

LANARKSHIRE VALUATION JOINT BOARD

ANNUAL ACCOUNTS 2017/2018



Contents

Page		Content
3		Membership of the Board
4 - 7		Management Commentary
8 - 9		Statement of Responsibilities
10 - 12		Annual Governance Statement
13 - 16		Remuneration Report
17		Expenditure and Funding Analysis
18		Comprehensive Income and Expenditure Statement
19		Balance Sheet
20 - 21		Movement in Reserves Statement
22 - 23		Cash Flow Statement
		Notes to the Financial Statements
24 - 25	Note 1	Accounting Policies
26	Note 2	Prior Period Adjustments
26	Note 3	Accounting Standards issued but not Adopted
26	Note 4	Critical Judgements in Applying Accounting Policies
27 - 28	Note 5	Notes to the Expenditure and Funding Analysis - Adjustments Between Funding and Accounting Basis
28	Note 6	Adjustments between Accounting Basis and Funding Basis Under Regulations
29	Note 7	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
29	Note 8	Events after the Balance Sheet date
29	Note 9	Contingent Liabilities
30	Note 10	Intangible Assets
30	Note 11	Short Term Debtors
30	Note 12	Short Term Creditors
30	Note 13	Related Party Transactions
31 - 34	Note 14	Defined Benefit Pension Schemes
34	Note 15	External Audit Costs
35	Note 16	Grant Income
35	Note 17	Balance Sheet Reserves
36	Note 18	Financing and Management of Liquid Resources
36	Note 19	Comprehensive Income and Expenditure statement – financing and investment income and expenditure
36	Note 20	Going Concern
37 - 39		Independent Audit Opinion

Membership of the Board

Lanarkshire Valuation Joint Board (herein after referred to as ‘the Board’) is comprised of Elected Members from its two constituent local authorities. The serving Members of the Board during financial year 2017/2018 were as follows:

South Lanarkshire Council

Councillor John Cairney
(Convenor until 4 May 2017)
Councillor Poppy Corbett
Councillor Peter Craig
Councillor Isobel Dorman
Councillor Fiona Dryburgh
Councillor Geri Gray

Councillor Lynsey Hamilton
(Depute Convenor from 26 June 2017)
Councillor Ann Le Blond
Councillor Jim Wardhaugh

North Lanarkshire Council

Councillor M Ross
(Depute Convenor until 4 May 2017)
Councillor David Baird
Councillor Bob Burgess
Councillor Tom Castles
Councillor Cameron McManus
Councillor Alex McVey
(Convenor from 26 June 2017)
Councillor Jim Reddin

Councillor Bill Shields
Councillor Annette Valentine

At a meeting of the Board on 26 June 2017, Councillor Alex McVey was appointed as Convenor of the Board and Councillor Lynsey Hamilton was appointed as Depute Convenor.

Chief Officers

Assessor and Electoral Registration Officer: Gary Bennett BSc MSc AEA (Cert-Scotland)
MRICS IRRV (Hons)

The following appointed office bearers of the Board are employed on a substantive basis by South Lanarkshire Council:

Clerk: Lindsay Freeland (Chief Executive of South Lanarkshire Council)

Treasurer: Paul Manning (Executive Director of Finance and Corporate Resources, South Lanarkshire Council)

Management Commentary 2017/18

The management commentary provides an overview of the key messages in relation to the objectives and strategy of Lanarkshire Valuation Joint Board (the Board) and its financial performance for the year ended 31 March 2018. It also provides an indication of the issues and risks that may impact upon the Board's finances in the future.

The Board was established by the Valuation Joint Boards (Scotland) Order 1995 and came into existence on 1 April 1996. It provides a range of valuation and electoral registration services to and on behalf of South Lanarkshire Council and North Lanarkshire Council (the constituent authorities), working in partnership with other Valuation Joint Boards and professional bodies throughout Scotland.

Mission, Vision and Strategic Objectives

The Board's Service Plan was approved at the Board meeting in December 2016 and covers the period January 2016 through to December 2018. The Plan incorporates the Board's Mission statement, which is "to deliver equitable, customer focused, professional valuation and electoral services for all of its stakeholders". Intrinsically linked to this is the Board's Vision: "to deliver quality in the work which we undertake, provide efficient services to all service users, and ensure completeness and accuracy of the Electoral Registers, Valuation Rolls and the Valuation (Council Tax) Lists".

- The Plan sets out the key business areas identified for Lanarkshire Valuation Joint Board over the three year period, highlighting ownership of key tasks with a view to ensuring that LVJB's services are delivered as effectively and efficiently as possible to service users.

Where deemed appropriate, each key business area is supported by a series of priorities and measurable key actions, against which performance is regularly reported to the Board.

Review of Performance

The Board's performance against key performance indicator (KPI) targets during 2017/2018, was as follows:

- Of 2,712 new Council Tax entries added, 97% were completed within 3 months of the effective date against a target of 85%. 99% were completed within 6 months against a target of 92%.
- Of 1,603 alterations to the non-domestic valuation roll, 76% were completed within 3 months of the effective date against a target of 77%. 87% were completed within 6 months against a target of 92%.

Regarding electoral registration, the period 2017/2018 continued to be a challenging year, with four elections taking place; the Local Government Elections on 4th May 2017, followed soon after by a snap UK Parliamentary General Election on 8th June 2017. There were also two by-elections in the period 2017/2018.

