)</b></u>	<u><b>(3,506)</b></u>

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	22,246	23,798
Current Service Cost	493	575
Interest Cost	782	767
Contributions by Members	125	124
Re-measurement gains and losses		
• actuarial gains/losses from changes in demographic assumptions	0	0
• actuarial gains/losses arising from changes in financial assumptions	6,825	(2,504)
• actuarial gains/losses arising from changes in other experience	13	(158)
Past Service Gains	0	0
Settlements and Curtailments	0	0
Estimated Unfunded Benefits Paid	(23)	(23)
Estimated Benefits Paid	(367)	(333)
Closing balance at 31 March	<u>30,094</u>	<u>22,246</u>

Reconciliation of fair value of the scheme plan assets:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Opening Fair Value of Pension Fund Assets	18,740	18,117
Interest income	658	582
Re-measurement gains and losses		
• expected Return on pension fund assets	3,707	(109)
• actuarial gains and losses	0	0
The effect of changes in foreign exchange rates	0	0
Contributions by Members	125	124
Contributions by the Employer	385	382
Contributions in respect of Unfunded Benefits	(23)	(23)
Benefits Paid	(367)	(333)
Closing Fair Value of Employer Assets	<u>23,225</u>	<u>18,740</u>

## Analysis of Scheme Assets

Share of the scheme assets at 31 March 2017 comprised:

	31 March 2017			31 March 2016		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Cash & Cash Equivalents	836	39	875	626	20	646
Equity Instruments	8,524	4	8,528	6,818	15	6,833
Debt Instruments	0	0	0	0	0	0
Real Estate	0	2,802	2,802	0	2,013	2,013
Derivatives	(2)	3	1	5	0	5
Private Equity	0	1,915	1,915	0	1,822	1,822
Investment Funds	270	8,834	9,104	169	7,252	7,421
Asset Backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
Total Assets	9,628	13,597	23,225	7,618	11,122	18,740

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, to provide an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the Strathclyde Pension Fund being based on the latest valuation of the scheme as at 31 March 2014.



The principal assumptions used by the actuary have been:

<b>Long-term expected rate of return on assets in the scheme</b>	<b>2016/17</b>	<b>2015/16</b>
Equity Investments	2.6%	3.6%
Bonds	2.6%	3.6%
Property	2.6%	3.6%
Cash	2.6%	3.6%

### **Mortality Assumptions**

Longevity at 65 for current pensioners		
Men	22.1 years	21.1 years
Women	23.6 years	23.6 years

Longevity at 65 for future pensioners		
Men	24.8 years	24.8 years
Women	26.2 years	26.2 years

Rate of inflation / pension increase rate	2.4%	2.2%
Rate of Increase in salaries	4.4%	4.2%
Rate for discounting scheme liabilities	2.6%	3.5%
Take up option to convert annual pension into retirement lump sum Pre April 2009 / (Post April 2009)	50% (75%)	50% (75%)

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses overleaf have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis overleaf did not change from that used in the previous period.

<b>Sensitivity Analysis</b>	Impact on the Defined Benefit Obligation in the fund			
	<b>Increase in assumption</b>		<b>Decrease in assumption</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
0.5% decrease in Real Discount Rate	-	-	3,774	13%
0.5% increase in the Salary Increase Rate	1,557	5%	-	-
0.5% increase in the Pension Increase Rate	2,079	7%	-	-

## **Asset and Liability Matching (ALM) Strategy**

The Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investments with maturities that match the benefits payments as they fall due. A large proportion of the assets relate to equities (78%) and bonds (6%). The scheme also invests in properties (12%) and cash (4%). The comparative year's figures for equities and bonds are 74% and 12% respectively. The ALM strategy is monitored annually or more frequently if necessary.

## **Impact on the Authorities Cash a Flow**

The objectives of the fund are to keep employers' contributions at as constant a rate as possible. Employers contributions have been set at the following proportion of employees' rates for the next year 2017-2018 19.3%. The next triennial valuation was carried out at 31 March 2017 and the results will be available by 31 March 2018.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move to a new career average revalued earnings (CARE) scheme.

The total contributions expected to be made by the Lanarkshire Valuation Joint Board to Strathclyde Pension Fund in the year to 31 March 2018 is £0.362 million.

The weighted average duration of the defined benefit obligation for Fund members is 21.9 years.

