



# Renfrewshire Valuation Joint Board

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Annual Accounts  
2019/20

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## Management Commentary

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

## Who we are and what we do

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

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

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

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

For the year 2019/20, these members were:

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

## Our Aims

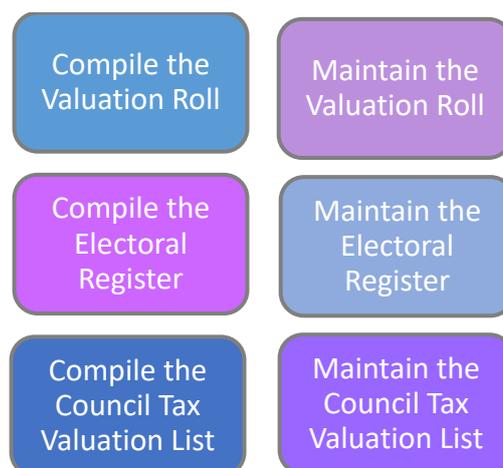
The Board was presented with an update to its current Strategic Service Plan on 29 May 2020. The plan covers the period April 2018 to April 2021.

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

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

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

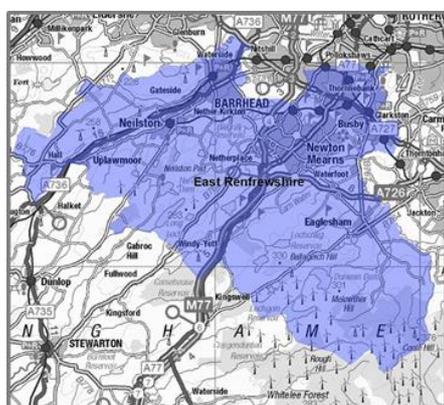
Part 3 of the Board's Strategic Service Plan 2018-21 defines six key business objectives, as follows:



## Our Performance

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

### East Renfrewshire



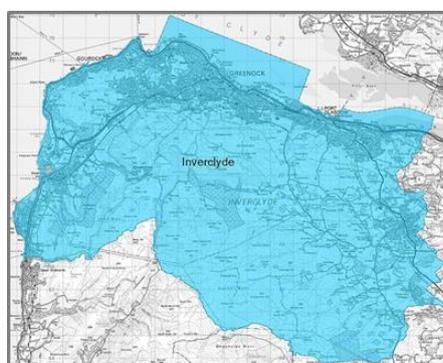
Council Tax	2019/20	2018/19
Properties	39,248	39,014
Proposals / Appeals received	83	86
Proposals / Appeals settled	44	95

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

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

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

### Inverclyde



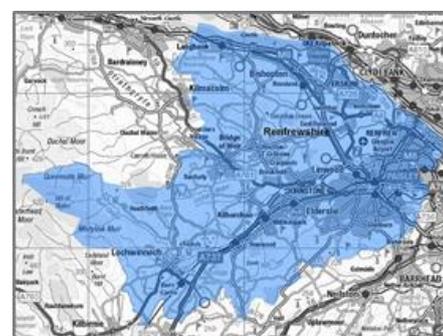
Council Tax	2019/20	2018/19
Properties	39,078	38,976
Proposals / Appeals received	49	60
Proposals / Appeals settled	30	38

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

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

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

### Renfrewshire



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

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

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

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

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

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

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

## Review of the Year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Primary Financial Statements

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

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

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

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

## Financial Performance

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

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

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

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

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

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

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

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

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

## The Balance Sheet at 31 March 2020

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

### Net Pension Position

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

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

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

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

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

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

## Reserves at 31 March 2020

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

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

## Wider Engagement

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

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

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

## Risks

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

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

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

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

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

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

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

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

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

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

## COVID-19 Lockdown: Remote Working

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

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

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

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

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

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

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

## Outlook and Future Plans

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

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

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

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

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

## Conclusion

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



**Councillor Audrey Doig**

Convener

18 September 2020



**Alan Russell CPFA**

Treasurer

18 September 2020



**Kate Crawford**

Assessor and Electoral Registration Officer

18 September 2020

# Statement of Responsibilities for the Annual Accounts

## The Board's Responsibilities

The Board is required to:

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

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

Signed on behalf of Renfrewshire Valuation Joint Board.



**Councillor Audrey Doig**

Convener

18 September 2020

## The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2020.



**Alan Russell CPFA**

Treasurer

18 September 2020

# Annual Governance Statement

## Scope of Responsibility

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

## The Board's Governance Framework

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

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

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

The main features of our governance arrangements are summarised as:

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

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

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

The system includes:

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

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

## Review of Effectiveness

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

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

These are:

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

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

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

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

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

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

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

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

## Assurance

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

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

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



**Councillor Audrey Doig**

Convener

18 September 2020



**Kate Crawford**

Assessor and Electoral Registration Officer

18 September 2020

## Remuneration Report

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

### Remuneration policy for elected members

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

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

### Remuneration policy for senior employees

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

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

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

### Pension rights

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

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

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

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

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

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

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

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

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

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

## Exit Packages

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



**Councillor Audrey Doig**  
Convener  
18 September 2020

## Remuneration of Employees

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

Bands with nil employees in both years are not displayed.

