

***DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS***

JOINT BOARD MEMBERS & OFFICIALS AS AT 31 MARCH 2016

ARGYLL & BUTE COUNCIL

Councillor John Armour
Councillor Richard Trail
Councillor John McAlpine
Councillor Gordon Blair
Councillor Donald MacMillan

EAST DUNBARTONSHIRE COUNCIL

Councillor Jim Gibbons
Councillor Vaughan Moody (Vice Chair)
Councillor John Jamieson
Councillor Manjinder Shergill
Councillor Bill Hendry
Councillor Michael O'Donnell

WEST DUNBARTONSHIRE COUNCIL

Councillor Jim Brown (Chair)
Councillor Jonathan McColl
Councillor Tommy Rainey
Councillor Kath Ryall
Councillor Lawrence O'Neill

OFFICIALS

David Thomson (Assessor)
Robert Nicol (Depute Assessor)
Peter Hessett (Clerk)
Stephen West (Treasurer)

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

GENERAL SERVICE AIMS AND OBJECTIVES

WHO WE ARE AND WHAT WE DO

Dunbartonshire and Argyll & Bute Valuation Joint Board is an independent local government body which was established by The Valuation Joint Boards (Scotland) Order 1995. We professionally compile and maintain the Valuation Rolls, Council Tax Valuation Lists and Registers of Electors for the Argyll & Bute, East Dunbartonshire and West Dunbartonshire council areas.

OUR AIMS

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

COMMITMENTS

We are committed to:

- Consulting our stakeholders, and listening and responding to their views
- Valuing staff and providing them with opportunities to develop and contribute
- Reacting innovatively to change
- Encouraging innovation and recognising achievement within the organisation
- Treating all stakeholders, including staff, in a fair, consistent manner and in accordance with equal opportunities requirements
- Striving for continuous improvement in all aspects of service delivery
- Ensuring that we are accessible and accountable to stakeholders
- Pro-actively planning workloads and deploying resources efficiently
- Using language which is easy to understand
- Working with our partners in the Scottish Assessors' Association to ensure Scotland-wide consistency of approach to service delivery

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1.0 INTRODUCTION

I am pleased to present the Joint Board's Management Commentary and Annual Accounts in relation to the 2015/16 financial year.

The main purpose of this Management Commentary is to inform all users of the accounts and to help them assess how the Joint Board perform their duty to promote the success of the Valuation Joint Board. This Management Commentary also summarises the functions and activities of the office of the Assessor and ERO over the past year and provide information on the performance levels achieved in carrying out the statutory duties of the organisation.

The requirements governing the format and content of local authorities' annual accounts (under s106 of the Local Government (Scotland) Act 1973 joint boards and committees are classed as local authorities) are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the "Code").

Preparations for the 2017 Non-Domestic Rating Revaluation were a primary focus for much of the 2015/16 year. Appeal activity arising directly from the 2010 Revaluation was negligible throughout the year, though running roll and 'material change of circumstance' appeals were received and disposed of throughout the year.

In relation to our Council Tax functions, the number of new dwellings added to the Council Tax Lists remained relatively high compared to the majority of previous years and appeal activity remained at expected levels. Significant input was made into the Commission on Local Tax reform though its recommendations appear unlikely to be implemented in the short term.

2015/16 was a very significant year in relation to our Electoral Registration functions. Following the massive Transition to Individual Electoral Registration (IER) in 2014/15, the maintenance of the registers, including the canvass, over the last year was carried out under the new IER 'Business as Usual' procedures. Additionally, we had to extend our procedures to allow 'young persons' to be added to the Local Government register in line with the Scottish Elections (Reduction of Voting Age) Act. Support for the UK Parliamentary elections held in May 2015, preparations for the Scottish Parliamentary elections in May 2016 and various local government by-elections all required significant resourcing.

The VJB Management Team continues to be the main forum for decision making within the organisation. It met regularly throughout 2015/16 to manage statutory functions and operations, and develop, implement and monitor policies and strategies.

2.0 GENERAL PROGRESS IN RELATION TO STATUTORY FUNCTIONS

2.1 NON-DOMESTIC RATING

Aims

- To carry out a general Revaluation, normally every 5 years. In particular, plan to deliver a full set of Revalued Rateable Values to the Scottish Government by September 2016.
- To timeously compile and maintain the Valuation Roll in accordance with the relevant legislation, to take account of new properties, properties which should no longer be entered in the roll, properties which have been altered, changes to the parties shown in the Roll and other changes arising from statute or other decisions of the Courts.
- To issue Valuation Notices to the appropriate parties shown in the Valuation Roll.
- To improve upon the time taken between the date on which amendments to the Valuation Roll are effective and the date on which the Valuation Notice is issued.
- To publish the Valuation Roll, make it available to the rating authority, the Keeper of Records and other interested parties.
- To deal with appeals by discussion with ratepayers or their agents, or by hearing of appeals before the appropriate valuation appeal courts.

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2.1 NON-DOMESTIC RATING (Cont'd)

Maintenance of the Valuation Roll

Throughout the year, professional and technical staff have been involved in the routine updating of the Valuation Roll to take account of additions, alterations and deletions. 969 amendments were made to the Valuation Roll during the year.

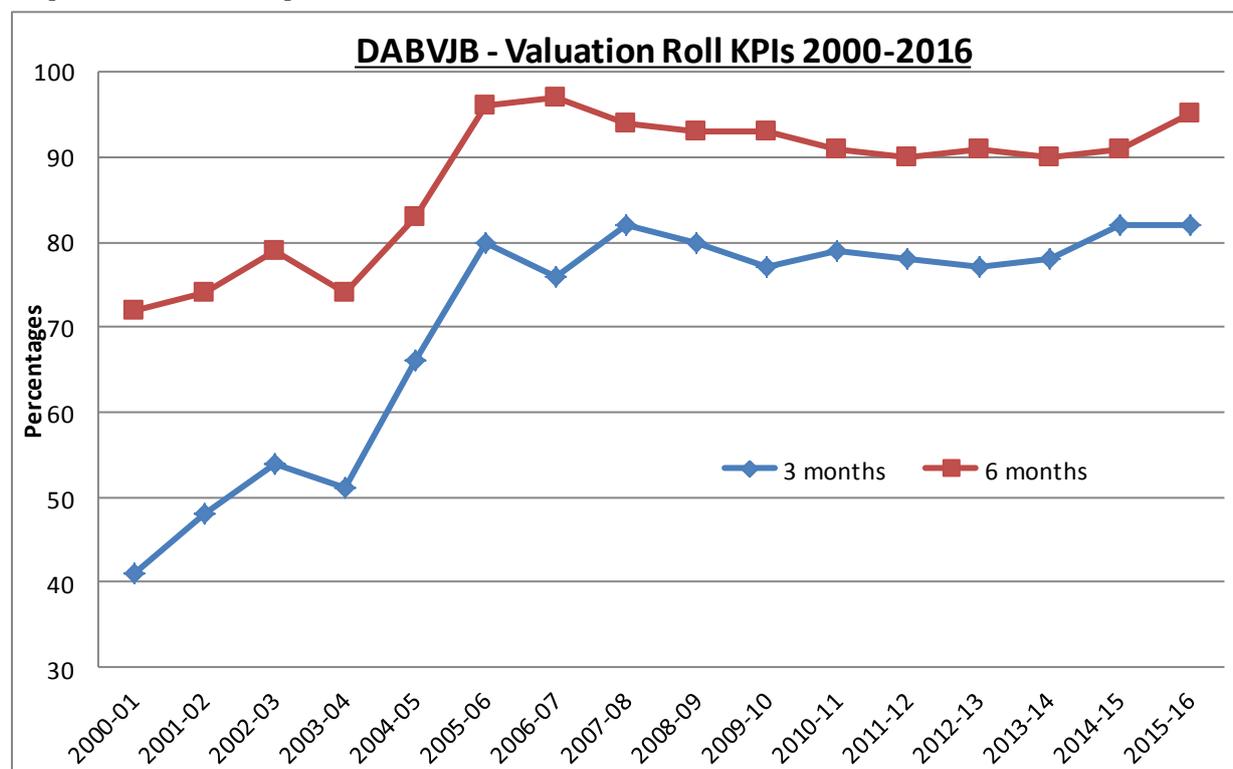
| | |
|---|---------------|
| Total No of entries @ 1st April 2015 | 13,564 |
| Total Rateable Value @ 1st April 2015 | £328.7million |
| Total Number of entries @ 31st March 2016 | 13,641 |
| Total Rateable Value @ 31st March 2016 | £330.0million |

The Key Performance Indicator in relation to non-domestic valuation has been defined as the time taken from the date on which amendments to the Valuation Roll are effective to the date a Valuation Notice in respect of that change is issued. The following table sets out the target and actual performance information for 2015/16 compared with the actual figures for 2014/15.

| Period | Actual 2014/15 | Target 2015/16 | Actual 2015/16 | | | |
|------------|----------------|----------------|----------------|---------------------|---------------------|----------------|
| | | | Argyll & Bute | West Dunbartonshire | East Dunbartonshire | Whole VJB Area |
| 0-3 months | 83.3% | 80% | 85.3% | 79.3% | 65.3% | 81.9% |
| 3-6 months | 8.5% | 14% | 11.1% | 20.0% | 19.83% | 13.5% |
| >6 months | 8.2% | 6% | 3.6% | 0.7% | 14.87% | 4.6% |

Our performance in respect of maintenance of the Valuation Roll was up on 2014/15 at 6 months and the targets at both 3 and 6 months were met.

Our performance over the period since 2000 is shown below.



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2.1 NON-DOMESTIC RATING (Cont'd)

2005 Revaluation

One appeal, which has been referred to the Lands Tribunal, was outstanding at the start of the 2015/16 year and remains so.

2005 Running Roll Appeals

At the start of 2015/16, 26 'Running Roll' appeals relating to Mobile Telecommunication subjects were outstanding from the 2005 Valuation Roll and, despite various efforts to engage with the relevant agents, these remain outstanding.

2010 Revaluation Appeals

The 2010 Revaluation took effect from 1st April 2010 and a total of 3,391 appeals were received before 30th September 2010, the vast majority of which were disposed of by the statutory date of 31st December 2013.

At the start of 2015/16, 41 Revaluation appeals were outstanding, all of which have been referred to the Lands Tribunal on the basis of their complexity, legal uncertainty or by virtue of them being subjects which extend beyond one council area. During the year 10 were disposed of by negotiation leaving 31 outstanding.

2010 Running Roll Appeals

At the start of the 2015/16 financial year 195 running roll appeals were outstanding. During the year a further 95 appeals were submitted. 167 appeals were disposed of leaving 123 outstanding. 59 running roll appeals had been referred to the Lands Tribunal at the start of the year and by the end of the year it had been reduced to 26.

2017 Revaluation

The 2017 Revaluation comes into effect on 1st April 2017 based on a valuation date of 1st April 2015, though the Scottish Government expects to receive a completed Revaluation data set by September 2016. It is a major task which is not helped by the variety of effects on the property market of the economic turmoil that has been experienced since preparations for the last revaluation. Further, we have experienced an increasing reluctance amongst ratepayers and their professional agents to provide the information required to carry out an accurate Revaluation.

A Revaluation Project Team, which is being led by the Depute Assessor, has been monitoring progress against our agreed timetable for delivery and by the end of 2015/16, 6,521 (47.8%) of the 13,644 subjects in our Valuation Rolls had been Revalued.

2.2 COUNCIL TAX

Aims

- To maintain the Valuation List in accordance with the relevant legislation, to take account of new properties, properties which should no longer be entered in the List, properties which have been altered and sold, and other changes arising from statute or other decisions of the Courts.
- To issue Banding Notices to the appropriate parties.
- To improve upon the time taken between the date on which amendments to the Valuation List are effective and the date the Banding Notice is issued.
- To publish the Valuation List, make it available to the billing authority, the Keeper of Records and other interested parties.
- To deal with proposals/appeals by discussion with ratepayers or their agents, or by hearing of appeals before the appropriate valuation appeal courts.
- To keep property records up to date to take account of alterations.