## 2 Balance Sheet – Unusable Reserves

	2016/17 £000	2015/16 £000
Pension Reserve	(6,869)	(3,506)
Accumulating Compensated Absences Reserve	(12)	(10)
<b>Total Unusable Reserves</b>	<b>(6,881)</b>	<b>(3,516)</b>

### Pension Reserve

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.

Lanarkshire Valuation 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 Lanarkshire Valuation Joint Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in benefits earned by past and current employees and the resources that Lanarkshire Valuation Joint Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17 £000	2015/16 £000
Balance at 1 April	(3,506)	(5,681)
Actuarial (losses) / gains on pensions assets and liabilities	(3,131)	2,553
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(617)	(760)
Employer's pensions contributions and direct payments to pensioners payable in the year	385	382
<b>Balance at 31 March</b>	<b>(6,869)</b>	<b>(3,506)</b>

### Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the balance carried forward from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the balance carried forward is neutralised by transfers to or from the account.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(10)	(10)
Amounts accrued at the end of the financial year	(2)	0
<b>Balance at 31 March</b>	<b>(12)</b>	<b>(10)</b>

### **3 Payments to South and North Lanarkshire Councils**

The Board makes payments to South Lanarkshire Council for the rental of property and support services and to the relevant Council for the Convenor's and Vice Convenor's Allowances and Expenses.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Apportionment of Central Support Expenses - Property		
South Lanarkshire Council:		
– Office Accommodation	345	343
<b>Total Payments to SLC in Respect of Property</b>	<b>345</b>	<b>343</b>
Apportionment of Central Support Expenses - Administration		
– South Lanarkshire Council:		
– Information Technology	77	76
– Administration Services	28	28
– Personnel	26	26
– Finance	26	26
– Convenor's/Vice Convenor's Allowances and Expenses	5	4
	162	160
North Lanarkshire Council:		
– Convenor's/Vice Convenor's Allowances and Expenses	2	2
<b>Total Payments to Councils in Respect of Administration</b>	<b>164</b>	<b>162</b>
<b>Total Payments</b>	<b>509</b>	<b>505</b>

#### 4 Auditors' Remuneration

Auditors' Remuneration	2016/17 £000	2015/16 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor	8	8
<b>Total</b>	<b>8</b>	<b>8</b>

#### 5 Related Party Transactions

Joint Boards must keep separate account of agreements entered into under this legislation. Income and Expenditure on services during 2016/2017 amounted to £3.686m and £0.509m respectively. Details of the public bodies are listed below.

	2016/17		2015/16	
	Income £000	Expenditure £000	Income £000	Expenditure £000
South Lanarkshire Council	1,843	507	1,873	503
North Lanarkshire Council	1,843	2	1,873	2
	<b>3,686</b>	<b>509</b>	<b>3,746</b>	<b>505</b>

#### 6 Financial Instruments

The Investment disclosed in the Balance Sheet is classified within the following financial instrument category:

	2016/17 £000	2015/16 £000
Investments Maturing within 12 Months	291	367
	<b>291</b>	<b>367</b>

For Investments prevailing benchmark rates have been used to provide the fair value. Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding. As the investment is held within South Lanarkshire Council this investment has been given an AAA credit risk rating.

#### 7 Debtors

The debtors figure is analysed as follows:

	2016/17 £000	2015/16 £000
Information Technology - Annual Support & Maintenance	23	17
Corporate Hub & Spoke Exchange – Annual Support	0	7
	<b>23</b>	<b>24</b>

## 8 Creditors and Accruals

The Creditors figure is analysed as follows:-

	2016/17	2015/16
	£000	£000
Valuation Appeal Panel - Fees	32	22
Royal Mail - Postages	4	4
North Lanarkshire Council - Vice Convenor Salary	2	2
Balance held on behalf of both North Lanarkshire Council and South Lanarkshire Council	276	356
Accumulated Compensated Absences Reserve	12	10
Other	0	7
	<b>326</b>	<b>401</b>

## 9 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following:

	2016/17	2015/16
	£000	£000
Interest received	1	2
<b>Net Cash Flows from operating activities</b>	<b>1</b>	<b>2</b>

## 10 Cash Flow Statement – Investing Activities

	2016/17	2015/16
	£000	£000
Purchase/Disposal of short-term and long-term investments	76	25
<b>Net cash flows from investing activities</b>	<b>76</b>	<b>25</b>