More information on the Board's performance during 2017/2018 can be found on the Board's website at www.lanarkshire-vjb.gov.uk

Financial Performance

Revenue

The Comprehensive Income and Expenditure Statement on page 18 summarises the total costs of providing services and the income available to fund those services. The Board set a net operating expenditure budget for 2017/2018 of £4.088m to be funded by requisitions from the two constituent local authorities and the Cabinet Office. The budget was based on experience of expenditure and income levels during previous years and included a planned contribution from the Board's reserves of £0.188m.

The Board returned a surplus of income over expenditure of £0.022m for 2017/2018 which, compared with the budgeted deficit of £0.188m resulted in an improved position of £0.210m. This surplus excludes the accounting adjustments relating to pensions and short term accumulating absences.

The difference between the net expenditure figure below and that reported in the Comprehensive Income and Expenditure Statement is due to the accounting adjustments, which are analysed in the Expenditure and Funding Analysis on page 17.

	Budget	Actual	Variance
	£000	£000	£000
Employee Costs	2,859	2,693	166
Property Costs	349	327	22
Supplies and Services	77	85	(8)
Transport and Plant	-	1	(1)
Administration Costs	782	790	(8)
Payments to Other Bodies	18	17	1
Financing Charges	10	13	(3)
Total Expenditure	4,095	3,926	169
Income	(7)	(6)	(1)
Net Expenditure	4,088	3,920	168
Funded by:			
Requisition Income	(3,626)	(3,626)	-
Cabinet Office Funding	(274)	(316)	42
Total	(3,900)	(3,942)	42
(Surplus) / Deficit for the Financial Year	188	(22)	210

The main underspends were in respect of employee costs. The over recovery of Cabinet Office funding related to additional funding received during March 2018 in respect of Individual Electoral Registration.

Balance Sheet

The Board's Balance Sheet as at 31 March 2018 reported net liabilities of £0.779m compared with net liabilities of £6.599m as at 31 March 2017, a movement of £5.820m during the year. This is mainly due to a £5.809m reduction in the Board's pension fund liability which is calculated by independent actuaries as part of the Strathclyde Pension Fund.

Pension Fund

The disclosure requirements for pension benefits under International Accounting Standard 19 are detailed at Note 14. The appointed actuary assessed the Board's share of Strathclyde Pension Fund as a net liability of £1.060m as at 31 March 2018, compared with a net liability of £6.869m as at 31 March 2017. This movement is primarily the result of the triennial valuation where actual assets and liabilities are re-calculated compared to the 'roll forward' approach adopted in the other years since the last valuation. This can cause sizeable re-measurements to both assets and liabilities.

Following the completion of the triennial valuation of Strathclyde Pension Fund as at 31 March 2017, the independent actuaries have confirmed that current and projected future contributions from employees and employers will be sufficient to meet Strathclyde Pension Fund's future pension liabilities.

Provisions, contingencies and write-offs

The Board is not aware of any eventualities which may have a material effect on its financial position and has therefore made no provision for such eventualities. Contingent assets and liabilities are disclosed as a note to the financial statements. No debts were written off during the financial year.

Service changes and future developments

There were no changes to the statutory functions undertaken by the Board during the financial year. The Board approved and implemented a revised Customer Care policy, reinforcing the Board's commitment to delivering the highest quality of public service and maintaining the highest level of customer care for service users. Future developments are anticipated in the following service areas:

Electoral registration

Individual Electoral Registration (IER) continues to be resource intensive. There is a funding gap as a result of the introduction of IER which is currently being met by the UK Cabinet Office. However, it is not clear at this time how much longer this funding will continue to be provided. Furthermore, major unplanned election events (such as snap elections and referenda) place significant strain on resources. To help address this, a financial reserve strategy has been agreed with the Treasurer to the Board. Discussions continue with the Cabinet Office in respect of making legislative changes to simplifying the annual canvass of electors' process, in particular with a view to reducing the number of households which have to be visited as part of the canvass.

Valuation

The Board delivered the 2017 Non-Domestic Revaluation effective from 1 April 2017 with all data transferred to the constituent authorities on 15 March 2017 and Valuation Notices issued on or around that date.

The Barclay Review of non-domestic rates reported on 22 August 2017 and recommended a range of measures following its review process. One major future challenge for the Board will be the implementation of three yearly revaluations, with the tone year for such revaluations moving from two years prior to a revaluation, to just one year. The Scottish Assessors Association is currently scoping the impact of the Barclay recommendations.

The period 2017/2018 saw a spike in council tax proposals and appeals due mainly to a combination of increases in council tax bills and coverage of council tax bandings on national television. This has impacted on dealing with other work

steams, as each enquiry requires resourcing in terms of carrying out investigatory work to ensure that the council tax band is correct. On the whole, performance across the Board's valuation service delivery area was satisfactory, details of which can be found on the Board's website.

Financial Outlook

Most economic commentators forecast that pressures on public finances will continue for the foreseeable future. The Board recognises the impact of this difficult financial climate on its constituent authorities and as a consequence it continues to seek to generate efficiencies where possible. A three year Financial Budget Strategy was approved by the Board at its meeting on 5 March 2018. The Financial Strategy assists in managing a number of key risks which directly impact on the funding available to deliver the Board's objectives. It also identifies a future strategy in respect of financial reserves. The Board's Strategy is revised annually with consideration given to any changes in the financial horizon, which will be presented to the Board.

