APPENDIX I

AUDITED ACCOUNTS

GRAMPIAN VALUATION JOINT BOARD

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

APPENDIX I

If you need information from Moray Council in a different language or format, such as Braille, audio tape or large print, please contact:

إذا كنتم في حاجة إلى معلومات من قبل مجلس موراي وتكون بلغة مختلفة أوعلى شكل مختلف مثل البراي، أسطوانة أوديو أو أن تكون مطبوعة باستعمال حروف غليظة فالرّجاء الإتّصال ب

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اگر آپ کو مورے کونسل سے کسی دیگر زبان یا صورت میں معلومات درکار ہوں مثلاً بریلے، آڈیو ٹیپ یا بڑے حروف، تو مہربانی فرما کر رابطہ فرمائیں:

Treasurer to the Board, Financial Services, High Street, Elgin, IV30 1BX

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MANAGEMENT COMMENTARY

Strategy and objectives

Unlike local authorities that are charged with providing a wide range of services within their local authority area, the Assessor & Electoral Registration Officer is charged with the provision of valuation assessment and registration services across Aberdeen City Council, Aberdeenshire Council and Moray Council areas.

These strictly defined and regulated services are delivered by the Assessor & Electoral Registration Officer, the responsible independent statutory official, in partnership with the Grampian Valuation Joint Board. The Board is required to appoint and resource the Assessor; the constituent authorities are required to appoint and resource an Electoral Registration Officer (ERO). By agreement, the Board has undertaken this responsibility on behalf of the local authorities.

The priorities for 2018/19 were

- Conduct a full household canvass under the individual electoral registration (IER) regime;

- Publish revised registers by 1 December 2018;

- Replace the electoral registration computer system;

- Maximise valuation roll appeal resolution;

- Maintain a complete and accurate Valuation roll in terms of the Local Government (Scotland) Act 1975;

- Maintain a complete and accurate valuation list in terms of the Local Government Finance Act 1992.

Monitoring regimes

The Electoral Commission has a performance monitoring framework in place for EROs across the UK.

The Cabinet Office in its capacity as lead department for the implementation of individual electoral registration across the UK required performance returns from EROs that were shared with the Electoral Commission.

Key performance indicators set by the Board and submitted to the Scottish Government monitor the operational performance in terms of the valuation list and valuation roll.

MANAGEMENT COMMENTARY (continued)

Business model

The organisation delivers the outcomes that are required by statute in a dual strand approach with the Board providing resources and oversight and the Assessor and ERO delivering the specialised professional services of valuation assessment and registration from offices in Aberdeen, Banff and Elgin.

The Assessor and ERO works closely with the other Scottish Assessors and EROs via the Scottish Assessors' Association (SAA) to deliver a service across Aberdeen City, Aberdeenshire and Moray council areas that is consistent with that being delivered across all 32 local authority areas in Scotland. The sharing of expertise and representation through the SAA is a unique example of shared services across Scotland that includes a single website and data source for a wide range of stakeholders that includes citizens, business, third sector, public agencies, government and research bodies.

Key performance indicators measure the effectiveness of the organisation's valuation assessment role and the Electoral Commission's performance framework monitors the registration outcomes.

During 2018/19 the organisation met all the demands placed upon it in terms of valuation assessment and registration. Apart from the Cairngorm National Park election on 21 March 2019 and some local community council elections, no other local or national elections were scheduled for the year. This year had therefore been identified as the ideal opportunity to migrate from our in-house electoral registration system to an externally provided system as part of our risk mitigation strategy. This proceeded during the fourth quarter of the year immediately upon conclusion of the annual household canvass in December 2018.

In stark contrast to the registration service, the operational demands on the valuation service were extremely high with intense focus from all stakeholders on the ability of the service to meet the appeal disposal workload set by the local valuation appeal committees.

The principal risks and uncertainties continue to relate to national policy and resourcing. Whilst the organisation has a history of successfully implementing change, particularly in relation to assessment for domestic taxation and electoral registration, uncertainties continued to prevail in 2018/19. During the year significant work has been undertaken to estimate the shape and related requirements, and their costs, for NDR reform. At the same time, the organisation has been in reactive mode in relation to defending assessments against concerted challenge.

A fair review of the business

In terms of our priorities –

Conduct a full household canvass under the individual electoral registration (IER) regime.
The canvass of 278,637 households achieved a return rate of 84% by 1 December 2018. This was an improvement on the corresponding return rate of 79% as at 1 December 2016 and 83% as at 1 December 2017. We have continued to chase up non-returns and by mid-March 2019 the return rate had risen to 85%. We have also managed to increase the proportion of households who respond to the canvass by automated response channels such as online, text or automated telephone options from 79,606 in 2016 to 95,704 in 2017 and 104,965 in 2018. Automated responses are more efficient as they do not require back-office processing.