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2.2 COUNCIL TAX (Cont'd)

Maintenance of Valuation List

The year to 31st March 2016 saw a net increase in the number of dwellings shown in the Council Tax List.

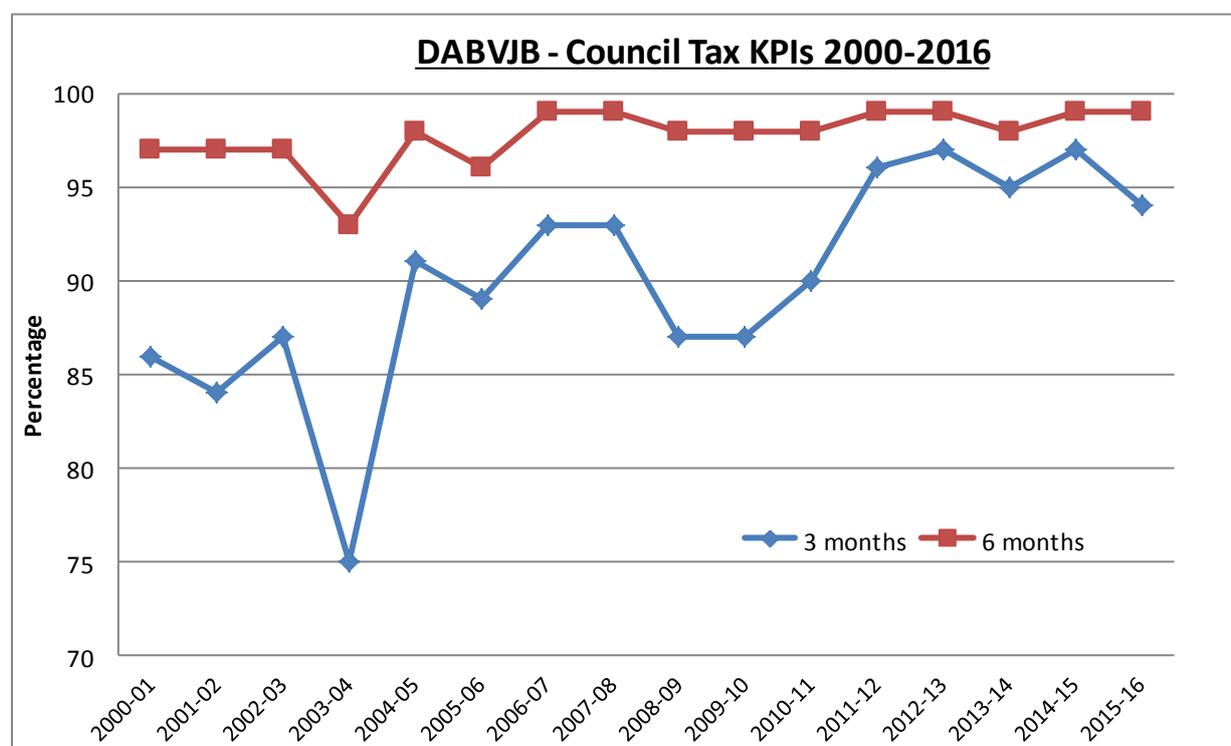
| | |
|---|---------|
| Total Number of entries @ 1st April 2015 | 143,184 |
| Additions during year to 31st March 2016 | 1,077 |
| Deletions during year to 31st March 2016 | 397 |
| Total Number of entries @ 31 st March 2016 | 143,864 |

The Key Performance Indicator in relation to Council Tax has been defined as the time taken from the date on which additions to the Valuation List are effective to the date a Banding Notice in respect of that new entry is issued. The following table sets out the target and actual performance information for 2015/16 compared with the actual figures for 2014/15.

| Period | Actual 2014/15 | Target 2015/16 | Actual 2015/16 | | | |
|------------|----------------|----------------|----------------|---------------------|---------------------|----------------|
| | | | Argyll & Bute | West Dunbartonshire | East Dunbartonshire | Whole VJB Area |
| 0-3 months | 97.0% | 95% | 89.0% | 96.8% | 95.8% | 93.7% |
| 3-6 months | 2.0% | 3% | 8.6% | 3.2% | 3.8% | 5.3% |
| >6 months | 1.0% | 2% | 2.4% | 0% | 0.4% | 1% |

We did meet our target of making 98% of new Council Tax entries within 6 months but marginally missed the 3 month target of 95%. The reason for the latter was that a review of Self-Catering Unit subjects carried out in preparation for the 2017 Non-domestic Revaluation resulted in a significant number of these being deleted from the Valuation Roll and entered into the Council Tax list retrospectively.

The pattern of performance over a longer period is shown below.



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2.2 COUNCIL TAX (Cont'd)

Proposals and Appeals

125 proposals and appeals were outstanding at the start of 2015/16 and 298 were submitted during the year. In the same period, 284 were disposed of, leaving 139 outstanding.

Future of Council Tax

The Commission on Local Tax Reform which was co-chaired by the then Local Government Minister Marco Biagi and President of COSLA Councillor David O'Neill published its report in December 2015. The Commission concluded that the current system of Council Tax must end, with any replacement designed to be fairer, more progressive and locally empowering. The report sets out a range of different systems of local taxation, and considers the potential impact and administration of these. To date, however, its recommendations do not look like being implemented, at least in the short term.

2.3 ELECTORAL REGISTRATION

Aims

- To timeously compile and maintain the Electoral Register in accordance with the relevant legislation.
- To deal promptly with all new applications to register under Rolling Registration.
- To deal with all claims and objections relating to the Register.
- To deal with applications for absent votes, collect and securely store Personal Identifiers and maintain relevant Absent Voters lists.
- To produce, and make available for sale, copies of the Electoral Register in accordance with statutory arrangements.
- To encourage Electoral Registration in the three constituent Council areas.
- To support the efficient running of elections within the Joint Board area.

Additional Aim specific to 2015/16

- To maximise the number of 16 and 17-year added to the Electoral Register in accordance with the Scottish Elections (Reduction of Voting Age) Act.

Individual Electoral Registration (IER) and the Published Electoral Register

Following on from the change to IER and the 'Confirmation' process which took place in 2014/15 the main focus in Electoral Registration during 2015/16 was the implementation of IER 'Business-as-Usual' processes for both the annual canvass and for rolling registration. Further, in July 2015 the Electoral Registration and Administration Act 2013 (Transitional Provisions) Order 2015 formally marked the end of Transition to IER on 1st December 2015. This meant that any person who had been neither 'Confirmed' through data matching nor had been 'Verified' by way of a successful Individual Registration application was to be removed from the register at publication in December 2015.

To be included in the Electoral Register applicants now have to apply individually either by completion of an Invitation to Register (ITR) form, by submission of relevant details via the Government Digital Service (www.gov.uk/register-to-vote) or by providing the relevant details to an Electoral Registration Office in person or by telephone.

The Household Enquiry Form (HEF), which replaced the annual canvass form, can no longer be used to effect change to the register. Instead, change notified on returned forms is to be treated as a piece of evidence which will initiate the issue of an ITR or other relevant documentation. Thus what was a single stage process for a whole household can now be a multi-stage process for each individual applicant.

The requirement to provide a Date of Birth and National Insurance Number when making an application, and to have these verified against central government records, add to the complexity of the process, particularly where failure to do so leads to applicants being required to provide documentary evidence of their identification or move to a process of third party attestation.

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2.3 ELECTORAL REGISTRATION (Cont'd)

The requirement to issue ITRs both during and outwith the annual canvass period partly removes the distinction between the two processes, thereby making reporting directly on the canvass much more difficult.

Notwithstanding the above we issued the following HEFs during the canvass period with the majority of the 2nd reminders being issued via a door-to-door canvass.

| | Initial issue | 1 st Reminder | 2 nd Reminder | %age Return |
|-----------------------|----------------|--------------------------|--------------------------|---------------|
| Argyll & Bute Council | 48,246 | 23,589 | 16,556 | 79.7% |
| East Dunbartonshire | 45,682 | 23,050 | 16,218 | 79.7% |
| West Dunbartonshire | 44,760 | 27,839 | 21,468 | 66.05% |
| VJB Total | 138,688 | 74,478 | 54,242 | 74.96% |

As well as receiving returns by post we made available an electronic response system which allows electors to reply via telephone, internet or SMS/text. For the first time this system allowed us to capture change information as well as 'No change' responses. A summary of the return methods is shown below.

| Method of Response | No of Returns | %age return |
|---|----------------|---------------|
| Post | 51,022 | 36.79% |
| Electronic (web/phone/SMS) | 35,628 | 25.69% |
| Phone/Email contact | 2,681 | 1.94% |
| Door-to-door canvass | 9,752 | 7.03% |
| Verified as second home/long term empty | 3,541 | 2.55% |
| Returned/Empty/ Other | 1,343 | 0.97% |
| Total | 103,967 | 74.97% |

Despite the provision of these services, overall return rates were down on previous canvasses. This is largely because changes to the canvass process arising from legislation and Ministerial direction resulted in a matching process which was previously used to improve the return rate being disallowed under the new system. Along with poorer household form return rates, this resulted in the door-to-door canvass having to be extended very significantly compared to previous years. The number of canvassers required to complete the task was, therefore, increased from 25 in the 2013/14 canvass (the last full household canvass before the transition to IER) to 60 and this increased costs significantly above the start of year provision.

As outlined above, any person who had been neither 'Confirmed' through data matching nor had made a successful Individual Registration application to be included in the register was to be removed from it at publication in December 2015. Through various attempts to make contact and follow-up on non-confirmed electors the numbers at point of publication had been reduced significantly in comparison to the equivalent number at publication in February 2015, with a total of 4,669 electors being removed under this requirement – see below. The full impact of this change is not yet known.

| | At Publication (27th February 2015) | Start of Canvass (31st July 2015) | Electors Deleted (1st December 2015) |
|---------------------|--|--------------------------------------|---|
| Argyll and Bute | 2,966 | 2,155 | 1,250 |
| East Dunbartonshire | 3,126 | 2,456 | 1,553 |
| West Dunbartonshire | 3,071 | 2,591 | 1,866 |
| Total | 9,163 | 7,202 | 4,669 |

To help identify young persons who would be entitled to be included in the register, data was obtained from education authorities and local schools. ITRs were then issued to all known 16 and 17 year-olds and this resulted 3,156 'young persons' being added to the registers for the VJB area at publication.

In summary, the number of changes to the Register during the 2015 canvass period was as follows:-

| | |
|-------------------|--------|
| Elector Additions | 11,733 |
| Elector Deletions | 10,244 |

resulting in a total electorate of 218,668 at publication.