Consequently, the Assessor and Electoral Registration Officer will look to introduce further efficiency savings in future, although with a significant number of statutory duties to be met, the continual reduction of resources could have an adverse impact on performance and service delivery.

Conclusion

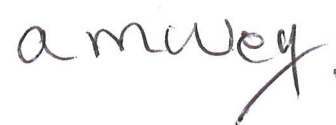
Operational performance remains steady and business processes continue to be re-engineered to create efficiencies where deemed appropriate to do so. Continued sound financial management and medium term planning has enabled the Board to successfully manage the financial challenges faced during financial year 2017/2018. However, the Board's financial position to face these operational challenges and developments has been lessened by the use of reserves to help meet budgetary pressures.

We wish to acknowledge the significant efforts of all staff in contributing to the Board's operational performance, of budget managers and support staff whose financial stewardship contributed to the Board's financial position at 31 March 2018, and to everyone involved in the preparation of the Annual Accounts.

Paul Manning
Treasurer

Gary Bennett
Assessor and ER Officer

Councillor Alex McVey
Convenor



Statement of Responsibilities

This statement sets out the respective responsibilities of the Board and the Treasurer for the Annual Accounts.

The Board's Responsibilities

The Board is required to:

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

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 3 September 2018.

A handwritten signature in black ink, appearing to read 'a mvey'.

Councillor Alex McVey
Convenor of Lanarkshire Valuation Joint Board
3 September 2018

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's Annual Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present a true and fair view of the financial position of the Board at the accounting date, and its comprehensive income and expenditure for the financial year then ended.

In preparing the Annual Accounts, the Treasurer has:

- Selected suitable accounting policies, and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Treasurer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Board at 31 March 2018, and its income and expenditure for the year ended 31 March 2018.



Paul Manning
Treasurer of Lanarkshire Valuation Joint Board
3 September 2018

Annual Governance Statement

This statement sets out the framework within which the Board has proper arrangements for the governance of the Board's affairs, thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and appropriate systems of internal control are in place. While the Board's governance arrangements have not been consolidated in a formal Code of Corporate Governance, the Annual Governance Statement has been prepared within the context of the Board's governance framework, and meets legislative requirements to include the Annual Governance Statement with the Annual Accounts. A consolidated Code of Corporate Governance will be developed and presented to the Board for approval during 2018/19.

Scope of Responsibility

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. 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 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 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 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:

- Clearly defined Standing Orders, Scheme of Delegation and Financial Regulations and Tender Procedures;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Arrangements to manage risk, including a risk management strategy and Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Policies to regulate employee related matters, including the Employee Code of Conduct and Disciplinary Procedures; 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.

South Lanarkshire Council is the administering 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 to provide an independent audit opinion on the adequacy and effectiveness of the Board's governance, risk management and internal control systems based on audit work undertaken in the year.

The internal audit service provided to the Board operates in accordance with the Public Sector Internal Audit Standards (revised 2017). A rolling programme of audits are undertaken on an annual basis 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 Board's governance, risk management and internal control systems based on audit work undertaken in the year. The annual report for 2017/2018 was presented to the Board on 4 June 2018. The Internal Audit Manager's annual assurance statement concluded that a reasonable level of assurance can be placed on the adequacy and effectiveness of the Board's framework of governance, risk management and control arrangements for the year ended 31 March 2018.

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. During 2018/19, a consolidated Code of Corporate Governance will be prepared for presentation to the Board.

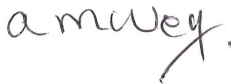
Assurance

In conclusion, 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 2017/2018.



Gary Bennett
Assessor and Electoral Registration Officer
Lanarkshire Valuation Joint Board
3 September 2018



Councillor Alex McVey
Convenor of Lanarkshire Valuation Joint Board
3 September 2018

Remuneration Report

The remuneration report provides details of the Board's remuneration policy for senior Board members and senior employees.

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority Accounts (Scotland) Regulations 2014). These Regulations require various disclosures about the remuneration and pension benefits of senior Board members and senior employees.

All information disclosed in tables 1 - 3 in this Remuneration Report have been audited by Audit Scotland. The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Senior Employees

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Officers of Scottish local authorities. Circular CO/149 sets the amount of salary for Chief Officers.

Senior Councillors

The Convenor and Depute Convenor of the Lanarkshire Valuation Joint Board are remunerated by the Council of which they are a council member, as shown in Table 3.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) / Amendment Regulations 2017 (SSI No. 2017/66). 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 Depute 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 Depute Convenor/s to reimburse the Council for the additional costs of that councillor arising from them being a Convenor or Depute 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.

Trade Unions (Facility Time Publication Requirements) Regulations 2017

In addition to the regulations governing senior employees and councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employers to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. This information is available on the Board's website.

There are no employees within the Board who are Trade Union Representatives.