MANAGEMENT COMMENTARY (continued)

Publish revised registers 1 December 2018;
We completed our door to door canvass of final reminder properties earlier than in previous years and statistical data on our registration activities has been submitted to the Electoral Commission for its report on the December 2018 registers that is due to be published in May 2019. Meantime, there has been no indication from the Commission that we have not met the performance standards.

Maximise valuation roll appeal resolution;
The 2017 revaluation had a significant impact on ratepayers in the North East and the volume of appeals is greater than had been the case in previous revaluation years. The sensitivity of the situation was principally due to the slowdown in the NE property market that became apparent after the valuation date of 1 April 2015 but before the revaluation values came into force on 1 April 2017. Against this backdrop the service was severely challenged by ratepayers who had been encouraged to lodge appeals against their rateable values through campaigns in mainstream and social media along with advice from high profile professionals and politicians. The resultant heightened level of expectation for significant reductions in values through the appeal resolution process service has been proven to be wrong and the resultant appeal resolution process has therefore been particularly demanding in terms of expertise and resources.

A significant decision, published by the Lands Valuation Appeal Court in March 2018[1] supported the stance of the Grampian Assessor, did however add clarity to the law concerning changes in the economy and has assisted the appeal resolution process to a degree. However, the majority of appeals had essentially all been lodged ahead of the decision. In terms of numbers, the valuation service has resolved revaluation appeals against assessments for 3,627 properties and a further 3,361 running roll appeals. This represents the highest volume of appeal resolution ever achieved over 12 months in Grampian. In terms of accuracy, the most recent figures published by the Scottish Government show that the losses in rateable value through resolution of Revaluation appeals in Grampian is the lowest in Scotland at only 2%[2].

Maintain a complete and accurate Valuation roll in terms of the Local Government (Scotland) Act 1975
&
Maintain a complete and accurate valuation list in terms of the Local Government Finance Act 1992
The last two priorities make use of quantitative target based performance indicators rather than qualitative measures and as such can at times be misleading. In terms of overall numbers, the number of assessments of domestic and non-domestic properties being made within the 90 day performance timeframe when compared to the previous year has increased by 6% with 4,882 assessments in 2018/19 compared to 4,619 for the previous year. We met our performance target of 94% of new dwellings being banded in the 90 day timeframe but did not manage to make 70% of valuation roll updates within the same 90 day timeframe. The concentration of our resources on our priority of maximising appeal resolution rates did impact on updates to the valuation roll to the extent that 59% of updates were made within the 90 day timeframe.

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[1] The Assessor for Grampian v Anderson, Anderson and Brown LLP and others 2018 at https://www.scotcourts.gov.uk/docs/default-source/cos-general-docs/pdf-docs-for-opinions/2018csih15.pdf?sfvrsn=0
[2] Non-domestic Rates Revaluation Appeals 2018-19 Q3 https://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/NDR-Rates-Relief/Appeals2018-19Q3

In overall terms the organisation met its priorities for 2018/19. It has worked tirelessly to give ratepayers in the Grampian area not only extremely accurate rateable values, but also to maximise appeal resolution to provide the certainty that is so important to property occupiers and taxpayers. Meantime it has rolled out a new IT system for electoral registration and continued to deliver routine business as usual canvass, rolling registration, running roll and council tax update. Once again, the organisation has shown itself to be capable of responding and delivering.

Future developments

The priorities over the next two years relate to all three of our service areas. In relation to the Valuation roll, the completion of the revaluation appeal process and preparations necessary to deliver the next revaluation of non-domestic properties reflecting the reforms currently being implemented by government is absolutely critical. This will involve upgrading our capacity to meet the additional workloads of a three-year revaluation cycle.

We also have the challenge of implementing the electoral canvass reforms that are scheduled to replace the current unsustainable model. There are also the wider electoral reforms currently being considered by the Scottish Government that we will need to prioritise whilst we also work to optimise the recently installed electoral registration system.

Finally from a governance viewpoint we need to continue with our process of updating and modernising our governance arrangements to streamline and improve efficiency across the organisation whilst also seeking to ensure that we maximise our efficiency in terms of costs and service delivery.

These priorities involve many unknowns. Ratepayers' appeals against their assessments are by their very nature driven by the ratepayer rather than the Assessor. Our role is therefore essentially reactive; the NDR reforms are still at an outline stage in the NDR (Scotland) Bill with much of the detail to follow in secondary legislation. Similarly the electoral reforms in terms of canvass and franchise are still at the outline stage and will require a high degree of agility to ensure that implementation of the reforms does not impact on our service delivery. Finally, the question of resources also carries uncertainties and whilst the government has committed to provide additional funding for Assessors by way of the NDR Bill through to 2024/25, this funding will be channelled via the local government settlement and as such the organisation will need to ensure that requisitions are sufficient to continue to meet operational requirements. This must be viewed with the real prospect of top-up funding from the Cabinet Office being withdrawn on the implementation of the proposed canvass reforms.