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2.3 ELECTORAL REGISTRATION (Cont'd)

This total electorate figure is down on the total at publication in February 2015 and reversed the trend which had been for a generally increasing electorate in recent years.

| Year | No of Electors |
|-------------|-----------------------|
| 2015 | 218,668 |
| 2014 | 223,594 |
| 2013 | 221,453 |
| 2012 | 219,117 |
| 2011 | 217,065 |
| 2010 | 216,433 |
| 2009 | 215,460 |
| 2008 | 216,241 |
| 2007 | 218,875 |
| 2006 | 218,399 |
| 2005 | 217,559 |

The full Electoral Register can only be provided for certain limited statutory purposes, while the 'Open Register' (also known as the 'Edited Register') can be sold to anyone for any purpose. Under IER electors who opt-out from the Open Register will remain opted out until they advise the ERO accordingly or they re-apply to be registered. At the end of the 2015 canvass the percentage of electors who had opted out was as follows:-

| Year | Electors Opted out |
|-------------|---------------------------|
| 2015 | 33.4% |
| 2014 | 26.0% |
| 2013 | 13.5% |
| 2012 | 19.5% |
| 2011 | 21.0% |
| 2010 | 27.2% |
| 2009 | 25.3% |
| 2008 | 21.7% |
| 2007 | 13.4% |
| 2006 | 17.3% |
| 2005 | 8.4% |

Absent Voters

Aside for an adjustment in 2014, the trend in numbers of absent voters on the register in recent years has been upwards and this continued to be the case following the 2015 canvass.

| Year | No of Absent Voters |
|---------------|----------------------------|
| December 2015 | 38,376 |
| February 2015 | 34,525 |
| 2014 | 27,176 |
| 2012 | 29,501 |
| 2011 | 29,076 |
| 2010 | 27,365 |
| 2009 | 24,899 |
| 2008 | 23,095 |

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2.3 ELECTORAL REGISTRATION (Cont'd)

Rolling Registration

The Rolling Registration is the process of dealing with applications for changes to the Register which take place outwith the canvass period. During 2015/16 the numbers of rolling registration changes made were as follows:-

| Local Authority | Additions | Deletions |
|------------------------|------------------|------------------|
| Argyll & Bute | 4,618 | 5,207 |
| East Dunbartonshire | 4,427 | 4,128 |
| West Dunbartonshire | 3,875 | 3,513 |
| VJB Area | 12,920 | 12,848 |

IER requires a pro-active approach to change throughout the year and we have continued to use sources such as Council Taxpayer records and house sales information to initiate the issue of ITRs.

Electoral Performance

The Electoral Administration Act 2006 (EAA) gave the Electoral Commission (EC) powers to set standards of performance for EROs, Returning Officers (ROs) and Referendum Counting Officers (RCOs) in Great Britain.

During the changeover to IER there were 2 temporary standards in place. In March 2016 the Commission published its standards which would apply to the new regime. Our own assessment is that we are either compliant with each of the standards or are in a position where we are continually updating and reviewing how we do comply. The EC will request evidence of compliance from a sample of EROs based on their own assessment of risk and, to date, we have not been asked to make such a submission.

Alongside the Performance Standards regime, the EC and the Cabinet Office have developed an extensive suite of reports on registration activity and register accuracy and completeness. Various reports were submitted to these bodies immediately following publication of the registers.

Elections and Referendum

During 2015/16 Electoral Registers were used for the purposes of the UK Parliament elections in May 2015, a local government by-election in February 2016 and several Community Council elections with very few issues arising in respect of the completeness or accuracy of the registers at these events. Towards the end of the financial year significant resource was being applied to the preparations for the Scottish Parliament election (5 May), a local government by-election in Argyll & Bute (2 June) and the referendum on the UK's membership of the European Union on 23 June 2016.

Review of Electoral Operations

The implementation of IER has been the biggest change to the electoral system in many years requiring changes to all operational procedures and processes and to our electoral management systems. Subsequent to publication of registers in March 2015 we initiated a review of how these changes affected our operations and staffing requirements. It concluded shortly after the first set of elections under the new system in May 2015. The review proposed a minor change to the staffing structure and several changes to responsibilities, operations and procedures. In effect an extension of that review is ongoing as IER 'beds in'.

IER is also much more expensive to operate than traditional registration. Early in 2015/16 the Cabinet Office provided direct funding to reflect that but their grant fell short of both the previous provision and the expected requirement. The CO did, however, open a 'Justification Led Bid' (JLB) process which gave EROs the opportunity to claim funding for any actual, evidenced, expenditure arising from IER which was in excess of the grant allowed. A bid of £50,707 was submitted in January 2016 and a payment of that amount was received at the very end of the financial year.

Having initially indicated that no central government funding would be available beyond 2015/16 the CO announced in March 2016 that central government funding of IER would, in fact, be continued.

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3.0 GENERAL PROGRESS IN RELATION TO OTHER MATTERS

3.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY

IT and Computer Provision

A revised IT Strategy for the Valuation Joint Board was approved by the Valuation Joint Board in June 2015. This strategy provides direction and focus for the Joint Board as technology advances and the requirement for changes in processes continues. The strategy:-

- Supports the day to day business of the Board
- Assists in the delivery of a high quality service
- Identifies the competencies required for ICT support and development
- Helps maintain partnerships with stakeholders.

Computers and IT systems continue to be maintained and upgraded as required to meet operational needs and in accordance with the recommendations from West Dunbartonshire Council's ICT Service. During the year we purchased PCs/laptops to replace obsolete devices. Further, we purchased a new Unix Server to host our 'Progress' valuation system and a Domain Controller (server) for each of our sites. These will be installed in the early part of 2016/17 to be timetabled in accordance with operational needs and priorities.

Issues regarding communication with, and connection to, our office in Campbeltown have been ongoing for some time now. The early part of 2015/16 saw us implement a new device to improve the effectiveness of our aggregated broadband lines. This did help but the longer term solution is to install a fibre optic broadband line. The procurement of such a line has commenced but there are dependencies on the suppliers in terms of implementation. In the meantime, a further three broadband lines have been procured and aggregated with the existing lines.

As part of the WDC Modernisation Programme, the communications lines in the Clydebank office were migrated to a new network.

Our Electoral Management System was upgraded several times throughout the year to provide the functionality required for both IER and the extension of the franchise to 16 and 17 year olds. The additional functionality also provides for the Electoral Commission/Cabinet Office statistical submissions referred to above.

The 'Progress' system which supports our valuation functions was further developed to facilitate both the valuations and the required process improvements for the 2017 revaluation.

Early in the 2015/16 financial year we changed the telephony providers to both of our offices and this will result in savings against previous expenditures.

Scottish Assessors Association Web Site

Throughout the year, staff continued to actively participate in the project's Management Committee, Project Team and Working Group to enhance the SAA web portal (www.saa.gov.uk) which provides single point access to Valuation Roll, Council Tax List and Electoral Registration information on an all-Scotland basis.

One related issue to develop during 2015/16 was the appropriateness of providing data held at the portal to the public, other stakeholders and customers. It has been identified that it may no longer be appropriate for the information held at the portal to be supplied to third parties and customers and, as a result, the portal's funding model may require to be revised.

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3.2 BEST VALUE

Key Performance Indicators and Public Performance Reporting

Performance in respect of Valuation Roll and Council Tax Key Performance Indicators is reported above. Our 2014/15 Public Performance Report was published during 2015/16 on our web site (www.dab-vjb.gov.uk).

Performance Management and Planning

The Management Team continues to be the main forum for planning and management of performance. In accordance with our Performance and Management Planning process, the following improvement actions were taken, or were ongoing, during 2015/16:-

- A new 3-year Service Plan for the period 2014 – 2017 was approved by the Valuation Joint Board in June 2014. An annual update to the Service Plan and an Annual calendar for 2015/16 were approved in June 2015. Further versions of these documents were drafted during the year and will be presented to the Joint Board for approval in June 2016. The Management Team regularly reviews progress against these plans
- An internal audit of the Board's Governance structures and procedures was carried out. The Audit report concluded that the systems examined were working effectively but identified opportunities to strengthen internal controls and enhance the service provided. The agreed Action Plan was incorporated into the Management Team's collated Audit Action Plan and will be a focus for improvement in 2016/17.
- A newly formatted 'Board Risk Register' was approved by the Joint Board in June 2015. An Operational Risk Register was also completed and a Risk Action List was used by the Management Team to regularly review risks and actions taken.
- The Joint Board's Reporting Framework was substantially reviewed following various changes to both internal and external reporting requirements.
- A new approach to printing and mailing our outgoing correspondence brought significant financial and time releasing savings over previous procedures.
- A revised Code of Corporate Governance for the Joint Board was approved.

The above represent real commitments to the Best Value regime and to continuous improvement. The current financial restrictions have imparted an efficiency driven ethos in many of our operations, but we will continue to strive to provide improving services.

Risk Management

The Joint Board's Risk Registers and Action Plan are revised annually. Inclusions in the Board Risk Register during the year were:-

- The potential for the Joint Board or its statutory officials to fail to meet our statutory duties
- The various financial risks associated with the current economic and funding climate.
- The risks in relation to the ongoing changes in electoral registration subsequent to IER.
- The potential to lose one or more of our statutory functions.
- The risks associated with delivering the extension of the franchise.
- The loss during 2016 of the file storage facility at Witchburn Road, Campbeltown.
- The dependency of the Joint Board on ICT for delivery of its statutory functions and service delivery.

All risks have planned actions to mitigate or minimise the risk and progress against the actions is regularly monitored at Management Team meetings.

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3.2 BEST VALUE (Cont'd)

Audit

During the year, the final 2014/15 accounts of the Valuation Joint Board were subject to External Audit by Audit Scotland. The external auditor's Annual Audit report gave an unqualified opinion on the financial statements for the year to 31 March 2015.

The report did identify that the Joint Board had delivered services under budget over consecutive years and recommended a review of the budget setting process to ensure that the constituent authority contributions were set at the right level. It also reiterated the increased costs related to IER and the potential shortfall in the revenue budget provision arising therefrom. The subsequent receipt of further grant money, however, largely precluded the need to implement contingency plans.

During the year Internal Audit carried out a review of our Governance Structures and Procedures. In their report auditors concluded that the systems examined were working effectively. The review did, however, highlight that opportunities exist to strengthen internal controls and enhance the service provided. The Assessor and ERO, along with the members of the Joint Board's Management Team, will address the actions contained within the Action Plan and will report on progress against these at regular Management Team Meetings.

The finances of the Joint Board for 2015/16 will be audited by Audit Scotland who completed initial investigations into systems during the year. An Audit Plan was completed which identified the main areas where they will direct scrutiny. These will be to ensure that:-

- Controls are in place to ensure that management cannot override financial controls
- The Assessor & ERO's Annual Report and Management Commentary comply with Government Financial Reporting Manual guidance.
- The IER funding gap is addressed.

The auditors will report on these investigations in their Auditor's Report.

Customer Satisfaction

For some years now, recent users of the Joint Board's services have been randomly sampled and issued with questionnaires to seek their perception of the service provided to them. A summary of the results is provided below. These show that:-

- By far the majority of our stakeholders (97%) find us professional, courteous and helpful.
- 62% of queries or transactions are completed at the first point of contact and only 4% of matters are not concluded to the satisfaction of the stakeholder.
- Most users of Joint Board services (94%) are satisfied with the information and/or advice provided to them.
- Very high satisfaction levels are being maintained on a year-to-year basis.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

3.2 BEST VALUE (Cont'd)

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Survey Return Rate | 25% | 25% | 23% | 28% | 27% | 21% | 18% |
| Was the person with whom you communicated professional, courteous and helpful? | 97% | 98% | 98% | 97% | 98% | 99% | 97% |
| Was the matter brought to a satisfactory conclusion immediately? | 62% | 58% | 62% | 58% | 55% | 67% | 62% |
| Was the matter brought to a satisfactory conclusion? | 98% | 97% | 98% | 98% | 96% | 97% | 96% |
| Are you satisfied with the quality of the information or advice given to you? | 96% | 96% | 96% | 96% | 96% | 97% | 94% |

It is clear that response rates, particularly from members of the public who have engaged in the electoral registration process by electronic means, remain persistently low. Further, the usefulness of the quantitative feedback in the returns we do get is very limited. Consideration will therefore be given to the value of continuing with current sampling levels.