General Pay Bands for Senior Employees

The number of officers who received remuneration (excluding pension contributions) in excess of £50,000 for the financial year is shown in Table 1 below:

Table 1 - General Pay Band Disclosure for Senior Employees

Annual Remuneration	Number of Employees	Number of Employees
£	2017/18	2016/17
50,000 – 54,999	0	1
55,000 – 59,999	2	2
60,000 – 64,999	0	0
65,000 – 69,999	2	2
70,000 – 104,999	0	0
105,000 – 109,999	0	1
110,000 – 114,999	1	0

Note 1: These are merged pay bands covering more than £5,000 due to the fact that no employees fell into these bands in either financial year.

Disclosure of Remuneration

Table 2 and 3 below provides details of the remuneration paid to the Board's senior employees, Convenor and Depute Convenor. Comparative figures for 2016/2017 have been shown.

Table 2 – Senior Officers

Name / Post	Salary / Fees	Taxable Expenses	Compensation for Loss of Office	Any other Remuneration	2017/18 Total	2016/17 Total
G Bennett Assessor and Electoral Registration Officer	£110,230	-	-	-	£110,230	£109,143
J Neason Assistant Assessor and Electoral Registration Officer	£66,155	-	-	-	£66,155	£65,458
D Combe Assistant Assessor and Electoral Registration Officer	£65,998	-	-	-	£65,998	£65,260
Total	£242,383	-	-	-	£242,383	£239,861

The senior officers included in Table 2 include any Board employee:

- Who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the 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 subsidiary body, is £150,000 or more.

Table 3 – Convenors and Depute-Convenors

Name / Post	Salary / Fees	Taxable Expenses	Compensation for Loss of Office	Any other Remuneration	2017/18 Total	2016/17 Total
A McVey Convenor from 26/06/17	£3,247	-	-	-	£3,247	-
L Hamilton Depute Convenor from 26/06/17	£2,349	-	-	-	£2,349	-
J Cairney Convenor to 04/05/17	£463	-	-	-	£463	£4,213
M Ross Depute Convenor to 04/05/17	-	-	-	-	-	£2,483
Total	£6,059	-	-	-	£6,059	£6,696

Note: The 2016/17 figure for J Cairney has been restated to take account of National Insurance.

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.

The Pension entitlement of Senior Employees for the year to 31 March 2018 are shown in the table below, together with the contribution made by the Board to each senior employees' pension during the year. The accrued pension benefit reflects both the employer and employee contributions.

Table 4 – Pension Benefits: Senior Employees

Name / Post		Accrued Pension Benefits March 2018	Movement in accrued pension benefits since 31 March 2017	Pension Contribution made by Board 2017/18	Pension Contribution made by Board 2016/17
G Bennett Assessor and Electoral Registration Officer	Pension Lump Sum	£51,520 £100,657	£2,892 £993	£21,274	£21,065
J Neason Assistant Assessor and Electoral Registration Officer	Pension Lump Sum	£32,746 £66,107	£1,747 £656	£12,695	£12,569
D Combe Assistant Assessor and Electoral Registration Officer	Pension Lump Sum	£35,796 £75,257	£1,777 £746	£12,695	£12,569
Total				£46,664	£46,203

Table 5 – Pension Benefits: Convenors and Depute Convenors

Name / Post	Pension Contribution made by Board 2017/18	Pension Contribution made by Board 2016/17
L Hamilton Depute Convenor from 26/06/17	£425	-

Exit Packages

There were no exit packages agreed or paid for financial years 2017/2018 or 2016/2017.

Gary Bennett
Assessor and ER Officer
3 September 2018

Councillor Alex McVey
Convenor
3 September 2018

Expenditure and Funding Analysis

The Expenditure and Funding Analysis 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 2017/2018

2016/2017				2017/2018		
Net Exp. Chargeable to GF	Adjustment between Funding and Accounting Basis (note 5)	Net Exp. in CIES		Net Exp. Chargeable to GF	Adjustment between Funding and Accounting Basis (note 5)	Net Exp. in CIES
£000	£000	£000		£000	£000	£000
2,832	97	2,929	Employee Costs	2,693	310	3,003
352	-	352	Property Costs	327	-	327
91	(6)	85	Supplies and Services	85	(2)	83
-	-	-	Transport and Plant	1	-	1
824	12	836	Administration Costs	790	6	796
17	-	17	Payments to Other Bodies	17	-	17
11	1	12	Financing Charges	13	2	15
4,127	104	4,231	Total Expenditure	3,926	316	4,242
(4,047)	-	(4,047)	Income	(3,948)	-	(3,948)
80	104	184	Net Cost of Services	(22)	316	294
-	124	124	Financing and Investment Income and Expenditure	-	183	183
80	228	308	(Surplus) or Deficit	(22)	499	477

2016/17		2017/18
General Fund		General Fund
£000		£000
(356)	Opening General Fund Balance	(276)
80	Less/plus Surplus or Deficit on General Fund (per column 1 and 5 of EFA)	(22)
-	Transfers To/From Reserves	-
(276)	Closing General Fund Balance	(298)

Note: The statement above has been restated to include the additional table which reconciles the opening and closing balances on the General Fund Reserve.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

This statement shows income generated by the Board during the year and how it was spent on services and financing costs.