Key performance indicators (KPI's)

The organisation's code of corporate governance established a KPI reporting and three-year review regime. They seek to quantify the effectiveness of the organisation's activities in relation to the valuation roll of non-domestic property assessments and the valuation list of domestic property council tax band allocations. The Assessor and ERO provides performance reports at every meeting of the Board and an annual public performance report is published online.

The Electoral Commission has reviewed the performance framework for electoral registration officers and for 2018/19 is focussing on qualitative performance monitoring in preference to target-based quantitative indices. This move to qualitative indices reflects concern regarding reliance on quantitative indicators.

MANAGEMENT COMMENTARY (continued)

Financial Performance for 2018/19

The public sector in Scotland continues to face severe financial pressures. In setting the 2018/19 budget the Board was conscious of the need of the constituent authorities to achieve savings. With employee costs representing over 75% of the revenue expenditure budget, there was little scope to make efficiencies without impacting on the level of service. The Board approved the procurement of a new Electoral Management System (EMS) which is designed to meet the demands of individual electoral registration, and a new telephone system in Woodhill House, after the existing landlines were being withdrawn. Some of these costs were met from the Capital Fund, which is now exhausted. The EMS has ongoing licensing costs for the next five years that are included in the revenue budget.

At the meeting of the Board on the 26 January 2018, the revenue budgeted net expenditure of £4.292m for 2018/19 was approved (2017/18 £4.039m), a 6.3% increase.

The actual net expenditure was £4.088m (2017/18 £4.095m) resulting in an underspend of £0.204m for the year. Of this total, £0.007m was used to cover Capital funded from Revenue, £0.135m will be returned to the constituent authorities and £0.062m was transferred into the General Fund Reserve.

The Comprehensive Income and Expenditure Statement shows a deficit of £0.332m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.392m and depreciation totalling £0.002m, the net transfer to the General Fund is £0.062m, the maximum permitted under the Board's Reserves Policy.

The table below shows a summary of the figures for the main variances between budget and actual for the year to 31 March 2019. These figures are reported to the Board throughout the year, and exclude IAS19 charges, depreciation and impairment of assets.

	2018/19 Budget £000	2018/19 Actual £000	2018/19 Variance £000
Employee benefit expenses	3,298	3,206	92
Other service expenses	1,071	998	73
Support service recharges	57	58	(1)
Requisitions	(4,292)	(4,292)	-
Government grants and other service income	(131)	(171)	40
Interest and investment income	(3)	(3)	-
Net (Under)/over spend Against Budget	**-**	**(204)**	**204**

Of the £0.092m underspend in Employee expenses, £0.087m relates to vacant posts and £0.005m of training. Other service expenses were under spent by £0.073m; this includes an underspend of £0.014m for property costs due to a reduction in the Woodhill House service charge for 2017/18 that was carried forward, and overspends for Non Domestic Rates for Woodhill House and unbudgeted Land and Buildings Transaction Tax (LBTT), a tax applied on the lease of Woodhill House; an overspend on Staff Transport costs of £0.012m for canvassers mileage; and an underspend in Supplies and Services of £0.071m, primarily Postage costs.

MANAGEMENT COMMENTARY (continued)

Government grants and other service income exceeded budget by £0.04m; government grant funding received for IER was initially below the budgeted level, however a Justification Led Bid was submitted to the Cabinet Office to recover additional IER-related costs incurred in the year, and was granted in full. Sales of electoral registers were also above budget.

Principal risks and uncertainties

The organisation maintains and reviews an operational and strategic risk register.

The principal risks and uncertainties relate to a fairly dynamic valuation assessment and registration statutory framework. As referred to above, funding responsibilities between central and local government are similarly fluid and the requirement to deliver enhanced services and reduced demands on the public purse present major challenges.

Apart from the normal control measures in terms of financial and operational planning, the Assessor and ERO is seeking to mitigate such risk and uncertainty through partnership working via the SAA and also external agencies. He is President of the Scottish Assessors Association, a member of the Electoral Management Board for Scotland, a member of the RICS rating and local taxation practice group and the Institute of revenues Rating and Valuation. He also works with COSLA, the Scottish Government, UK Government, the Electoral Commission, and chairs the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum – both of these bodies being part of a consultation framework established by the SAA to improve the engagement with all stakeholders in the NDR system. He has provided evidence to the Local Government and Communities Committee in 2017 and 2018 and is scheduled to appear before the committee in 2019. Through these roles the organisation has a unique insight into potential developments in the valuation assessment and registration fields and therefore is able to minimise uncertainty as far as is possible.