## 11 Cash Flow Statement – Cash and Cash Equivalents

	2016/17	2015/16
	£000	£000
Short Term Deposits	291	367
<b>Net cash flows from investing activities</b>	<b>291</b>	<b>367</b>

## 12 Cash Flow Non Cash Movements

Description	2016/17	2015/16
	£000	£000
Accumulated Compensation Absence Adjustment	(2)	0
IAS 19 Adjustments	(232)	(378)
Movement in Debtors	(1)	0
<b>Total</b>	<b>(235)</b>	<b>(378)</b>

### 13 Government Grants

The following Government Grants (from the Cabinet Office and in support of Individual Electoral Registration) were received during 2016/17:

	2016/17	2015/16
	£000	£000
Cabinet Office Funding	355	323
Scottish Government Funding	0	31
<b>Total</b>	<b>355</b>	<b>354</b>

### 14 Financing and Management of Liquid Resources

Liquid Resources are held by South Lanarkshire Council as lead authority and are available to the Board as required.

### 15 Going Concern

As at the end of March 2017, the Balance Sheet of the Board shows a Net Liability position of £6.881m. This is made up of a Long Term Pension liability of £30.094m and an Accumulated Compensation Absence Reserve of £0.012m, offset in part by a Long Term Pension asset of £23.225m.

Statutory arrangements for funding the long term deficit in respect of the net pension liability are detailed in Note 1 to the Financial Statements (page 24).

### 16 Date of Signing of the Annual Accounts

The accounts were authorised by the Executive Director (Finance and Corporate Resource), Treasurer to the Lanarkshire Valuation Joint Board on 4 September 2017.

### 17 Post Balance Sheet Events

The Annual Audited Accounts were authorised for approval by the Executive Director (Finance and Corporate Resources), Treasurer to the Lanarkshire Valuation Joint Board on 4 September 2017. There were no events that occurred between 1 April 2017 and the date that the Accounts were authorised for approval that would have an impact on the financial statements.

## **Statement of Accounting Policies**

### **(a) General**

Lanarkshire Valuation Joint Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC), supported by International Financial Reporting Standards (IFRS). There are no significant departures from those recommendations.

The Statement of Accounts has been prepared under the historic cost convention. All accounting policies have been applied consistently.

### **(b) Debtors and Creditors**

#### **Accruals basis**

The income and expenditure account is compiled on an accruals basis. Income and expenditure activities are accounted for in the year which they take place, not simply when payments are made or received. Where goods and services have been sold but the income not received by end 31 March 2017 or goods have been received but not paid for by end March 2017 then the income and expenditure account has been amended to reflect the outstanding amounts and a debtor or creditor for the relevant amount is recorded in the balance sheet.

#### **(i) Debtors**

All specific and material sums payable to the Board have been brought into account.

#### **(ii) Creditors**

Sundry Creditors are accrued on the basis of payments made during the first three weeks following 31 March 2017; together with specific accruals in respect of further material items.

#### **(iii) Accumulating Compensated Absences**

IAS 19 states that 'an organisation should account for employment benefits when employees earn them and the authority is committed to providing them, even if the actual provision might be in future years.' All salaries and wages earned up to 31 March 2017 are included irrespective of when actual payments were made. The requirements of IAS 19 have been fully applied in the current year, in respect of annual leave provision, including recognition of the net liability and an accumulating compensated absences reserve in the Balance Sheet and entries in the Comprehensive Income and Expenditure Account for movements in the liability relating to the scheme.



#### **(iv) Pension Costs**

The Board participates, through South Lanarkshire Council, in the Local Government Superannuation Scheme, which is managed by Glasgow City Council.

The cost of providing pensions for employees is charged to the revenue account in accordance with the statutory requirements governing the particular pension schemes to which the Board contributes.

The requirements of IAS 19 have been fully applied in the current year, including recognition of the net liability and a pensions reserve in the Balance Sheet and entries in the Comprehensive Income and Expenditure Account for movements in the liability relating to the scheme. Previous year budget and expenditure information has been provided to allow comparability.

In assessing liabilities for retirement benefits for the 2016/2017 Annual Accounts, discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme was used. The Actuary has advised that a rate of 2.6% per annum is appropriate (2015/2016 - 3.6%).

Actuarial Gains and Losses – changes in the net pension liability that arise because of events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.

#### **(c) Allocation of Central Support Expenses**

The allocation of Central Support Expenses is the cost of those South Lanarkshire central support departments which provide a service to the Board. The individual support departments are Administration Services, Personnel, Information Technology and Finance Services. The method of allocation is determined by each individual department and in most instances is a time based allocation of employee costs or the recharge of actual costs incurred. The recharge is made on a consistent basis.