No Customer Satisfaction forms were requested in alternative languages, Braille or other formats. A breakdown of the returns which indicated the relevant protected characteristics is shown below.

| Characteristic | Category | Percentage |
|--------------------|---------------|------------|
| Race | White | 96.2% |
| | Non-white | 3.8% |
| Gender | Male | 48.8% |
| | Female | 51.2% |
| Disability | Disabled | 7.1% |
| | Able-bodied | 92.9% |
| Sexual orientation | Heterosexual | 97.6% |
| | Other | 2.4% |
| Marital status | Married | 61.5% |
| | Never Married | 17.2% |
| | Other | 21.3% |
| Age | 16-21 | 3.8% |
| | 22-30 | 5.4% |
| | 31-40 | 14.7% |
| | 41-50 | 14.7% |
| | 51-60 | 28.3% |
| | 61-65 | 9.2% |
| | 66-70 | 13.6% |
| | 70+ | 10.3% |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

3.2 BEST VALUE (Cont'd)

Sample sizes within the various equalities groups were too small to draw firm conclusions but the results will continue to be monitored to ensure that we are carrying out our functions in a fair and equitable manner.

Complaints Procedure

The Joint Board operates a Complaints Procedure which is in line with the Public Sector Ombudsman's Model Complaints Handling Procedure.

There were a total of 31 Complaints received during 2015/16, compared to 21 in 2014/15, with 25 relating to Electoral Registration and 3 each relating to Non-domestic Rating and Council Tax.

26 complaints were resolved at the frontline resolution stage with 5 being escalated to the Investigation stage. The outcome of one of the investigations was referred by the complainant to the SPS Ombudsman. As the matter complained of was one which should properly be dealt with by the existing appeals procedures provided for within the Valuation Acts and the complainant had not made use of that opportunity, the Ombudsman did not accept the complaint.

Recurring themes are shown below along with the Board's reaction.

| Theme of complaint | Reaction | Learning Points/Actions |
|--|---|---|
| Receipt and wording of formal 'Review' letters. | These letters must be sent to electors where the ERO has some information which suggests that the person is no longer eligible to be registered at that address. | Both the procedures for interpreting external sources of information and the wording of Review letters have been reviewed and remain under review on an ongoing basis |
| Documentary evidence requested of applicants to be included in the electoral register. | This is an absolute requirement of IER where individuals have failed to be matched to DWP data. | Potential to review the request letter and advice given but the requirement to request documentary evidence cannot be changed. |
| Not able to vote In UK Parliamentary election. | These complaints tend to be from persons who have either not applied or have applied outwith timetables. Advice on these matters is given. Others relate to the franchise for particular electoral events which is beyond the vires of the ERO. | ERO has no power to be flexible with statutory timetables and clearly cannot deal with applications not received. Various methods have been adopted to get timetable into the public domain but the electoral landscape is complex and possibly confusing to the elector. |
| The wording of correspondence is inappropriate, insensitive or similar. | ERO can only offer an explanation of the prescribed nature of these. | Where forms/letters are prescribed the ERO feeds back the public response into consultations and reviews of their format. Where there is local discretion the content of letters is reviewed. |

Several of these themes are repeats of previous years complaints but where there is a statutory process or a prescribed letter/form, there is little the ERO can do but to follow/issue them.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

3.2 BEST VALUE (Cont'd)

Financial Performance

Comprehensive Income and Expenditure Statement

This account covers the day to day operational expenditure of the Joint Board and is shown on page 31 of the Annual Accounts. The table below is a summary of the Joint Board's financial position at 31 March 2016.

| | Budget | Actual | Variance |
|---------------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Employee Costs | 2,219,756 | 2,209,295 | 10,461 |
| Property Costs | 123,588 | 104,374 | 19,214 |
| Transport Costs | 40,000 | 45,644 | (5,644) |
| Supplies & Services | 322,716 | 289,493 | 33,223 |
| Payment to Other Bodies | 35,000 | 32,503 | 2,497 |
| Support Services | 133,334 | 133,334 | 0 |
| Other Costs (Interest) | (100) | 370 | (470) |
| Total Expenditure | 2,874,294 | 2,815,013 | 59,281 |
| Requisition Income | 2,664,460 | 2,664,460 | 0 |
| Grant Income | 98,000 | 139,810 | 41,810 |
| Rental Income | 25,000 | 26,156 | 1,156 |
| Sales, Fees & Charges | 3,500 | 1,667 | (1,833) |
| Total Income | 2,790,960 | 2,832,093 | 41,133 |
| (Surplus)/Deficit for the year | 83,334 | (17,080) | (100,414) |

The Joint Board returned a surplus of £17,080 for the financial year 2015/16, compared to a budgeted position which anticipated a planned deficit of £83,334 to be funded from reserves. This surplus figure excludes accounting adjustments relating to depreciation, pensions and accrued employee benefits.

The difference between the employee costs figure and the figure reported in the Comprehensive Income & Expenditure Statement is due to accounting adjustments for pensions (£205,000) and holiday pay accrual (£8,536) these costs are year end adjustments that are offset by corresponding transfers to the Balance Sheet and the Movement in Reserves Statement.

The financial position of the Joint Board was negatively affected during the 2015/16 year by increases in operational expenditure arising from the change to IER and by West Dunbartonshire Councils' termination of their lease over part of the Joint Board's property. These will have effects into 2016/17 and beyond.

The main budget variances are showing below:-

| | Variance | Comments |
|---------------------|-----------------|---|
| | £ | |
| Employee Costs | 10,461 | This underspend is mainly due overtime costs were lower than anticipated. |
| Property | 19,214 | This underspend is mainly due to lower than anticipated expenditure on energy and repairs and maintenance. |
| Supplies & Services | 33,223 | This underspend is across a number of headings (such as office & computer equipment, computer licences, telephones, courses & conferences). |
| Income | 41,133 | Grant income was more than anticipated. |

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

3.2 BEST VALUE (Cont'd)

Balance Sheet

The balance sheet is shown on page 32 and features an assessed pension fund liability of £4.236m based on the valuation of the fund at 31 March 2016. This results in the Board's Balance Sheet showing a net liabilities position. Further information on the pension fund is provided in note 3 on pages 42 to 46 the valuation states that assets held at the valuation date were sufficient to cover only 80% of the accrued liabilities. It is considered appropriate that the Annual Accounts should follow a 'going concern' basis of accounting. Statutory arrangements with the constituent local authorities mean that the financial position of the Board remains assured.

The pension scheme net liability has decreased by £1.879m as advised by the appointed actuaries. The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers together with planned increases in employer's contributions provide sufficient security and income to meet future pension liabilities.

From April 2016, and arising from changes in pensions legislation, the payments that the Joint Board makes in respect of Employer's National Insurance contributions will increase. These changes, which are beyond the control of the officers of the Joint Board, make it all the more challenging to close the year-on-year budget gaps which have been projected. The issue must be dealt with, however, and addressing the budgetary shortfall, against a background of a generally tightening budgetary position, will need to form a major focus for the both the Officers and Members of the Joint Board during 2016/17.

General Reserves

At their Board meeting on the 16 November 2012, the Board approved a Balance and Reserves Policy. The Board's Prudential Reserves Policy is to retain a prudential target of 2% of net expenditure i.e. constituent authority requisition level (15/16 £53,289) or £100,000, whichever is higher.

Funds held in excess of the prudential target can be spent or earmarked at the discretion of Board Members on behalf of the constituent authorities.

As at 31 March 2016 the Board held total usable reserves of £633,416 (of which £19,993 relates to unapplied capital reserves) with the remaining balance comprising revenue reserves of £613,423. A proportion of this is identified as an earmarked balance (£267,768) and once this has been accounted for leaves £345,655 of general reserves for future use (including £100,000 prudential reserve above).

The Joint Board recognises the difficult financial climate facing public services and has continued to seek efficiencies where possible. This allowed the Board to maintain requisition levels in 2015/16 at 2014/15 levels. It is anticipated that future planned draws on the reserves may be required to ensure that a balanced budget is delivered for 2016/17 onwards given the forecast reduction in funding for local government and the increasing workload to the Board.

Provisions and Contingencies

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

Service Changes and Future Developments

There were no changes to the statutory functions the Board undertakes, however the Board is aware of the impact of Individual Electoral Registration and has planned accordingly.

Group Annual Accounts

The Joint Board has been determined to have an "associate" relationship with each of its constituent authorities and, as such, the Joint Board's results have been consolidated into each authority's group income and expenditure Annual Accounts.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

3.3 EQUALITIES

The Joint Board's Management Team is committed to the equalities agenda.

Arising from the Specific Duties which were established by the Scottish Government subsequent to The Equality Act 2010, the Joint Board established that its stated Equality 'Outcomes' are as follows:-

- We are seen as an inclusive equal opportunities employer where all staff feel valued and respected
- Our Services meet the needs of, and are accessible to, all member of our community and our staff treat all service users, clients and colleagues with dignity and respect.

Monitoring procedures have been put in place to allow us to report on progress towards achieving these Outcomes.

In April 2015 we published a report which provided updates on the Joint Board's progress in relation to mainstreaming its Equalities activities and progress in achieving its Outcomes. The report also includes analysis of various staffing related matters across the equalities strands.

3.4 STAFFING MATTERS

Development and Training

The Performance and Development of the Assessor & ERO and the Depute Assessor & ERO are monitored and managed through the Board's Policy and Procedure on Individual Performance Management for Senior Officers.

The Board's Staff Development and Training procedures provide for a structured and strategic provision of training and development opportunities for all other members of staff. Each employee reviews their training needs with their line manager on an annual basis and the resultant Training and Development Plan is used to inform the provision of training throughout the year.

In 2015/16 training was provided through externally sourced courses, in-house training events and e-learning facilities in a range of subjects including Individual Electoral Registration, Fire Marshalling, Health & Safety, Door-to-door canvass procedures and Public Records Management. Further, a new set of 'Core' training was established which requires staff to complete refresher training in Information Management and Security, Health & Safety, Equalities and Fire Safety. Equalities training includes an annual refresher for all staff on the Language Line Translation service to which the Board subscribes

One member of staff passed the RICS Assessment of Professional Competence in May 2015. Formal external training is ongoing for two Trainee Valuers and one Trainee Technician.

For the first time the Joint Board employed a 'Young Apprentice' in September 2015 and his training will come to an end in June 2016.

Personnel Policies

Arising from changes in the Local Government Pension Scheme (LGPS) across Scotland, the Joint Board approved a revised Local Government Pensions Scheme Discretions Policy in June 2015.

During the year, and in line with the approach in West Dunbartonshire Council, the Board also approved:-

- A Driving at Work Policy
- A Cancer Support Policy and
- A Carers Leave Scheme

3.5 FREEDOM OF INFORMATION

The Joint Board's 'Guide to Information' was updated and maintained as required with relevant documents available from <http://www.dab-vjb.gov.uk/freedom-of-information/>.

A 'business as usual' approach has been taken to the majority of requests for information received, but in the calendar year to December 2015, nine requests which specifically referred to the Freedom of Information Act were received. Six of these were from the one requester. All were answered within the statutory timescales with the average response time being less than 5 days. Two requests were received relating to Electoral Registration, a function which is not currently covered under the FOI legislation. However in the spirit of applying best practice these requests were responded to, in full, as if they had been covered by the legislation.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

3.5 FREEDOM OF INFORMATION (Cont'd)

Six requests related to Non-domestic rating valuation were received. In one instance the requested information was not held. In two instances all the requested information was provided and in 3 instances partial information was provided with part exempt under Regulation 35(1) d. The remaining request related to correspondence regarding a complaint and the requested information was refused under Regulations 35(1) d and 36(2).

Dealing with such requests took in excess of 28 hours of staff time and no fees were charged.

In line with a request from the Information Commissioner, we now provide quarterly statistics on requests received and their outcomes.

3.6 PARTNERSHIPS

The Valuation Joint Board is actively involved in several partnerships with one of the most significant of these being the senior staff's membership of the Scottish Assessors' Association. The Association is constituted to facilitate a consistency of approach in the administration of the non-domestic rating valuation, council tax and electoral registration services across Scotland. It works through a series of Committees and associated Working Groups, which report to regular plenary sessions that are attended by representatives from all Assessors' offices.