Retirement Benefits

Employees are eligible to join the North East Scotland Pension Fund, a Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 22 to the annual accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement in respect of the North East Scotland Pension Fund, based upon estimates provided by Mercer, the actuary to the Fund. The liability on the North East Scotland Pension Fund and a pensions reserve are incorporated on the balance sheet. In the Comprehensive Income and Expenditure Statement, the cost of retirement benefits is recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is funded by requisitions is based on the contribution payable to the pension scheme in the year, so the cost of retirement benefits is adjusted out in the Movement in Reserves Statement. The Balance Sheet shows that the Board has a net pension liability of £4.476m as at 31 March 2019 (31 March 2018 £3.878m). The main assumption to determine the liabilities is the discount rate which is set by the value of high quality corporate bond yields. A higher discount rate leads to a lower value being placed on scheme liabilities. An increase in yield values has meant that the discount rate at 31 March 2019 was 2.4%, compared to 2.6% at 31 March 2018, resulting in an increase in the value of pension liabilities.

Going Concern

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2019 which shows an excess of liabilities over assets of £3.626m (£3.137m at 31 March 2018). The North East Scotland Pension Fund is required to carry out actuarial valuations every three years. Future actuarial valuations of the North East Scotland Pension Fund will consider the appropriate employee/employer's rate to meet the commitments of the Fund and the constituent authorities of the Board are required to fund the liabilities of the Board as they fall due. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these Annual Accounts.

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor and Electoral Registrations Officer

Lorraine Paisey CA
Treasurer

23 August 2019

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In the Valuation Joint Board, that officer is the Treasurer to the Board.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003).

- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 23 August 2019.

Signed on behalf of the Grampian Valuation Joint Board

Councillor Leadbitter
Convener

23 August 2019

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS (continued)

The Treasurer's Responsibilities

The Treasurer to the Board is responsible for the preparation of the Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Accounting Code).

In preparing these annual accounts, the Treasurer has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2019.

Lorraine Paisey CA
Treasurer

23 August 2019

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

The Board was established in terms of The Valuation Joint Boards (Scotland) Order 1995 and is the valuation authority for Aberdeen City Council, Aberdeenshire Council and Moray Council. The Board is responsible for the provision of valuation assessment services for local taxation purposes. Through an agreement to share services, the Board also provides electoral registration services for the same three constituent authorities.

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Board is considered to be a local authority in terms of the Local Government etc. (Scotland) Act 1994 and has a duty to deliver continuous improvement as set out in the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Board is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its valuation and registration functions. This includes arrangements for the management of risk.

Responsibility for delivery - members and officers

In terms of the above Order, the Board membership comprises 6 members appointed by Aberdeen City Council, 6 members appointed by Aberdeenshire Council and 3 members appointed by Moray Council.

To fulfil its operational role, the Board is responsible for the appointment of an Assessor, and deputes as appropriate, in terms of section 27 of the Local Government etc. (Scotland) Act 1994. In practice the Assessor and deputes manage the provision of valuation assessment and electoral registration services on a day to day basis, with the Board providing resources, a governance framework and a monitoring regime for financial and operational performance.

The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. This too is a statutory position with the ERO and deputes appointed in terms of section 8 of the Representation of the People Act 1983.

The Board has approved and adopted a local code of corporate governance that is reviewed annually and is available at www.grampian-vjb.gov.uk

The purpose of the governance framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled and the activities used to engage with the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective valuation assessment and registration services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the statutory requirements of the Assessor and ERO are met and policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework

The key elements of the systems and processes that comprise the Board's governance arrangements are described in terms of the seven principles of good governance defined in the framework and summarised as follows:

Governance Principle 1 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Board's updated Code of Conduct provides a clear standard in terms of conduct and behaviour, as does the Board's personnel related policies that deal with mainstreaming equalities into the fabric of the organisation, dignity of the individual, whistleblowing, special leave and personal development. These policies go beyond behavioural matters and reflect the positive approach to workforce development to the extent that career development schemes are in place across all three service strands: non-domestic property valuation assessment, domestic property valuation assessment and electoral registration. As such, career pathways are available to almost all staff.

In order to avoid duplication the Board relies on the registers of interests and gifts maintained by the relevant constituent authorities for elected members. A Register of Gifts is maintained for the organisation's officials and a Register of Interests for Senior Officials is being implemented. The Assessor and ERO and deputes are bound by the policies of the Board and also must adhere to the professional standards regime set by the RICS.