2016/17		2017/18	Note
Actual		Actual	
£000		£000	
2,929	Employee Costs	3,003	
352	Property Costs	327	
84	Supplies and Services	83	
-	Transport and Plant	1	
836	Administration Costs	796	
17	Payments to Other Bodies	17	
13	Financing Charges	15	
4,231	Total Expenditure	4,242	
(4,047)	Income	(3,948)	
184	Net Cost of Services	294	
124	Financing and Investment Income and Expenditure	183	
308	Deficit on the Provision of Services	477	
3,131	Re-measurement of the Net Defined Benefit Asset/Liability	(6,297)	14
3,131	Other Comprehensive Income and Expenditure	(6,297)	
3,439	Total Comprehensive Income and Expenditure	(5,820)	

Balance Sheet as at 31 March 2018

This statement shows the resources of the Board and means by which they were financed. It shows the values as at the balance sheet date of the assets and liabilities recognised by the Board.

31 March 2017			31 March 2018	Note
£000			£000	
	Non Current Assets:			
5	Intangible Assets		5	10
	Current Assets:			
23	Short Term Debtors	25		11
291	Cash and Cash Equivalents	313		
314			338	
	Current Liabilities:			
(49)	Short Term Creditors	(62)		12
(49)	Total Current Liabilities		(62)	
270	Total Assets less Current Liabilities		281	
	Long Term Liabilities			
(6,869)	Pension Liability		(1,060)	14
(6,599)	Total Assets less Liabilities		(779)	
	Financed By:			
	Unusable Reserves			
(6,869)	Pension Reserve		(1,060)	17
(11)	Accumulating Compensated Absences Reserve		(22)	17
5	Capital Adjustment Account		5	17
	Usable Reserves			
276	General Fund Reserve		298	17
(6,599)			(779)	

The notes on pages 24 to 36 form part of the financial statements.

The 2016/2017 figures have been restated to reflect the inclusion of the Intangible Asset (within Non Current Assets), a Capital Adjustment Account (within Unusable Reserves) and a General Fund Reserve (within Usable Reserves).

The unaudited accounts were approved for issue by the Board on 4 June 2018, and the audited accounts were authorised for issue on 3 September 2018. The audited accounts are signed on behalf of the Board by:



Paul Manning
Treasurer of Lanarkshire Valuation Joint Board
3 September 2018

Movement in Reserves Statement for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves and unusable reserves. The deficit on the provision of services shows the true economic cost of providing the Board's services, which is fully analysed in the Comprehensive Income and Expenditure Statement on page 18. This cost excludes other statutory charges to the General Fund balance. The net increase / (decrease) before transfers to / from other statutory reserves shows the statutory General Fund balance before any discretionary transfers to or from the other statutory reserves of the Board.

	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2017	276	276	(6,875)	(6,599)
Movement in Reserves during 2017/2018				
Deficit on the provision of services	(477)	(477)	-	(477)
Other comprehensive income and expenditure	-	-	6,297	6,297
Total comprehensive income and expenditure	(477)	(477)	6,297	5,820
Adjustments between accounting basis and funding basis (note 5)	499	499	(499)	-
Net increase before transfers to / from other statutory reserves	22	22	5,798	5,820
Transfers to / from other statutory reserves	-	-	-	-
Increase / (Decrease) in 2017/2018	22	22	5,798	5,820
Balance as at 31 March 2018	298	298	(1,077)	(779)

Movement in Reserves Statement for the year ended 31 March 2017

	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000
Balance at 31 March 2016	356	356	(3,516)	(3,160)
Movement in Reserves during 2016/2017				
Deficit on the provision of services	(308)	(308)	-	(308)
Other comprehensive income and expenditure	-	-	(3,131)	(3,131)
Total comprehensive income and expenditure	(308)	(308)	(3,131)	(3,439)
Adjustments between accounting basis and funding basis (note 5)	228	228	(228)	-
Net decrease before transfers to / from other statutory reserves	(80)	(80)	(3,359)	(3,439)
Transfers to / from other statutory reserves	-	-	-	-
Decrease in 2016/2017	(80)	(80)	(3,359)	(3,439)
Balance as at 31 March 2017	276	276	(6,875)	(6,599)

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Board during the year. The statement shows how the Board generates and uses cash and cash equivalents by classifying them as either operating, investing or financing activities.

- The level of net cash arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of taxation and grant income or from service users and constituent authorities.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery.
- There were no financing activities as the board had no requirement to borrow.

Further analysis of movements is provided in the cash flow notes following the statement.

2016/17		2017/18
£000		£000
(308)	Net deficit / (surplus) on the provision of services	(477)
237	Adjust net deficit / (surplus) on the provision of service for non-cash movements	500
1	Adjust for items included in the net deficit / (surplus) on the provision of services that are investing and financing activities	1
(70)	Net cash flows from operating activities	24
(6)	Investing Activities	(2)
(76)	Net increase or decrease in cash and cash equivalents	22
367	Cash and cash equivalents at 1 April	291
291	Cash and cash equivalents at 31 March	313

Cash Flow Statement Note – Non Cash Movements

The balance of non-cash movements is made up of the following elements:

2016/17		2017/18
£000		£000
1	Depreciation, impairment and amortisation of assets	2
1	Movement in Debtors	(2)
3	Movement in Creditors	2
232	Movement in Pension Liability	488
1	Movement in the Employee Statutory Adjustment Account	11
(1)	Interest received	(1)
237	Net Cash flows from the provision of services for non-cash movements	500

Cash Flow Statement Note – Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£000		£000
1	Interest received	1
-	Interest paid	-
1	Net cash flows from operating activities	1

Cash Flow Statement Note – Investing Activities

The cash flows for investing activities include the following items:

2016/17		2017/18
£000		£000
(6)	Purchase of property, plant, equipment and intangible assets	(2)
(6)	Net cash flows from investing activities	(2)

Cash Flow Statement Note – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2016/17		2017/18
£000		£000
291	Short term deposits	313
291	Total Cash and Cash Equivalents	313

Notes to the Financial Statements

Note 1: Accounting Policies

General Principles

Lanarkshire Valuation Joint Board is required to prepare annual accounts by the Local Authority Accounts (Scotland) Regulations 2014, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. 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 2017/2018 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 Annual Accounts has been prepared under the historic cost convention. All accounting policies have been applied consistently.