Valuation Joint Board staff are represented in the Association in all of its Category Committees, in working groups and as authors of Practice Notes which are used to implement all-Scotland approaches to the valuation of various subject types. The co-operation and co-ordination of the Association is of critical importance in the completion, and defence, of a Revaluation.

During 2015/16 the Association was involved in consultations relating to legislation, guidance and process design for Individual Electoral Registration. The Association made significant contributions, in terms of time and effort, to the consultations and researches of the Commission on Local Tax Reform and liaised with the Scottish Government on various statutory instruments and on relevant proposals contained within the Land Reform Bill. Liaison between the SAA Executive Committee and various Scottish Government officials/departments is regular.

The SAA also continued to liaise with the Valuation Office Agency (VOA) in England and Wales, the Northern Ireland Land & Property Services Agency (NILPS) and the Republic of Ireland Valuation Office (IVO) in matters of common interest.

The planning for, and provision of, Electoral Registration services is assisted by guidance received from the Electoral Commission and by representation within the Association of Electoral Administrators.

The Valuation Joint Board procures all of its 'back-office' functions including human resources, legal support, ICT support and financial services from West Dunbartonshire Council and I would like to extend my thanks to all relevant officials including the Treasurer and Clerk to the Board and their staff.

3.7 RECORDS MANAGEMENT

The Public Records (Scotland) Act 2011 came fully into force in January 2013. The Act requires public authorities to prepare and implement a Records Management Plan (RMP). The RMP sets out proper arrangements for the management of records within the Board.

In May 2015 the 'Keeper' invited the Joint Board to submit its Records Management Plan (RMP) by 30 September 2015. A significant amount of work was required to draft a Plan which was submitted timeously. In response, the Keeper issued an interim report in December 2015 which highlighted two areas that required to be improved or expanded upon. A further, amended, submission was made in January 2016 and in February 2016 the Keeper issued a formal letter of agreement to the RMP which confirmed that the Joint Board had given proper consideration to the 14 elements required within the RMP and that the policies and governance structures are in place to comply with actions required by the plan. The Joint Board will continue to implement the RMP and make further improvements in the areas identified as requiring development.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

3.8 RE-USE OF PUBLIC SECTOR INFORMATION

The Re-use of Public Sector Information Regulations 2015 provide a public right to re-use information that public sector bodies must produce, hold, collect or disseminate within their 'public task'.

Whilst the posts of Assessor & ERO are not public sector bodies for the purposes of the Regulations it is clear that Valuation Joint Boards are covered by them and therefore must:-

- Publish an Information Asset List
- Implement a Procedure for requesting re-use of public information, and
- Implement a Complaints Procedure which deals with any concerns in respect of the way requests for re-use have been handled by the Joint Board.

In partnership with the SAA a set of procedures, which incorporate the above, have been drafted and it will be presented to the Joint Board for approval in June 2016.

4.0 CONCLUSION

2015/16 was once again a year of intense activity and significant change within the Joint Board.

The move to 'business-as usual' under IER, the extension of the franchise and the preparations for a number of elections meant that our electoral functions resources were, again, tested. The delivery of legislation, Ministerial approvals and IT system upgrades too close to the point of implementation merely exacerbate the situation.

The major focus on the valuation side of our operations was the preparation for the 2017 Revaluation with almost half of all subjects having been revalued by the year end. Despite the attention to the Revaluation, maintenance work in respect of Valuation Rolls continued throughout the year, with performance levels up on last year.

Maintenance of Council Tax Lists also continued throughout the year. The Commission on Local Tax Reform reported in December 2015, though its recommendations do not look like being implemented, at least in the short term.

The development and implementation of a Records Management Plan, the drafting of Re-use of Public Sector Information Procedures and issues arising from the Scottish Assessors web portal brought repeated focus on the information and data which we ingather, hold and supply and that is likely to remain the case into the future.

I would like to take this opportunity to thank all staff and management for their endeavour, effort, co-operation throughout the year. That we continue to deliver services at current performance levels is undoubtedly down to the efforts of our staff.

My thanks are also due to the Joint Board and, in particular, the Convenor and Vice Convenor for their continued support.

Signed: David Thomson
Assessor and Electoral Registration
Officer

Signed : Stephen West
Treasurer

Date: 17 June 2016

Date: 17 June 2016

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Remuneration Report

Introduction

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

Arrangements for Remuneration

The Board sets the remuneration levels for senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Board has regarded the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

The remuneration of senior employees is set by reference to national arrangements. The Board does not pay bonuses or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by the Scottish Joint National Council (SJNC) or as approved locally by the Board. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in the Pension Benefits section.

Remuneration

The term *remuneration* means as defined by the Regulations noted above, gross salary, fees and bonuses, allowances and expenses, and costs in relation to Early Retrial and Voluntary Severance. It excludes pension contributions paid by the Board. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

Remuneration of Senior Employees

| | Year ended 31 March 2016 | | | | | 2014/2015 | |
|---|--|--------------|--------------------------|--|----------------------------|----------------------------|--|
| | Gross Salary, Fees & Allowances £ | Bonuses £ | Taxable Expenses £ | Non-cash expenses & benefits in-kind £ | Total remuneration £ | Total remuneration £ | |
| David Thomson Assessor & Electoral Registration Officer | 95,114 | 0 | 0 | 0 | 95,114 | 93,977 | |
| Robert Nicol Depute Assessor | 76,090 | 0 | 0 | 0 | 76,090 | 74,782 | |

Notes

1. The term *senior employee* means any Board employee
 - o Who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons; or
 - o Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
 - o Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Remuneration Report (Cont'd)

Remuneration of Employees receiving more than £50,000

The Board's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

| Remuneration Bands £ | Number of Employees | |
|-------------------------|---------------------|-----------|
| | 2015/2016 | 2014/2015 |
| 50,000 - 54,999 | 3 | 3 |
| 70,000 - 74,999 | 1 | 1 |
| 90,000 - 94,999 | 1 | 1 |
| Total | 5 | 5 |

Pension Benefits

The term pension benefits covers in-year pension contributions for the employee by the Board and the named person's accrued pension benefits at the reporting date.

Pension Benefits of Senior Employees

In-year pension contributions (employers)

| | For year to 31 March 2016 £ | For year to 31 March 2015 £ |
|---------------|--------------------------------|--------------------------------|
| David Thomson | 18,108 | 17,844 |
| Robert Nicol | 14,486 | 14,276 |

| | Accrued pension benefits – pension | | Accrued pension benefits – lump sum | |
|---------------|---------------------------------------|-----------------------------------|--|-----------------------------------|
| | For year to 31 March 2016 £ | For year to 31 March 2015 £ | For year to 31 March 2016 £ | For year to 31 March 2015 £ |
| David Thomson | 38,944 | 36,475 | 82,827 | 81,603 |
| Robert Nicol | 23,646 | 21,783 | 43,746 | 43,009 |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Pension Benefits of Senior Employees (Cont'd)

1. The LGPS is a “final salary” scheme and provides defined benefits on retirement for employee of the Board. The pension is based on the pensionable service (how long he or she has been a member of the LGPS) and his or her final pay. For most people, for service up to 31 March 2009, the annual pension is calculated by dividing their final pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. Pensions payable are increased annually in line with changes in the Consumer Price Index (CPI).
2. The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is three times his or her annual pension and is tax-free. There is no automatic lump sum for service after 31 March 2009. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.
3. A member’s contribution depends on his or her full-time equivalent pay and is payable at the rate on the following tranches of pay- up to and including £20,500 5.50%; above £20,500 and up to £25,000 7.25%; above £25,000 and up to £34,400 8.50%; above £34,000 and up to £45,800 9.50%; and above £45,800 12.00%.
4. The value of the accrued benefits in the above tables has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension age for members of the LGPS is 65.
5. The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government’ service, and not just their current appointment
6. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

Signed: David Thomson
Assessor and Electoral Registration
Officer

Signed : Stephen West
Treasurer

Date: 17 June 2016

Date: 17 June 2016

***DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS***

Statement of Responsibilities

The Boards Responsibilities:

The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Board, that officer is the Treasurer and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

I can confirm that the Draft Annual Accounts were approved for signature by the Board at its meeting on 17 June 2016.

Signed on behalf of Dunbartonshire and Argyll & Bute Valuation Joint Board

David Thomson
Assessor and Electoral Registration Officer
Date: 17 June 2016

The Treasurer's Responsibilities:

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

In preparing the Statements of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

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 Draft Annual Accounts give a true and fair view of the financial position of the Board at the reporting date and the transactions of Board for the year ended 31 March 2016.

Stephen West
Treasurer
Date: 17 June 2016

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Annual Governance Statement

The Annual Governance Statement is included within the Annual Accounts to assure stakeholders on how the Board directs and controls its functions and how it relates to communities which will enhance transparency and scrutiny of the Board's activities.

Scope of Responsibility

Dunbartonshire and Argyll & Bute 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 and properly accounted for, and used economically, efficiently and effectively. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging this overall responsibility, elected members and senior officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Board has approved and adopted a Code of Corporate Governance (the Code), and also relies on the governance arrangements of West Dunbartonshire Council which are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework:

The above code explains how Dunbartonshire and Argyll & Bute Valuation Joint Board delivers good governance and reviews the effectiveness of these arrangements on an annual basis.

The Board has also put in place a system of internal financial control designed to manage risk to a reasonable level. Internal controls cannot eliminate 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 financial 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 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, accounts to its stakeholders.

Within the overall control arrangements the system of internal control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- comprehensive budgeting systems;
- 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 which indicate actual expenditure against forecast;
- clearly defined capital expenditure guidelines; and
- An effective Internal Audit service.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Annual Governance Statement (Cont'd)

Review of Effectiveness

The Joint Board has a responsibility for ensuring the continuing effectiveness of its governance framework and its system of internal financial control. West Dunbartonshire Council's Audit and Risk Manager produces an annual audit plan based on a risk assessment of the Council's and Valuation Joint Board's systems and processes. The audit plan is approved by the Audit & Performance Review Committee of the Council. This Committee meets regularly and received reports from the Audit and Risk Manager. The Joint Board's external auditors also attend. The Audit and Risk Manager produces an annual report on the work carried out by Internal Audit during the year. This report contains a view on the effectiveness of the system of internal financial control.

The Internal Audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS). The Audit and Risk Manager meets regularly with chief internal auditors of other authorities and staff within the Internal Audit Service are appropriately trained.

Our review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within both the Joint Board and West Dunbartonshire Council who have responsibility for the development and maintenance of the financial control framework;
- the work undertaken by West Dunbartonshire Council's Internal Auditors during the year to 31 March 2016;
- the assessment of risk completed during reviews of the strategic audit plan;
- reports issued by the Valuation Joint Board's External Auditors and other review bodies; and
- knowledge of the Valuation Joint Board's governance, risk management and performance monitoring arrangements.

Through West Dunbartonshire Council, the Board's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of Chief Financial Officer in Local Government 2010.

We are satisfied that the Valuation Joint Board has in place a sound system of internal financial control and that appropriate mechanisms are in place to identify any areas of weakness and to take appropriate action. This is corroborated by an Annual Assurance Statement prepared by the Audit and Risk Manager stating that reasonable assurance can be placed upon the adequacy and effectiveness of the Joint Board's internal control system in the year to 31 March 2016.