Issues relating to actions taken or not taken by officials can be addressed internally through the Complaints Handling Procedure. This is the third year of operation of the more open and accessible reporting procedure. This procedure has enabled the organisation to improve service delivery by taking account of stakeholder feedback that in previous years had not been effectively captured or recorded.

The ERO maintained his commitment to combating fraud during the year by assisting with the National Fraud Initiative. The Assessor and ERO also works closely with Police Scotland, has participated in their resilience focussed sessions and provides pre-election briefings. If necessary, suspected fraudulent registration or absent vote applications are referred to the Police Scotland single point of contact.

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

The Board's decision-making processes are well established with decisions concerning finance, performance and governance being taken by the Board. Standing orders and regulations govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process.

At an operational level, stakeholder involvement falls within the domain of the Assessor and ERO. The engagement work around the roll-out of the 2017 revaluation has continued although as the appeal workload arising from the 2017 Revaluation gets underway, attention has shifted to the opportunities and challenges of the government's NDR reform agenda. The Assessor and ERO's engagement strategy in terms of maintaining a high level of accessibility and visibility in the public domain continued with detailed presentations being given to the professional bodies such as the Institute of Revenues, Rating and Valuation and participation in business community meetings attended by industry and political leaders.

On a wider footing, the Assessor and ERO, as President of the Scottish Assessors' Association, has consolidated the new national consultative framework for stakeholders at a national level that comprises bodies such as the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum. Elements of the national framework have been replicated at a local (Grampian) level and have been active in 2018/19.

The Board's performance management framework is reviewed regularly to drive continuous improvement and ensure effective monitoring of progress and outcomes against stated objectives. Reporting arrangements include regular updates to the Board, the Electoral Commission, the Electoral Management Board, the Scottish Government, and online publication of annual performance reports.

Protocols are in place to meet requests made under the Freedom of Information Act and Assessors through the Scottish Assessors' Association have established procedures to improve the response standards where common requests for information are made.

Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.

The Board, being focussed around delivery of specialised valuation and registration services, has a limited role to play in the wider community planning aspects anticipated by the governance framework set out by CIPFA/SOLACE. The Board is therefore conscious of the need to ensure that its mode of operation and the delivery of the valuation and registration services reflect the responsibilities towards the communities in Grampian in terms of devolved service delivery models that support the sustainability of communities across the whole region and minimise natural resource demands. In terms of the two specialised services the Board delivers, they are foundation stones to local government and democracy at local, national and international levels, as they provide the means to raise local taxation and to conduct elections/referendums.

Operational outcomes for these services are essentially driven by statute and it is pertinent to this governance principle that moves are underway to improve the sustainability and economic and social benefits through reform to local taxation and electoral registration.

Local taxation has continued to be the subject of intense scrutiny during the last year and the Assessor and ERO, as a member of the government's Barclay Implementation Advisory Group, has continued to work with other stakeholders to ensure that Scotland has a more sustainable and effective system for NDR. The Group reported in March 2019[3] but work in relation to the NDR (Scotland) Bill and the future shape of the appeal process continues into 2019/20.

The electoral registration regime has undergone a period of intense change following the introduction of individual electoral registration in 2014 and enfranchisement of 16 and 17 year olds in 2016. The Scottish and UK governments are both seeking to introduce common canvass reforms that will seek to improve the efficiency and effectiveness of the annual canvass. The Scottish Government is also carrying out a broader reform of electoral matters that includes a potentially wider franchise. The Assessor and ERO is actively engaged in both reform processes as a member of the Electoral Management Board for Scotland.

[3] https://www.gov.scot/publications/barclay-implementation-advisory-group-final-report/pages/2/

The Assessor and ERO is President of the Scottish Assessors Association (SAA) and through this non-statutory voluntary association, the 14 Assessors and 2 independent EROs[4] that provide valuation assessment and registration services across the 32 local authority areas in Scotland share expertise and resources through this association to deliver unified and modern assessment and registration services.

Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.

As a specialised outcome-orientated organisation, our activities of producing, maintaining and defending valuation rolls, lists and electoral registers essentially drive the organisation's agenda. The Board and the Assessor and ERO recognise the financial challenges they face and through established reporting arrangements ensure that Board members have full detail of resource inputs and performance outputs. Regular and detailed financial reports are made to the Board and the outcomes for the organisation that are essentially driven by statute, are monitored in terms of performance.

The Management Team focus on these outcomes and work closely to innovate and optimise them.

Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.

Roles of elected members and officers are clearly defined and constructive working relationships are achieved to ensure clear relationships between the Board, the Assessor and ERO, corporate stakeholders and the public. The Board adopted a scheme of delegation last year and the Assessor and ERO has an ongoing commitment of engagement with board members to ensure that both the Board and the Assessor have not only a knowledge of the respective positions but also an understanding and appreciation of what lies behind the outcomes that the organisation delivers.