Debtors and Creditors

Accruals basis

The comprehensive income and expenditure statement is compiled on an accruals basis. Income and expenditure activities are accounted for in the year in 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 2018 or goods have been received but not paid for by end March 2018 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 2018; together with specific accruals in respect of further material items.

(iii) Accumulating Compensated Absences

International Accounting Standard 19 (IAS19) 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 2018 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 statement 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 comprehensive income and expenditure statement 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 statement 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 2017/2018 Annual Accounts, a 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 2.7% per annum is appropriate (2016/2017 - 2.6%).

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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Board as a result of past events (for example, software licences) is capitalised when it is expected that it will bring benefits to the Board for more than 12 months.

Intangible Assets are measured at cost. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. The useful life of these assets is deemed to be 5 years.

Note 2: Prior period adjustments

The 2016/17 figures have been restated to reflect the inclusion of the Intangible Asset (within Non Current Assets), a Capital Adjustment Account (within Unusable Reserves) and a General Fund Reserve (within Usable Reserves).

Note 3: Accounting Standards Issued but Not Adopted

The Accounting Code of Practice requires the Council to disclose information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted.

For this disclosure, the standards introduced by the 2018/20 Code, which are required to be applied by 1 April 2018, and will be adopted by the Council on 1 April 2018 are:

- **IFRS9 Financial Instruments**
Introduces changes to the classification and measurement of financial assets and a new Expected Credit Loss Model for impairing financial assets.
- **IFRS15 Revenue from Contracts with Customers including amendments to IFRS15 and Clarifications to IFRS15 Revenue from Contracts with Customers**
Sets out new requirements for the recognition of revenue.
- **Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**
Applies to deferred tax assets related to debt instruments measured at fair value
- **Amendments to IAS7 Statement of Cash Flows: Disclosure Initiative**
Introduces additional disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities

Adoption of the standards by the Council on 1 April 2018 is not expected to have a significant impact on the financial statements.

Note 4: 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.

Note 5: Notes to the Expenditure and Funding Analysis - Adjustments Between Funding and Accounting Basis

2017/2018				
	Adjustments for Capital Purposes (note a) £000	Net Change for the Pensions Adjustments (note b) £000	Other Differences (note c) £000	Total Adjustments between Funding and Accounting Basis £000
Employee Costs	-	299	11	310
Property Costs	-	-	-	-
Supplies and Services	(2)	-	-	(2)
Transport and Plant	-	-	-	-
Administration Costs	-	6	-	6
Payments to Other Bodies	-	-	-	-
Financing Charges	2	-	-	2
Total Expenditure	0	305	11	316
Income	-	-	-	-
Net Cost of Services	0	305	11	316
Financing and Investment Income and Expenditure	-	183	-	183
Surplus or Deficit	0	488	11	499

2016/2017				
	Adjustments for Capital Purposes (note a) £000	Net Change for the Pensions Adjustments (note b) £000	Other Differences (note c) £000	Total Adjustments between Funding and Accounting Basis £000
Employee Costs	-	96	1	97
Property Costs	-	-	-	-
Supplies and Services	(6)	-	-	(6)
Transport and Plant	-	-	-	-
Administration Costs	-	12	-	12
Payments to Other Bodies	-	-	-	-
Financing Charges	1	-	-	1
Total Expenditure	(5)	108	1	104
Income	-	-	-	-
Net Cost of Services	(5)	108	1	104
Financing and Investment Income and Expenditure	-	124	-	124
Surplus or Deficit	(5)	232	1	228

Note a – Adjustment for Capital Purposes

This column adds in depreciation and impairment and revaluation of gains and losses in the financing charges line.

Note b – Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS19 Employee benefits pension related expenditure and income:

- For Employee Costs and Administration Costs this represents the removal of the employer contributions made by the Board as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note c – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:

- For Employee Costs this represents the accrual made for the cost of holiday/leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. These require to be included within the Net Cost of Services under generally accepted accounting practices, however, are not chargeable to the General Fund.

Note 6: Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Board in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Board to meet future revenue expenditure.