Performance Management

Examples of developments which have led to significant improvement in arrangements for control, governance or risk management within the Joint Board during 2015/16 include:

- A revised approach to Risk Management, which provides a clearer, more succinct, presentation of the significant and priority areas of risk to the Joint Board, was approved by Valuation Joint Board in June 2016
- Continued management of all aspects of the implementation of Individual Electoral Registration (IER), including training and process design, up to the publication of post-Transition registers in December 2015 means that Electoral Registers should be more accurate than before with the opportunity for fraudulent entries much reduced.
- Engagement with the internal auditor in a review of the VJB's Governance Framework has resulted in the agreement of plans for further improvement which will be implemented going forward.
- Our Records Management Plan and the associated implementation of processes, including a new controlled file directory structure and file naming conventions for use throughout the VJB, were developed and approved by National Records of Scotland.
- The majority of our outgoing mail is now issued by way of an external print and mail contract which provides for less internal processing and direct cost savings.
- An ill-health early retirement insurance (IHRI) policy, which should reduce the risk to the VJB's balance sheet that would arise from any significant ill-health early retirement, was taken out.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Performance Management (Cont'd)

The following areas were identified by the Assessor for further improvements in 2016/17:-

- The connectivity to the Joint Board's Campbeltown office will be improved by migrating to fibre optic communications cabling. This should improve both our system's capability and reliability.
- A review of the complaints handling process and procedures will take place. One specific outcome of the review will be to improve the recording of corporate lessons learned.
- The record keeping in respect of sales of products and services will be reviewed and improved upon.
- The format and content of internal budgetary control reports will be reviewed and improved upon.
- A procurement policy will be developed and implemented along with a review of the pertinent procurement processes.

Assurance

On the basis of the assurance provided, we consider the governance and internal control environment operating during 2015/16 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Signed: David Thomson
Assessor and Electoral Registration
Officer

Signed : Stephen West
Treasurer

Date: 17 June 2016

Date: 17 June 2016

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Introduction to Annual Accounts

The Annual Accounts comprise the following primary statements:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cashflow Statement; and
- Summary of significant accounting policies and other explanatory notes.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Board’s services, more details of which are shown in the comprehensive income and expenditure statement. The net increase/decrease before transfer to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from constituent authority contributions.

Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories. The first of the category of reserves are usable reserves, i.e. those reserves that the Board may use to provide services, subject to any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure). The second category of reserves is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where accounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line ‘adjustments between accounting basis and funding basis under regulations’.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Movement in Reserves Statement

2015/16

| | Usable Reserves | | Unusable Reserves | | | | Total Reserves £ |
|--|-------------------|--|---------------------------------|--------------------------|----------------------|-----------------------------------|---------------------|
| | Fund Balance £ | Capital Requisition Unapplied Account £ | Capital Adjustment Account £ | Revaluation Reserve £ | Pension Reserve £ | Statutory Mitigation Account £ | |
| Opening Balance as at 1 April 2015 | 596,343 | 50,550 | 707,521 | 34,802 | (6,115,000) | (18,018) | (4,743,802) |
| Movements in Reserves | | | | | | | |
| Surplus or (Deficit) on provision of Services | (416,178) | 0 | 0 | 0 | 0 | 0 | (416,178) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 2,283,000 | 0 | 2,283,000 |
| Total Comprehensive Income and Expenditure | (416,178) | 0 | 0 | 0 | 2,283,000 | 0 | 1,866,822 |
| Adjustments between accounting basis & funding basis | | | | | | | |
| Depreciation/ Impairment | 20,722 | 0 | (20,722) | 0 | 0 | 0 | 0 |
| Pension Scheme Adjustment | 404,000 | 0 | 0 | 0 | (404,000) | 0 | 0 |
| Net Transfer to or from earmarked reserves required by legislation | 8,536 | 0 | 0 | 0 | 0 | (8,536) | 0 |
| Capital requisitions applied to fund capital expenditure | 0 | (30,557) | 30,557 | 0 | 0 | 0 | 0 |
| Total Statutory Adjustments | 433,258 | (30,557) | 9,835 | 0 | (404,000) | (8,536) | 0 |
| Increase/Decrease in Year | 17,080 | (30,557) | 9,835 | 0 | 1,879,000 | (8,536) | 1,866,822 |
| Balance at 31 March 2016 | 613,423 | 19,993 | 717,356 | 34,802 | (4,236,000) | (26,554) | (2,876,980) |
| Total Usable | | 633,416 | Total Unusable | | | (3,510,396) | |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Movement in Reserves Statement

2014/15

| | Usable Reserves | | Unusable Reserves | | | | Total Reserves £ |
|---|-------------------|--|---------------------------------|--------------------------|----------------------|-----------------------------------|---------------------|
| | Fund Balance £ | Capital Requisition Unapplied Account £ | Capital Adjustment Account £ | Revaluation Reserve £ | Pension Reserve £ | Statutory Mitigation Account £ | |
| Opening Balance as at 1 April 2014 | 470,594 | 68,362 | 709,892 | 24,462 | (4,544,000) | (19,793) | (3,290,483) |
| Movements in Reserves | | | | | | | |
| Surplus or (Deficit) on provision of Services | (236,659) | 0 | 0 | 0 | 0 | 0 | (236,659) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 10,340 | (1,227,000) | 0 | (1216,660) |
| Total Comprehensive Income and Expenditure | (236,659) | 0 | 0 | 10,340 | (1,227,000) | 0 | (1,453,319) |
| Adjustments between accounting basis & funding basis | | | | | | | |
| Depreciation/ Impairment | 20,183 | 0 | (20,183) | 0 | 0 | 0 | 0 |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension Scheme Adjustment | 344,000 | 0 | 0 | 0 | (344,000) | 0 | 0 |
| Net Transfer to or from earmarked reserves required by legislation | (1,775) | 0 | 0 | 0 | 0 | 1,775 | 0 |
| Capital requisitions applied to fund capital expenditure | 0 | (17,812) | 17,812 | 0 | 0 | 0 | 0 |
| Capital requisitions unapplied | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Statutory Adjustments | 362,408 | (17,812) | (2,371) | 0 | (344,000) | 1,775 | 0 |
| Increase/Decrease in Year | 125,749 | (17,812) | (2,371) | 10,340 | (1,571,000) | 1,775 | (1,453,319) |
| Balance at 31 March 2015 | 596,343 | 50,550 | 707,521 | 34,802 | (6,115,000) | (18,018) | (4,743,802) |
| Total Usable | | 646,893 | Total Unusable | | | (5,390,695) | |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Comprehensive Income and Expenditure Statement

| 2014/15 Gross Expenditure £ | 2014/15 Gross Income £ | 2014/15 Net Expenditure £ | | Notes | 2015/16 Gross Expenditure £ | 2015/16 Gross Income £ | 2015/16 Net Expenditure £ |
|--------------------------------------|---------------------------------|------------------------------------|--|-------|--------------------------------------|---------------------------------|------------------------------------|
| 0 | (26,263) | (26,263) | Income | | 0 | (27,823) | (27,823) |
| | | | Customer Receipts | | | | |
| | | | Expenditure | | | | |
| 2,311,208 | 0 | 2,311,208 | Employee Costs | | 2,422,830 | 0 | 2,422,830 |
| 113,479 | 0 | 113,479 | Property Costs | | 104,374 | 0 | 104,374 |
| 49,190 | 0 | 49,190 | Transport Costs | | 45,644 | 0 | 45,644 |
| 312,872 | 0 | 312,872 | Supplies & Services | | 289,493 | 0 | 289,493 |
| 26,608 | 0 | 26,608 | Payment to Other Bodies | | 32,503 | 0 | 32,503 |
| 136,252 | 0 | 136,252 | Support Services | | 133,334 | 0 | 133,334 |
| 20,183 | 0 | 20,183 | Depreciation, Amortisation & Impairment | 5/6 | 20,722 | 0 | 20,722 |
| 2,969,792 | (26,263) | 2,943,529 | Net Cost of Service | | 3,048,900 | (27,823) | 3,021,077 |
| | | (2,664,460) | Revenue Contributions | 14 | | | (2,664,460) |
| | | (241,386) | Government Grants | 15 | | | (139,809) |
| | | (2,905,846) | Other Operating Income | | | | (2,804,269) |
| | | 37,683 | Net Operating Income | | | | 216,808 |
| | | (24) | Interest Payable | | | | 370 |
| | | 199,000 | Net Interest on the net defined benefit liability/(assets) | 3 | | | 199,000 |
| | | 0 | Capital Contributions | | | | 0 |
| | | 198,976 | Finance and Investment Income and Expenditure | | | | 199,370 |
| | | 236,659 | (Surplus)/Deficit on provision of services | | | | 416,178 |
| | | 1,227,000 | Remeasurement of the net defined benefit liability/(assets) | 3 | | | (2,283,000) |
| | | (10,340) | (Surplus)/Deficit arising on the revaluation of Property, Plant and Equipment | | | | 0 |
| | | 1,216,660 | Other comprehensive Income & Expenditure | | | | (2,283,000) |
| | | 1,453,319 | Total Comprehensive Expenditure | | | | (1,866,822) |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Balance Sheet

| 2014/15 £ | Notes | | 2015/16 £ |
|--------------------|-------|---------------------------------|--------------------|
| 736,813 | 5 | Property, plant and equipment | 747,817 |
| 5,843 | 6 | Intangible Assets | 4,675 |
| <u>742,656</u> | | Total Long Term Assets | <u>752,492</u> |
| 729,462 | 7 | Short Term Debtors | 726,308 |
| 400 | 8 | Cash and Cash Equivalents | 400 |
| <u>729,862</u> | | Current Assets | <u>726,708</u> |
| (101,320) | 9 | Short Term Creditors | (120,180) |
| <u>(101,320)</u> | | Current Liabilities | <u>(120,180)</u> |
| (6,115,000) | 3 | Net Pensions Liability | (4,236,000) |
| <u>(6,115,000)</u> | | Long Term Liabilities | <u>(4,236,000)</u> |
| <u>(4,743,802)</u> | | Net Assets/(Liabilities) | <u>(2,876,980)</u> |
| | | Represented by: | |
| 646,893 | 10/11 | Usable Reserves | 633,416 |
| (5,390,695) | 12 | Unusable Reserves | (3,510,396) |
| <u>(4,743,802)</u> | | Total Reserves | <u>(2,876,980)</u> |

The unaudited Financial Statements were issued on 17 June 2016.

**Stephen West
Treasurer
17 June 2016**

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Cash Flow Statement

| 2014/15 | | | 2015/16 |
|--------------------|-------|--|--------------------|
| £ | Notes | | £ |
| | | Operating Activities | |
| (2,905,847) | | Grants | (2,804,269) |
| (26,263) | | Sale of goods and rendering of services | (27,823) |
| <u>(2,932,110)</u> | | Cash Inflows from Operating Activities | <u>(2,832,092)</u> |
| 2,190,998 | | Cash paid to and on behalf of employees | 2,198,971 |
| 723,324 | | Other payments for operating activities | 602,194 |
| <u>2,914,322</u> | | Cash Outflows from Operating Activities | <u>2,801,165</u> |
| <u>(17,788)</u> | | Net Cash Flows from Operating Activities | <u>(30,927)</u> |
| | | Investing Activities | |
| 17,812 | | Purchase of Assets | 30,557 |
| <u>0</u> | | Other receipts from investing activities | <u>0</u> |
| <u>17,812</u> | | Net Cash Flows from Investing Activities | <u>30,557</u> |
| | | Financing Activities | |
| (24) | | Interest Received | 0 |
| <u>0</u> | | Interest Payable | <u>370</u> |
| <u>(24)</u> | | Net Cash Flows from Financing Activities | <u>370</u> |
| <u>0</u> | | Net (Increase)/Decrease in Cash and Cash Equivalents | <u>0</u> |
| 400 | 8 | Cash and cash equivalents at the beginning of the reporting period | 400 |
| (400) | 8 | Cash and cash equivalents at the end of the reporting period | (400) |
| <u>0</u> | | | <u>0</u> |

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Notes to the Annual Accounts

Note 1 - Accounting Policies

1. General Principles

The Annual Accounts summarise the Board's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of Property, Plant and Equipment and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and when it is probable that the economic benefits associated with the transaction will flow to the Board;
- Expenses in relation to services received are recorded as expenditure when the services are 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 based upon materiality;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than on cash flows fixed or determined by the contract; and
- 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 charged to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in three months or less from date of acquisition and that are readily convertible to known cash amounts, with insignificant risk of change of value.