Standing orders regulate the form and content of board meetings and the Board's financial regulations provide a framework for financial decisions. Performance reports are made at each board meeting and the Board's key performance indicators are subject to regular periodic review.

As part of its commitment to lifelong learning, the Board uses the IRRV Scottish conference as a cost-effective source of professional training for both members and officials. To foster a personal development culture and seek to retain personnel the organisation operates an internal recruitment procedure that encourages personal development and ultimately improves leadership capacity.

New employees receive induction training on arrival and in the vast majority of cases are able to participate in a career grade development scheme that seeks to promote personal and professional development. Surveyors, who are members of the RICS, are subject to additional compulsory continuing professional development training that is monitored by the RICS.

[4] Dundee and Fife opted to provide registration services independently and contribute to the SAA Electoral Registration Committee.

The organisation's training officer is responsible for monitoring training provision and recording progress. The training officer is also responsible for identifying appropriate training opportunities and the distribution of training opportunities is reported in public performance reports / equalities mainstreaming reports.

Functions and roles of statutory posts including the Clerk, Treasurer and Assessor and ERO are clearly defined and the postholders work closely together to achieve the objectives of the organisation.

Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.

The Board's decision-making process is well established with governance, finance and performance issues being reported at board meetings that take place in public (unless exempt under statutory provision) and the board reports are published online and made available to the media. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Scrutiny is secured through internal and external audit.

Decisions of the Assessor and ERO are subject to public scrutiny, scrutiny via an appeal and complaint process to the respective judicial bodies and external stakeholders that monitor performance such as the Electoral Commission and the Electoral Management Board for Scotland. In addition the SAA website provides practice notes that provide details on how rateable values are determined and allows individual taxpayers to look up the assessment of every non-domestic and domestic property in Scotland.

The compliance and monitoring regimes for public bodies in particular has increased in complexity during the last year and the Board & Assessor and ERO has updated its model publication scheme, reported on records management procedures to the Keeper of Records and continues to make quarterly returns to the Information Commissioner.

Risk management is a fundamental part of the organisation's decision making process and as such is a standing item on the Assessor and ERO's management team quarterly agenda, with the Board reviewing the risk register on an annual basis.

To mitigate against and control risk, the Board's system of internal control is based on a framework of financial regulations that were revised and updated periodically and supplemented by regular management information, administrative procedures, management supervision and a code of corporate governance. Establishing and maintaining an effective system of internal control is a management function. The Board, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

Policies to combat fraud, theft, bribery and corruption are in place, not only in order to protect public finance, but also to ensure the veracity of the statutory rolls, lists and registers that the Assessor and ERO is required to provide. The Assessor and ERO works closely with Police Scotland at a local and national level and through the requirement to work with the Government Digital Service our IT facilities must meet and maintain Public Service Network accreditation. During the last year we have also secured the UK Government's Cyber Essentials Plus accreditation.[5]

[5] https://www.cyberessentials.ncsc.gov.uk/

A performance management system is in place which calls for reporting of established performance measures to the Board at quarterly intervals throughout the year. An annual Public Performance Report is also published

Strong financial management procedures are secured through the work of the Treasurer appointed in terms of s.95 of the Local Government (Scotland) Act 1973. This officer provides advice to the Board and Assessor and ERO on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Board business is conducted through an established cycle of quarterly meetings held in public (unless exempt under statutory provision) in both Aberdeen and Elgin. Meeting dates are published in advance. Reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations. Minutes of meetings are prepared and are published on the Board's website.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through to media releases and presentations which may be focussed on specific groups of service users. The organisation's website is frequently updated with news items to ensure that the Grampian community is kept up to date.

Assurance and accountability oversight is a key role for the Board which comprises members of a variety of political backgrounds. The Board receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by the officials of the Board.

Review of effectiveness of governance arrangements

The review of effectiveness of the governance framework including the system of internal control is pursued throughout the year by various means involving:

- **The Board**

In practice, governance arrangements are monitored over the year with board meetings taking place four times during each year. Every time the Board meets, it considers reports on financial and operational performance. It also considers annual public performance and audit reports along with reports on governance.

- **The Management Team**

The management team which has overall responsibility for good governance arrangements, comprises the Assessor and ERO, two deputes, four assistant assessors and the principal admin officer. The management team is scheduled to meet on a quarterly basis and considers corporate issues such as finance, personnel, performance and risk management along with an overview of service related issues that are handled by two service orientated groups – the technical and administration groups.