#### **(d) Borrowing Facilities**

The Board is a separate legal entity and has South Lanarkshire Council as its lead authority. The loans' fund of South Lanarkshire Council acts as banker to the Board and consequently lends or borrows according to the required cash flow and activities of the Board.

#### **(e) Financial Instruments**

For Investments due within 12 months prevailing benchmark rates have been used to provide the fair value. Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding.

Creditors due within 12 months are not classed as a financial instrument.

#### **(f) Accounting Standards Issued but Not Adopted**

The Code requires the Board to disclose information about accounting changes that will be required by new accounting standards that are not yet due to be adopted. For the 2016/2017 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

- Amendment to the reporting of pension fund scheme transaction costs  
This will have no impact on the Board's accounts
- Amendment to the reporting of investment concentration  
This will have no impact on the Board's accounts

#### **(g) Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Board is obliged to highlight whether it has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government in Scotland. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to reduce levels of service provision.

There are no critical judgments made in the Annual Accounts.

#### **(h) Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Board's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Items</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</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, commissioned by Strathclyde Pension Fund, is engaged to provide the Board with expert advice about the assumptions to be applied.	The effect on the net pension 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 £3.774m. However, the assumptions interact in complex ways. During 2016/2017, the actuaries advised that the net pension liability had decreased by £3.694m as a result of the return on fixed assets and estimates being corrected through experience and increased by £6.825m attributable to the updating of the demographic and financial assumptions.

## Statement of Responsibilities for the Annual Accounts

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

The Lanarkshire Valuation Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, the Executive Director (Finance and Corporate Resources) for South Lanarkshire Council is designated as the Treasurer of the Board.
- 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 is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 4 September 2017.

Councillor Alex McVey  
Convener – Lanarkshire Valuation Joint Board  
4 September 2017

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

The Treasurer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom*.

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the local authority Code of Practice on Local Authority Accounting in the United Kingdom.

The Treasurer has also:

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

This statement of accounts gives a true and fair view of the financial position of the Lanarkshire Valuation Joint Board at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

**Paul Manning**  
**Treasurer – Lanarkshire Valuation Joint Board**  
**4 September 2017**

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

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

### **Report on the audit of the financial statements**

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

I certify that I have audited the financial statements in the annual accounts of Lanarkshire Valuation Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Lanarkshire Valuation Joint Board as at 31 March 2017 and of its deficit on the provision of services 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Lanarkshire Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibilities of the Treasurer for the financial statements**

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

#### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved

by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 Lanarkshire Valuation Joint Board 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.

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

### **Other information in the annual accounts**

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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.

### **Report on other requirements**

#### **Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

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

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Dave Richardson FCCA  
Senior Audit Manager  
Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place,  
Glasgow, G2 1BT

4 September 2017

## **Glossary of Terms**

**Much of the terminology used in this Report is intended to be self-explanatory, however, the following additional definition and interpretation of terms used may be helpful:-**

### **1. Employee costs**

This includes salaries, wages, overtime, enhancements, employer's pension and national insurance, travelling and subsistence expenses and other staff allowances.

### **2. Property costs**

This includes rent and rates, property insurance, repair and maintenance of property, upkeep of grounds, heating and lighting, furnishings and fittings and allocations of accommodation costs as appropriate.

### **3. Supplies and services**

This includes materials, books, the purchase and maintenance of equipment (including IT/computer equipment) and tools and various services carried out by external contractors.

### **4. Administration costs**

This includes printing and stationery, advertising, postages, telephone costs and central support services allocations for administration.

### **5. Payments to other bodies**

This includes payments to other organisations and agencies providing services complementing or supplementing the work of the Board.

### **6. Financing charges**

This represents the operating leasing costs for Information Technology (IT) Equipment.

### **7. Borrowing Facilities and temporary interest on revenue balances**

The loans fund of South Lanarkshire Council lends or borrows according to the cash flow of the Board. This temporary interest credited/debited to the Board's Income and Expenditure Account reflects the interest earned or charged to the Board for funds lent to or borrowed from the loans fund of South Lanarkshire Council.

### **8. Sales Fees and Charges**

This is income from charges to citizens and organisations for the direct use of the Board's Services or for the purchase of goods from the Board, for example, copies of the electoral roll.