	Usable Reserves	
	£000	£000
	2017/18	2016/17
Adjustments to Revenue Resources		
Pension Costs (transferred to (or from) the Pensions Reserve	(5,809)	3,363
Holiday Pay (transferred to the Employee Statutory Adjustment Account)	11	1
Reversal of entries in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2	1
Total Adjustments to Revenue Resources	(5,796)	3,365
Adjustments between Revenue and Capital Resources		
Capital expenditure finance from revenue balances (transfer to Capital Adjustment Account)	(2)	(6)
Total Adjustments between Revenue and Capital Resources	(2)	(6)
Total Adjustments	(5,798)	3,359
Total Comprehensive Income and Expenditure	5,820	(3,439)
Net Increase / (Decrease) before transfers to / from Reserves	22	(80)
Increase / (Decrease) in year	22	(80)

Note 7: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Board's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Items	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, 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 £2.776m. However, the assumptions interact in complex ways. During 2017/2018, the actuaries advised that the net pension liability had decreased by £4.885m as a result of the return on fixed assets and estimates being corrected through experience and £1.412m attributable to the updating of the demographic and financial assumptions.

Note 8: Events after the Balance Sheet

The unaudited Annual Accounts were authorised for issue by the Treasurer of Lanarkshire Valuation Joint Board on 4 June 2018. There were no events that occurred between 1 April 2018 and the date that the Annual Accounts were authorised for issue that would have an impact on the financial statements.

Note 9: Contingent Liabilities

There are no contingent liabilities to note.

Note 10: Intangible Assets

	2017/18	2016/17
	£000	£000
Cost or Valuation		
At 1 April	6	0
Additions	2	6
At 31 March	8	6
Accumulated Amortisation		
At 1 April	1	0
Amortisation of Intangible Assets	2	1
At 31 March	3	1
Net Book Value at 31 March	5	5

Note 11: Short Term Debtors

The debtors figure comprises prepayments and is analysed as follows:

	2017/18	2016/17
	£000	£000
Information Technology Annual Support and Maintenance	25	23
Total	25	23

Note 12: Short Term Creditors

The creditors figure is analysed as follows:

	2017/18	2016/17
	£000	£000
Valuation Appeal Panel - Fees	29	32
Royal Mail - Postages	1	4
North Lanarkshire Council - Depute Convenor Salary	-	2
Accumulated Compensated Absences	27	11
Other	5	-
Total	62	49

Note 13: Related Party Transactions

The Board is required to disclose material transactions with related parties. During the year transactions arose with the following related parties:

	2017/18		2016/17	
	Receipts	Payments	Receipts	Payments
	£000	£000	£000	£000
South Lanarkshire Council	1,813	479	1,843	507
North Lanarkshire Council	1,813	3	1,843	2
Total	3,626	482	3,686	509

The Board occupy the premises at the North Stand, Cadzow Avenue, Hamilton, ML3 0LU and are recharged for rent and other costs by South Lanarkshire Council. Included within payments to South Lanarkshire Council is a charge of £0.318m (2016/17: £0.345m) for the annual rental of office accommodation at Hamilton Academicals Football Stadium.

Note 14: Defined Benefit Pension Schemes

As part of the terms and conditions of employment, the Board offers retirement benefits. The Board participates in the Local Government Pension Scheme (Strathclyde Pension Fund), a funded defined benefit scheme, administered by Glasgow City Council. The scheme is supported by contributions from both employer and employees.

Transactions relating to Retirement Benefits

The cost of retirement benefit is recognised in the reported cost of services when it is earned by the Board's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the requisition funding is based on the pension contributions payable by the Board in the year, and an adjustment is made in the Movement in Reserves Statement to this effect.

The following transactions have been made in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement	2017/18	2016/17
	£000	£000
Cost of Services:		
Service cost comprising:		
• Current service cost	682	493
Financing and Investment Income and Expenditure		
• Net interest expense	183	124
Total post-employment benefit charged to the Deficit on the Provision of Services	865	617
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined benefit liability/(asset) comprising:		
• expected return on pension fund assets	852	3,707
• actuarial gains or losses arising on changes in demographic assumptions	(102)	-
• actuarial gains or losses arising on changes in financial assumptions	1,514	(6,825)
• actuarial gains or losses arising on changes in other experience	4,033	(13)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	6,297	(3,131)
Net Charge to the Surplus/Deficit on the Provision of Services brought forward	865	617
Movement In Reserves Statement		
• reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(488)	(232)
Actual amount charged against the General Fund balance for pensions in the year:		
• employers' contributions payable to the scheme	377	385

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:

	2017/18	2016/17
	£000	£000
Present value of the defined obligation	(25,879)	(30,094)
Fair value of pension fund assets	24,819	23,225
Net liability arising from defined benefit obligations	(1,060)	(6,869)

A reconciliation of the Board's share of the present value of the Fund's defined obligation is as follows:

	2017/18	2016/17
	£000	£000
Opening Balance at 1 April	(30,094)	(22,246)
Current Service Cost	(682)	(493)
Interest Cost	(788)	(782)
Contributions by scheme participants	(120)	(125)
Re-measurement losses / (gains)		
• actuarial losses / (gains) arising on changes in demographic assumptions	(102)	-
• actuarial losses / (gains) arising from changes in financial assumptions	1,514	(6,825)
• actuarial losses / (gains) arising from changes in other experience	4,033	(13)
Past service gains	-	-
Settlements and curtailments	-	-
Estimated Unfunded benefits paid	23	23
Estimated Benefits paid	337	367
Closing Balance at 31 March	(25,879)	(30,094)