- **The Technical and Administration groups**

These two groups also normally meet quarterly and focus on specialised service related planning and delivery. These groups foster co-operative working across the Aberdeen, Banff and Elgin offices of the organisation and also benefit from input from the Scottish Assessors Association representatives. They provide technical solutions to valuation assessment and electoral registration issues. Membership includes the management team and team leaders, with input from other members of staff too, that seeks to capture the widest range of expertise and experience and also provide an inclusive insight into the decision making process to all members of the organisation.

- **The Assessor and ERO**

The Assessor and ERO has the statutory responsibility for the valuation rolls, valuation lists and electoral registers. The Assessor is essentially the chief executive for the organisation and has a wide range of financial, personnel, governance and reporting responsibilities.

- **The Treasurer**

The Treasurer has statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to the Assessor and ERO and elected members at meetings of the board and otherwise as required. The Board's financial management arrangements generally conform to the governance requirements of the CIPFA statement on the role of the chief financial officer, and whilst the Treasurer is not a member of the management team, she is actively involved in, and is able to influence, decision-making processes.

The Treasurer is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The system includes comprehensive budget setting and monitoring arrangements and the preparation of regular financial reports indicating actual expenditure against forecasts that are reported at each board meeting.

- **Internal Audit**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Board on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Manager is accountable on a day-to-day basis to the Treasurer and to the Board. Internal Audit operates in accordance with Public Sector Internal Audit Standards and in line with the requirements of the Standards was subject to external inspection during the year. The results of the inspection are provided within the internal audit annual report. A number of areas of good practice were identified and the review concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20.

Internal audit and the subsequent report by the external auditors in their annual audit letter and in other reports, informs the effectiveness of the financial control environment as an element of the Board's governance arrangements. No fundamental control weaknesses were reported during the period covered by this statement. It is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Board's internal financial control systems in place for the year ended 31 March 2019.

- **External Agencies**

In addition to the various internal review processes and the financial audit referred to above, there are a number of bodies that the organisation is required to report to/submit governance arrangement for approval. The Information Commissioner collects data on responses to requests for information and will intervene where it considers enforcement action is required. The Keeper of Records reviews and approves records management arrangements.

The way the organisation delivers its valuation and registration services is also subject to scrutiny by external agencies, with the valuation assessment aspect reported to the Scottish Government and subject to a case by case scrutiny on appeal; and the Electoral Commission and Electoral Management Board reviewing and reporting on the performance of the ERO.

Ultimately this organisation has possibly one of the largest service communities in the Grampian area providing registration services to 440,000 citizens, and property valuation assessments for 313,000 properties. Such a wide and comprehensive reach throughout the Grampian region also provides a barometer for the success or otherwise of the organisation's service delivery.

- **Conclusion**

An assessment of the internal mechanisms for reviewing the effectiveness of our governance arrangements is that they work well; the organisation is relatively small and benefits from short lines of communication at informal and formal levels. This means that the Board, Management Team, the Technical & Administration Groups and Internal Audit all have direct access to the Assessor & ERO and Treasurer (where appropriate), who both take an active and direct role in ensuring the good governance of the organisation. The evidence to support this assessment lies in the response profile to the organisation in terms of feedback from employees, Board members, elected members of constituent authorities, members of parliaments, our external monitoring bodies and ultimately the businesses, public & private bodies that make up the extremely large service community. Ineffective governance arrangements would be signposted through negative feedback from these internal and external individuals and bodies. Communications at all levels and ultimately complaints monitoring that is reported to the Board do not provide any indication that the existing governance arrangements are ineffective.

Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officials of the board; a considerable task at a time when budgets are under pressure, and major changes such as NDR reform are being contemplated.

In the governance statement for 2017/18, key challenges identified by the service related to

- Responding to the government's NDR reform plans that include a 3 year revaluation cycle from 2022.
- Implementing the General Data Protection Regulation (GDPR) requirements.
- Continuing to work towards an efficient system of individual electoral registration (IER).
- Managing the resourcing required to defend challenges to the revaluation roll that came into force from 1 April 2017.
- Implementing effective customer consultation arrangements.

An update on progress made in addressing these challenges during 2018/19 is set out below.

- Response to the NDR reform plans
  As a member of the Barclay Implementation Advisory Group, the Assessor and ERO has been closely involved in detailed consideration of the implications and challenges of the NDR reforms. In his capacity of President of the SAA, he has led discussions with COSLA and the Scottish Government to secure additional funding for implementation of NDR reforms both locally and nationally. Work has also been initiated locally in terms of workforce planning for the additional workload of delivering revaluations on a three-year cycle. This includes the necessity to increase the organisation's pool of rating valuation expertise and moves to free-up existing resources in terms of the roll-out of alternative and more efficient data capture measures whilst seeking to maintain high standards of assessment accuracy.

- Implementation of GDPR requirements
  The appointment of a Data Protection Officer and roll-out of the related data protection policy, privacy notices and training mean that the organisation is meeting its data protection responsibilities.