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



**Kate Crawford**  
Assessor and Electoral Registration Officer  
18 September 2020

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

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

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

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

In my opinion the accompanying financial statements:

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

#### **Basis for opinion**

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

#### **Conclusions relating to going concern basis of accounting**

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

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

#### **Risks of material misstatement**

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

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

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

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

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

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

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](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.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of my report**

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

*Mark Ferris*

Mark Ferris  
Senior Audit Manager  
Audit Scotland  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
22 September 2020

## Comprehensive Income and Expenditure Statement

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

2018/19 (restated)				2019/20		
Gross Expenditure £	Gross Income £	Net Expenditure £		Note	Gross Expenditure £	Gross Income £
2,182,406	0	2,182,406	Employee Costs	1,887,486	0	1,887,486
148,247	0	148,247	Property Costs	126,920	0	126,920
361,385	0	361,385	Supplies and Services	391,395	0	391,395
86,954	0	86,954	Support Costs	79,925	0	79,925
3,633	0	3,633	Transfer Payments	6,767	0	6,767
12,601	0	12,601	Transport Costs	15,637	0	15,637
60,918	0	60,918	Capital Charges	62,524	0	62,524
0	(125,990)	(125,990)	Other Income	0	(193,305)	(193,305)
<b>2,856,144</b>	<b>(125,990)</b>	<b>2,730,154</b>	<b>Cost of Services</b>	<b>2,570,654</b>	<b>(193,305)</b>	<b>2,377,349</b>
			<b>Financing and Investment Income and Expenditure</b>			
0	(1,000)	(1,000)	Interest receivable	0	(1,004)	(1,004)
53,000	0	53,000	Pension interest 15a	79,000	0	79,000
			<b>Taxation and Non-Specific Grant Income</b>			
0	(2,185,086)	(2,185,086)	Requisitions from Member Authorities 13	0	(2,500,500)	(2,500,500)
0	(37,614)	(37,614)	Capital Grants and contributions 6	0	0	0
<b>2,909,144</b>	<b>(2,349,690)</b>	<b>559,454</b>	<b>Deficit on the Provision of Services</b>	<b>2,649,654</b>	<b>(2,694,809)</b>	<b>(45,155)</b>
		886,000	Actuarial (Gain)/Loss on pension assets 15a			(1,589,000)
		<b>886,000</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(1,589,000)</b>
		<b>1,445,454</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(1,634,155)</b>

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

## Movement in Reserves Statement

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

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

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

## Balance Sheet

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

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

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

*Alan Russell*

**Alan Russell CPFA**

Treasurer

18 September 2020

## Note 1: Expenditure and Funding Analysis

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

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

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

## Note 2: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards are adopted within the 2020/21 Code:

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

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

## Note 3: Assumptions made about the future

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

The items in the Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Results differ from Assumption
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £1.733m, equating to a 10% increase.

## Note 4: Unusable Reserves

### Pension Reserve

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

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds.

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

## Employee Statutory Adjustment Account

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

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

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

## Capital Adjustment Account

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

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. It is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES and credited with the amounts set aside as finance for these costs.

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

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

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

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

## Note 6: Capital Expenditure and Capital Financing

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

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

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

## Note 7: Intangible Assets

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

## Note 8: Plant and Equipment

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

## Note 9: Operating Leases

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

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

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

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

## Note 10: Debtors

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

## Note 11: Creditors

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

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

## Note 12: Related parties

The Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Board, or to be controlled or significantly influenced by the Board. The Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of this information allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

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

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

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

## Note 13: External audit costs

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

## Note 14: Retirement Benefits

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

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

## 14a: Transactions relating to retirement benefits

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

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

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

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

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

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

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

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

## 14b: Assets and liabilities in relation to retirement benefits

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

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

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

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

## 14c: Fund history

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

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

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

## 14d: Impact on cashflows

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

## 14e: Basis for estimating assets and liabilities

The Board's share of the liabilities of the Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2017.

The principal assumptions used by the actuary have been:

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

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

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

## Note 15: Events after the Balance Sheet date

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

There are no non-adjusting events.

## Note 16: Contingent Liabilities

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

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

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

## Note 17: Critical Judgements in Applying Accounting Policies

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

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

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

### A General Principles

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

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

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

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

### B Accruals of Expenditure and Income

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

In particular:

- revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Board;
- revenue from the provision of services is recognised when the performance obligation relating to the transaction has been satisfied and it is probable that the economic benefits or service potential associated with the transaction will flow to the Board;
- expenditure in relation to services received (including services provided by employees) is recorded when the service is received rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## C Contingent Liabilities

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

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

## D Employee Benefits

### Benefits payable during employment

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

### Post-employment benefits

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

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

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

The liabilities of the Strathclyde Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

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

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

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

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

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;

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

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

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## E Events after the Balance Sheet date

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

There are two types of events:

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

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

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

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

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts

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

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

## G Government Grants and other Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Board when there is reasonable assurance that:

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

Amounts recognised as due to the Board are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Specific Grant Income line in the CIES.

## H Leases

### Operating Leases: Board as Lessee

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

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

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

## I Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as plant and equipment.

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

### Impairment

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

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

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

## Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the CIES, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

## Depreciation

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

## J Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Board as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Board.

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Revenue Reserve. The gains and losses are therefore reversed out of the Revenue Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and Capital Receipts Reserve.

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

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

## K Reserves

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

### Usable Reserves

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

### Unusable Reserves

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

## L Value Added Tax (VAT)

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