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

	2017/18	2016/17
	£000	£000
Opening Fair Value of Pension Fund Assets	23,225	18,740
Interest Income	605	658
Re-measurement gains and (losses)		
• expected return on pension fund assets	852	3,707
• actuarial gains and losses	-	-
The effect of changes in foreign exchange rates	-	-
Contributions by members	120	125
Contributions by the employer	377	385
Contributions in respect of Unfunded Benefits	(23)	(23)
Benefits Paid	(337)	(367)
Closing Fair Value of the Scheme Assets	24,819	23,225

Analysis of Pension Fund Assets

	31 March 2018			31 March 2017		
	£000	£000	£000	£000	£000	£000
Cash and Cash Equivalents	1,278	1,231	2,509	836	39	875
Equity Instruments	5,725	15	5,740	8,524	4	8,528
Debt Instruments	779	-	779	-	-	-
Real Estate	-	2,247	2,247	-	2,802	2,802
Derivatives	1	-	1	(2)	3	1
Private Equity	-	2,966	2,966	-	1,915	1,915
Investment Funds	8,146	2,431	10,577	270	8,834	9,104
Asset Backed Securities	-	-	-	-	-	-
Structured Debt	-	-	-	-	-	-
Total	15,929	8,890	24,819	9,628	13,597	23,225

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 2017.

The principal assumptions used by the actuary were:

	2017/18	2016/17
	Years	Years
Mortality Assumptions:		
Longevity at 65 for current pensioners		
• Male	21.4	22.1
• Female	23.7	23.6
Longevity at 65 for future pensioners		
• Male	23.4	24.8
• Female	25.8	26.2
Financial Assumptions:	%	%
Rate of inflation / pension increase rate	2.4	2.4
Rate of increase in salaries	3.6	4.4
Expected return on assets	2.7	2.6
Rate for discounting scheme liabilities	2.7	2.6
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 below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant:

	Approximate % increase in employer's liability	Approximate monetary amount
Change in assumption at 31 March 2018		£000
0.5% decrease in real discount rate	11%	2,776
1 year increase in member life expectancy	3 - 5%	N/A
0.5% increase in the salary increase rate	2%	623
0.5% increase in the pension increase rate	8%	2,094

Asset and Liability Matching Strategy

The Fund has an asset and liability matching (ALM) strategy 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 pension 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 (69%) and bonds (12%). The scheme also invests in properties (9%) and cash (10%). The comparative year's figures for equities and bonds are 78% and 6% respectively. The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Board's Cash Flow

The objectives of the fund are to keep employers' contributions at a constant a rate as possible. The Fund has an agreed strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employers' contributions have been set at 19.3% for 2017/2018 based on the last triennial valuation completed on 31 March 2014. Following completion of the triennial valuation as at 31 March 2017, employers' contribution rates have been set at 19.3% for the next three years (2018/2019 to 2020/2021).

The total contributions expected to be made by the Board to the Fund for the year ending 31 March 2019 is approximately £0.354m.

The weighted average duration of the defined benefit obligation for Fund members is 21.5 years.

Note 15: External Audit Costs

The Board has incurred the following external audit costs:

	2017/18	2016/17
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7	8
Total	7	8

Note 16: Grant Income

The following Government Grants were received during the year:

	2017/18	2016/17
	£000	£000
Cabinet Office Funding	315	355
Total	315	355

Note 17: Balance Sheet – Reserves

Unusable Reserves	2017/18				2016/17			
	Capital Adjustment Account	Pension Reserve	Employee Statutory Adj. Account	Total	Capital Adjustment Account	Pension Reserve	Employee Statutory Adj. Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance 1 April	5	(6,869)	(11)	(6,875)	-	(3,506)	(10)	(3,516)
Movement in Pension Reserve	-	5,809	-	5,809	-	(3,363)	-	(3,363)
Movement in Annual Leave Accrual	-	-	(11)	(11)	-	-	(1)	(1)
Capital Expenditure charged against the General Fund	2	-	-	2	6	-	-	6
Amortisation of Intangible Assets	(2)	-	-	(2)	(1)	-	-	(1)
Closing Balance as at 31 March	5	(1,060)	(22)	(1,060)	5	(6,869)	(11)	(6,875)

Usable Reserves	2017/18		2016/17	
	General Fund Reserve	Total	General Fund Reserve	Total
	£000	£000	£000	£000
Opening Balance 1 April	276	276	356	356
Decrease in Reserve	22	22	(80)	(80)
Closing Balance as at 31 March	298	298	276	276

Note 18: 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.

Note 19: Comprehensive Income and Expenditure statement – financing and investment income and expenditure

	2017/18	2016/17
	£000	£000
Pension Interest Cost and Expected Return on Pensions Assets	183	124
Total	183	124

Note 20: Going Concern

As at 31 March 2018, the Balance Sheet of the Board shows a Net Liability position of £0.717m. This is made up of a net Long Term Pension Liability of £1.060m and net current assets of £0.343m.

There are statutory arrangements for funding the long term deficit in respect of the net pension liability and the statutory accumulated absences, as detailed in the Movement in Reserves Statement on page 19, leaving a General Fund Reserve of £0.298m to be carried forward for use in future years. This will be taken into account in future years' budget strategies.

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view, in accordance with applicable law and the 2017/18 Code, of the state of affairs of Lanarkshire Valuation Joint Board as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Lanarkshire Valuation Joint Board's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

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

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

Auditor's responsibilities for the audit 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) 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.

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Dave Richardson

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

3 September 2018