Investments held by the Board comprise solely of short term surplus funds held within the bank balances. All deposits are held in sterling. The carrying amount is the outstanding principal receivable.

Bank balances are included in the Balance Sheet at the closing balance in the Board's financial ledger and include cheques payable not yet cashed.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

4. Changes in Accounting policies, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, events or conditions on the Board's financial position or performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative figures, as if the new policy has always been applied.

On 1 April 2013, the Board implemented a change of accounting policy relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited Annual Accounts have been amended. The effects on the Annual Accounts are detailed on page 53, Note 17 Explanation of Prior Year Adjustment.

There has been a redistribution of costs within the CIES. The pension's interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially, the expected return on schemes assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate.

Changes in accounting estimates are accounted for prospectively.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures.

5. Charges to Revenue for non-current assets

Services are debited with the following amounts to record the cost of using or holding fixed assets during the year:

- Depreciation, attributable to the assets used by the Board;
- Revaluation and impairment losses, where there is no accumulated gain in the Revaluation Reserve;
- Amortisation of intangible fixed assets.

The Board is not required to raise funds to cover depreciation, revaluation or impairment losses. Depreciation, revaluation and impairment losses and amortisations are replaced by the revenue provision by an adjustment within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. 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. computer software and/or software licences) is capitalised when it is expected that future economic or service benefits will flow from the asset to the Board.

Assets are measured originally at cost and only revalued where the fair value of the asset can be determined by reference to an active market.

Where an intangible asset has a finite useful life, the depreciable amount of an intangible asset is depreciated over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is recognised in the Surplus or Deficit on the Provision of Services when the asset is derecognised.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

6. Intangible assets (Cont'd)

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

7. Property, Plant and Equipment

Assets that have physical substance and are held for the supply of goods and services, either directly or indirectly, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Board and the cost of the asset can be measured reliably. Expenditure that maintains, but does not add to the asset's potential to deliver future economic benefits or service potential, is charged as an expense when it is incurred.

Measurement

Initially measured at cost, comprising of:

- Purchase price;
- Any costs associated with bringing the asset to the location or condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of costs for dismantling and removing the item and restoring the site on which it is located to its original state.

Where property, plant or equipment are acquired in exchange for a non monetary asset or assets, or a combination of monetary and non monetary assets, the cost of the acquired item shall be measured at fair value unless there is no economic substance to the exchange transaction, or the fair value of neither the asset received nor the asset given up can be reliably measured. The acquired item is measured at fair value even if the Board cannot immediately derecognise the asset given up. The acquired item is measured at the carrying amount of the asset given up if it is not measured at fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Other buildings – fair value. Where there is no market based evidence of fair value because of the specialised nature of the asset and the asset is rarely sold, depreciated replacement cost is used as an estimate of fair value;
- Plant and equipment and other non property assets – fair value. Where assets in this class have either short useful lives or low values (or both), depreciated historical cost is considered to be a proxy for fair value where the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of the consumption of the asset class.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

7. Property, Plant and Equipment (Cont'd)

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted by:

- Balance of revaluation gains for the asset in Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total gain)
- No balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount is written down in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at the end of each financial year for evidence in impairment or a reduction in value. Where indications exist and any possible differences are estimated to be material, the recoverable amount on the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Balance of revaluation gains for the asset in Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total accumulated gains)
- No balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount is written down in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would be charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all property, plant and equipment over their useful economic lives, with an exception made for assets without a determinable finite useful life (i.e. non depreciating land).

The useful lives of assets, as estimated and advised by a suitably qualified officer, are as follows:

- Other buildings * 20-60 years straight line
- Vehicles, plant, equip 5-10 years straight line
- Intangibles 5-10 years straight line

* Including components such as structure, mechanical and electrical, etc.

Where an item of property, plant and equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged on assets and the depreciation that would be chargeable based upon historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

8. Employee Benefits

Benefits payable during employment

Short term employee benefits (i.e. fall due within 12 months of the year-end), such as wages and salaries, paid leave, paid sick leave, bonuses and non monetary benefits for current employees are recognised as an expense in the year in which the employees render service to the Board . An accrual is made against the services in the Surplus or Deficit on the Provision of Service for the costs of holiday entitlement and other forms of leave earned by the employee but not taken before the year end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Statutory Mitigation Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision made by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept a voluntary termination package in exchange for those benefits. Termination benefits do not provide the Board with future economic benefits and consequently they are recognised on an accruals basis immediately in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account when the authority is demonstrably committed to provision of the termination benefits.

Where termination benefits involve the enhancement of pensions, they are treated as pension costs for the purpose of the statutory transfer between the Pension Reserve and the General Fund of the amount by which the pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations. In the Movement in Reserves Statement appropriations are required to and from the Pension Reserve to remove notional debits and credits for termination benefits related to pensions enhancements and replace them with the cost of the cash paid, including any amounts due and not paid at the year end.

Post Employment Benefits

Employees of the Board are members of The Local Government Pensions Scheme, administered by Glasgow City Council.

The scheme provides defined benefits to members earned as employees of the Board. The Local Government scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Board are included within 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 upon assumptions about mortality rates, employee turnover rates, projection of earnings for current employees, etc.
- Liabilities are discounted to their value at current prices using a discount rate of 4.3% (based upon the indicative return rate on long dated high quality corporate bonds)
- All assets are at bid value and are split into Quoted Prices in Active Markets and Prices not quoted in Active Markets, they are now shown in the notes in more detail.
- Split by Equity Securities, Debt Securities, Private Equity, Real Estate, Investment Funds, Derivatives Cash

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

8. Employee Benefits (Cont'd)

- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net Interest expenses – the expected increase in the present value of liabilities during the year as they move one year closer, less the fair value of plan assets debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
 - Contributions paid to the local government pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Fund to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated in accordance to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove any notional debits and credits for retirement benefits and replace them with the cash paid or payable at the year end, to the pension fund and pensioners. The negative balance that arises on the Pension Reserve measures the beneficial impact on the Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme

DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS

Note 1 - Accounting Policies (Cont'd)

9. Events after the reporting period

Events after the reporting period are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types have been identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect this;
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect this. However, if the event is material, a disclosure is made within the notes of the nature and financial effect.

10. Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either within the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Board's financial performance.

11. Operating Leases

Board as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

Board as Lessor

Where the Board grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it doesn't match the pattern of payment.

12. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Board an obligation, either legal or constructive, as a result of a past event that results in a probable outflow of resources and a reliable estimate can be made of the amount of that obligation.

Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year the Board becomes aware of the obligation and measured at the best estimate at the Balance Sheet date, taking account of relevant risks and uncertainties.

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits is now required; the provision is reversed and credited back to the relevant service.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Note 1 - Accounting Policies (Cont'd)

12. Provisions, contingent liabilities and contingent assets (Cont'd)

Contingent Liabilities

A contingent liability arises 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. Contingent liabilities also arise in circumstances where 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.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

13. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

14. Reserves

Reserves are created by appropriating amounts out of the General Reserve Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Reserve Balance in the Movement in Reserves Statement so that there is no net charge against requisition income for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and these reserves do not represent usable resources for the Board.

Note 2 – Operating Leases

Board as Lessor

The Board leases out property under operating leases to provide suitable affordable accommodation to West Dunbartonshire Council and Alpha Pets. During the current financial year West Dunbartonshire Council terminated their lease due to restructuring of services. Alpha Pets lease was due to end on the 14 April 2016; however the company and the Board have a tacit relocation agreement.

The future minimum lease payments in future years are:

| 31 March 2015 | | 31 March 2016 |
|----------------------|---|----------------------|
| £ | | £ |
| 20,300 | Not later than one year | 20,300 |
| 72,782 | Later than one year and not later than five years | 74 |
| 0 | Later than five years | 0 |
| 93,082 | | 20,374 |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Note 2 – Operating Leases (Cont’d)

Board as Lessee

The Board has acquired a number of photocopiers, scanner and letter openers by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

| 31 March 2015 | | 31 March 2016 |
|----------------------|---|----------------------|
| £ | | £ |
| 4,504 | Not later than one year | 4,373 |
| 8,212 | Later than one year and not later than five years | 5,314 |
| 0 | Later than five years | 0 |
| <u>12,716</u> | | <u>9,687</u> |

Note 3 – Defined Benefit Pension Schemes

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

The Board participates in the following pension schemes:

The Strathclyde Local Government Pension Scheme, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Strathclyde Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions’ liabilities with investment assets. The employers’ contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2014/15 was 19.3%, and 2015/16 is set at 19.3%. In 2015/16, the Board paid an employer’s contribution of £0.312m (2014/15 £0.311m).

In addition, the Board is responsible for all pension payments relating to added years’ benefits which it has awarded together with the related increases. Strain on the Fund costs are charged in year for any early retrials. There was no charge in 2015/16 (2014/15 no charge).

The Board fully complies with the international accounting standard (IAS 19) concerning the disclosure of information on pension. IAS 19 states that although the pension benefits will not be payable until the employee retires; the Board has a commitment to make these payments and must disclose the cost of this in its accounts at the time employees earn their future entitlements.

The Board recognised the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge that the Board is required to make against its budget is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the general fund via the movement in reserve statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Note 3 – Defined Benefit Pension Schemes (Cont'd)

| 2014/15 | | 2015/16 |
|----------------|---|----------------|
| £000 | | £000 |
| | Net cost of services | |
| 463 | Current service cost | 524 |
| 463 | | 524 |
| | Financing and investment Income and Expenditure | |
| 199 | Net Interest | 199 |
| 199 | | 199 |
| | Total post-employment benefit charged to the Surplus or Deficit on the provision of Services | |
| 662 | | 723 |
| (1,859) | Return on plan assets | 96 |
| | Actuarial gains and losses arising on changes in financial Assumptions | (2,202) |
| 2,346 | | (177) |
| 82 | Actuarial gains and losses arising on experience assumptions | (177) |
| 1,231 | Total post-employment benefit charged to the comprehensive income and expenditure statement | (1,560) |
| | Movement in Reserves Statement | |
| (662) | Reversal of net charges made to surplus of deficit for post employment benefits | (723) |
| | Actual amount charged against the General Fund balance in the year | |
| 318 | Employer contributions payable to Scheme | 319 |

Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits attributable to the Board as at 31 March 2016 are as follows:

| | 2015/16 | 2014/15 |
|---|----------------|----------------|
| | £000 | £000 |
| Fair value of plan assets | 16,599 | 16,221 |
| Present Value of defined benefit obligations | (20,678) | (22,163) |
| Net (liabilities)/assets in the Strathclyde Pension Fund | (4,079) | (5,942) |
| <u>Present Value of Unfunded Liabilities</u> | (157) | (173) |
| Pre Local Government Reorganisation | | |
| Net pension asset/(liability) | (4,236) | (6,115) |

For the Strathclyde Local Government Pension Scheme at 31 March 2016 the Board has a net liability £4,079,000 and for the unfunded liabilities a net liability of £157,000. The Board's net liability of £4,236,000 at 31 March 2016 reflects the future obligations to fund retirement benefits. This represents a decrease in the net liability of £1,897,000 compared to the position at 31 March 2015.

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Note 3 – Defined Benefit Pension Schemes (Cont'd)

Pension Assets and Liabilities (Cont'd)

The expected return on assets is based on long term future expected investment return for each asset class as at the beginning of the period. The expected rate of return is 2.6% as at 31/03/16, this is a decrease from 13.1% as at 31/03/15.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The rate used to value liabilities is the basis of long dated high quality corporate bonds.

The movement during the year on the defined obligation is noted as:

| 2014/15 | | 2015/16 |
|----------------|---|----------------|
| £000 | | £000 |
| 18,200 | Opening balance | 22,336 |
| 463 | Current service cost | 524 |
| 788 | Interest cost | 717 |
| 108 | Contributions by Members | 108 |
| 2,346 | Actuarial gains/losses in financial assumptions | (2,202) |
| 82 | Other Experience | (177) |
| (7) | Estimated unfunded benefits paid | (7) |
| (302) | Estimated benefits paid | (464) |
| 658 | Changes in demographic assumptions | 0 |
| 22,336 | | 20,835 |

The movement during the year regarding the fair value of the employer's assets is noted as:

| 2014/15 | | 2015/16 |
|----------------|---|----------------|
| £000 | | £000 |
| 13,656 | Opening balance | 16,221 |
| 1,859 | Expected return on assets | (96) |
| 589 | Interest Income | 518 |
| 108 | Contributions by Members | 108 |
| 311 | Contributions by employer | 312 |
| 7 | Contributions in respect of unfunded benefits | 7 |
| (7) | Estimated unfunded benefits paid | (7) |
| (302) | Estimated benefit paid | (464) |
| 16,221 | | 16,599 |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
MANAGEMENT COMMENTARY AND ANNUAL ACCOUNTS**

Note 3 – Defined Benefit Pension Schemes (Cont'd)

Pension Assets and Liabilities (Cont'd)

The Valuation Joint Board's share of the pension funds asset at 31 March 2016 comprised:

| Asset Category | 31 March 2016 | | | 31 March 2015 | | |
|----------------------------------|---|--|---------------|--|--|---------------|
| | Quoted Prices in Active Markets £000 | Prices not Quoted in Active Markets £000 | Total £000 | Quoted Prices in Active Markets £000 | Prices not Quoted in Active Markets £000 | Total £000 |
| Equity Securities | 6,039 | 13 | 6,052 | 5,946 | 12 | 5,958 |
| Private Equity | 0 | 1,615 | 1,615 | 0 | 1,579 | 1,579 |
| Real Estate | 0 | 1,783 | 1,783 | 0 | 1,482 | 1,482 |
| Investment funds and unit trusts | 150 | 6,423 | 6,573 | 177 | 6,621 | 6,798 |
| Derivatives | 4 | 0 | 4 | 5 | 0 | 5 |
| Cash and Cash Equivalent | 554 | 18 | 572 | 0 | 399 | 399 |
| Totals | 6,747 | 9,852 | 16,599 | 6,128 | 10,093 | 16,221 |

Asset and Liability Matching Strategy (ALM)

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into narrow a range. The Fund invests in equities, bonds, properties and in cash.

Pension Assets and Liabilities (Cont'd)

The principal actuarial assumptions used at the balance sheet date are as follows:

| 31/03/2015 | | 31/03/2016 |
|------------|---------------------------------|------------|
| 13.1% | Expected rate of return | 2.6% |
| 2.4% | Inflation/pension increase rate | 2.2% |
| 4.3% | Salary increase rate | 4.2% |
| 3.2% | Discount rate | 3.5% |

Mortality

Based on these assumptions, the average future life expectancies at the age of 65 are:

| | Males | Females |
|--------------------|------------|------------|
| Current pensioners | 22.1 years | 23.6 years |
| Future Pensioners | 24.8 years | 26.2 years |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
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Note 3 – Defined Benefit Pension Schemes (Cont'd)

Sensitivity Analysis

The estimation of defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity regarding the principal assumptions used to measure the schemes liabilities are set out below

| | Approximate % increase to Employer Liability | Approximate monetary Amount (£000) |
|--|---|---|
| Member life expectancy (1 year increase) | 3% | 625 |
| Rate for discounting fund liabilities (0.5% decrease) | 5% | 1,058 |
| Rate of pension increase (0.5% increase) | 6% | 1,301 |

The total employee contributions expected to be made to the Local Government Pension Scheme for 2015/16 is £312,000.

Note 4 – External Audit Costs

In 2015/16 the Board incurred the following fees relating to external audit in respect of external audit services undertaken in accordance with the Code of Audit Practice:

| 2014/15 | | 2015/16 |
|----------------|--|----------------|
| £ | | £ |
| 7,799 | Fees payable for external audit services | 7,799 |
| <u>7,799</u> | | <u>7,799</u> |

Note 5 – Property, Plant and Equipment

| Figures 2015/16 | Land & Buildings £ | Plant & Equipment £ | Total £ |
|--|---------------------------------------|--|--------------------|
| Cost or Valuation | | | |
| As at 1 April 2015 | 916,743 | 105,855 | 1,022,598 |
| Additions | 0 | 30,557 | 30,557 |
| As at 31 March 2016 | 916,743 | 136,412 | 1,053,155 |
| Accumulated Depreciation and Impairment | | | |
| As at 1 April 2015 | (213,423) | (72,362) | (285,785) |
| Depreciation Charge | (5,866) | (13,687) | (19,554) |
| As at 31 March 2016 | (219,289) | (86,049) | (305,339) |
| Net Book Value at 31 March 2015 | 703,320 | 33,493 | 736,813 |
| Net Book Value at 31 March 2016 | 697,454 | 50,363 | 747,817 |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
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Note 5 – Property, Plant and Equipment (Cont'd)

Comparative Figures 2014/15

| | Land & Buildings £ | Plant & Equipment £ | Total £ |
|--|---------------------------------------|--|--------------------|
| Cost or Valuation | | | |
| As at 1 April 2014 | 906,403 | 93,887 | 1,000,290 |
| Additions | 0 | 11,968 | 11,968 |
| Revaluations | 10,340 | 0 | 10,340 |
| As at 31 March 2015 | 916,743 | 105,855 | 1,022,598 |
| Accumulated Depreciation and Impairment | | | |
| As at 1 April 2014 | (207,558) | (58,045) | (265,603) |
| Depreciation Charge | (5,865) | (14,317) | (20,182) |
| As at 31 March 2015 | (213,423) | (72,362) | (285,785) |
| Net Book Value at 31 March 2014 | 698,845 | 35,842 | 734,687 |
| Net Book Value at 31 March 2015 | 703,320 | 33,493 | 736,813 |

Revaluations

The Board carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out by West Dunbartonshire Council's Internal Valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Note 6 – Intangible Assets

The Board accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Board. The useful lives assigned to software licences are: 5-10 years. The carrying amount of intangible assets is amortised on a straight-line basis

The movement on Intangible Asset balances during the year is as follows:-

| 2014/15 | | 2015/16 |
|----------------|---|----------------|
| £ | Balance at start of year: | £ |
| 0 | Gross carrying amount | 5,843 |
| 0 | Accumulated amortisation | 0 |
| 0 | Net carrying amount at start of year | 5,843 |
| 5,843 | Additions | 0 |
| 0 | Amortisation for the period | (1,169) |
| 5,843 | Net carrying amount at end of year | (1,169) |
| | Comprising: | |
| 5,843 | Gross carrying amounts | 5,843 |
| 0 | Accumulated amortisation | (1,169) |
| 5,843 | | 4,674 |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
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Note 7 – Debtors

| 2014/15 £ | | 2015/16 £ |
|----------------|--------------------------------|----------------|
| 0 | Central Government Bodies | 51,211 |
| 3,918 | Other Entities and Individuals | 3,969 |
| 725,544 | Other Local Authorities | 671,128 |
| <u>729,462</u> | | <u>726,308</u> |

Note 8 – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

| 2014/15 £ | | 2015/16 £ |
|--------------|---------|--------------|
| 400 | Imprest | 400 |
| <u>400</u> | | <u>400</u> |

Note 9 – Creditors

| 2014/15 £ | | 2015/16 £ |
|----------------|--------------------------------|----------------|
| 2,757 | Central Government Bodies | 3,018 |
| 86,800 | Other Entities and Individuals | 105,096 |
| 11,763 | Other Local Authorities | 12,066 |
| <u>101,320</u> | | <u>120,180</u> |

Note 10 – Balances & Reserves

At their Board meeting on the 16 November 2012, the Board approved a Balance and Reserves Policy. The table below details the movement on revenue reserves this year.

| | £ |
|---|-----------------------|
| Opening Balance at 1 April 2015 | 596,343 |
| Gains/(Losses) on the fund | 17,080 |
| Closing Balance at 31 March 2016 | <u>613,423</u> |

The revenue reserves balance stands at £613,423 on 31 March 2016, of which £267,768 has been applied to balance the 2016/17 budget, leaving an unearmarked balance of £345,655.

Note 11 – Capital Expenditure and Capital Financing

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

| 2014/15 £ | | 2015/16 £ | 2015/16 £ |
|---------------|--|--------------|---------------|
| 0 | Contributions from Authorities | | 0 |
| 68,362 | Unapplied Capital contributions b/forward | | 50,550 |
| | Capital expenditure incurred during the year: | | |
| (8,915) | Upgrade PC's | (8,809) | |
| 0 | Servers | (21,748) | |
| (8,897) | Upgrade to buildings | 0 | (30,557) |
| <u>50,550</u> | Unapplied Capital contributions c/forward | | <u>19,993</u> |

**DUNBARTONSHIRE AND ARGYLL & BUTE VALUATION JOINT BOARD
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Note 12 – Unusable Reserves

| 31 March 2015 | | 31 March 2016 |
|----------------------|--------------------------------|----------------------|
| £ | | £ |
| 707,521 | Capital Adjustment Account | 717,356 |
| 34,802 | Revaluation Reserve | 34,802 |
| (6,115,000) | Pension Reserve | (4,236,000) |
| (18,018) | Statutory Mitigation Account | (26,554) |
| (5,390,695) | Total Unusable Reserves | (3,510,396) |

Capital Adjustment Account

The capital adjustment account absorbs the timing difference 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. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings to the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Board as finance for the costs of acquisition, construction and enhancement.

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. The movement in reserve statement provides detail of the source of all the transactions posted to the account.

Revaluation Reserve

The revaluation reserve contains the gains made by the Board arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- re valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the comprehensive income and expenditure 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 requires benefits earned to be financed as the Board makes employer’s contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Statutory Mitigation Account

The statutory mitigation account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from this account.

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Capital Requisition Unapplied Account

The capital requisition unapplied account represents capital contributions from the constituent authorities which have not yet been spent.

Note 13 – Contingent Assets & Liabilities

The Board has not identified any Contingent Assets and Liabilities.

Note 14 – Contributions from Authorities

| 2014/15 | | 2015/16 |
|-------------------------|-----------------------------|-------------------------|
| £ | | £ |
| 1,281,605 | Argyll & Bute Council | 1,281,605 |
| 664,783 | East Dunbartonshire Council | 664,783 |
| 718,072 | West Dunbartonshire Council | 718,072 |
| <u>2,664,460</u> | | <u>2,664,460</u> |

Note 15 – Government Grants

The Board received a total of £139,809 of government grants in 15/16 to continue with the delivery of Individual Electoral Registration.

| 2014/15 | | 2015/16 |
|-----------------------|---------------------|-----------------------|
| £ | | £ |
| 211,509 | Cabinet Office | 126,134 |
| 29,877 | Scottish Government | 13,675 |
| <u>241,386</u> | | <u>139,809</u> |

Note 16 – Related Parties

It is a requirement of the Code that material transactions with related parties (i.e organisations with which the Board can influence or be influenced by) should be disclosed. The Board forms Group Accounts with three local authorities, namely West Dunbartonshire Council, East Dunbartonshire Council and Argyll & Bute Council. Sums paid by the local authorities to the Board are detailed in Note 14.