- Working towards an efficient system for IER
  Both NDR and ER reform now have a higher profile and impetus than that of 12 months. Electoral registration is subject to major changes in the form of canvass reform and as part of the preparation for roll-out of these changes the organisation has replaced its own electoral registration IT system during the last year.

- Resourcing appeal resolution following the 2017 Revaluation
  The unique circumstances of the North East economy have given rise to an above average volume of appeals and resourcing the appeal resolution process in terms of funding and expertise is absolutely critical to ensure that all appeals are resolved by the local valuation appeal committees by the statutory deadline of 31 December 2020. The organisation's management and highly skilled valuers and negotiators have worked tirelessly to facilitate the local committees to achieve this outcome and all parties are extremely conscious of the desire of stakeholders in terms of ratepayers and indeed the government as the ultimate holder of the public purse to ensure that appeals are resolved as quickly as possible.

- Customer consultation
  The devotion of resources to operational service delivery during a period of extremely intense demand has led to progress on widening our existing customer consultation framework being slower than originally planned.

The key challenges for 2019/20 are

- Upgrade our operational capacity in terms of workforce, processes and IT systems to meet the challenges of moving to a 3 year revaluation cycle for Revaluation 2022.

- Maintain the drive to improve and streamline our governance arrangements progress equalities mainstreaming and performance monitoring and widen our existing customer consultation framework.

- Optimise the new electoral registration system to capitalise upon information sources.

- Continue to manage the resourcing required to ensure that this organisation presents no barriers to Revaluation 2017 appeal resolution.

- Manage the organisation's resources to ensure that all existing business as usual statutory commitments are met.

Concluding Remarks

In our respective roles as Convener of the Board and Assessor and ERO, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises current governance arrangements, provides evidence of progress and affirms our commitment to ensuring that the Board's governance framework is responsive to the dynamic and challenging environment in which we serve.

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

23 August 2019

REMUNERATION REPORT

This report has been written to provide details of the Grampian Valuation Joint Board's remuneration arrangements for its senior councillors and senior employees. This is required under the Local Authority Accounts (Scotland) Amendment Regulations 2014.

All information disclosed in the tables 1 to 6 in this Remuneration Report is audited by the external auditors Audit Scotland. The other sections of the Remuneration Report are reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of Councillors, Senior Councillors, Convener and Depute Convener

The remuneration of councillors is regulated by The Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2018. These regulations set out the amounts a councillor may be paid for being a Convener or Depute Convener of a Joint Board. This is inclusive of any amounts payable to them as either a councillor or senior councillor of their own Local Authority.

The Board consists of 15 members comprising 6 from Aberdeen City Council, 6 from Aberdeenshire Council and 3 from Moray Council. The local authority of which the Convener or Depute Convener is a member pays the remuneration appropriate to the member's work with the Joint Board. Conveners receive a remuneration which when added to their existing remuneration as a Councillor/Senior Councillor equals 75 percent of the Leader of a "Band A" council, i.e. £21,245 per annum. The Depute Convener's remuneration is calculated on the basis of the basic salary plus 75 percent of the difference between the basic salary and the Convener's salary, i.e. £20,183 per annum. These rates are effective for the year ending 31 March 2019.

The Board has an arrangement with each Council which remunerates the Convener and Depute Convener/s to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Depute Convener of the Board.

Councillor Leadbitter is Convener of the Grampian Valuation Joint Board. He received an allowance as Joint Leader of his party and the Board paid a Special Responsibility Allowance to him as the Convener of the Board up to 12 June 2018. On becoming Leader of Moray Council on 13 June 2018, he received a Special Responsibility Allowance from Moray Council. This allowance is paid for in full by Moray Council and will be included in their remuneration report. Consequently no additional award is due for undertaking duties for the Valuation Board.

Councillor Cormie has been Depute Convener of the Board from 30 June 2017. The Board pays a Special Responsibility Allowance to the Depute Convener of the Board. Details of his salary are included in the remuneration report for Aberdeen City Council.

All other Councillors' expenses are paid directly by the authority that they serve and will also be included in the individual authority's remuneration report.

Remuneration of Senior Councillors, Convener and Depute Convener (Table 1)

Councillor Name and Responsibility	Salary, fees and allowances	Total Remuneration 2018/19	Total Remuneration 2017/18
	£	£	£
Councillor Shepherd Convener to 4/5/17	-	-	398 (Full year equivalent £4,233)
Councillor Leadbitter Convener	425	425 (Full year equivalent £2,125)	1,593 (Full year equivalent £2,117)
Councillor Cormie Depute Convener	3,109	3,109	2,392 (Full year equivalent £3,176)
Total	**3,534**	**3,534**	**4,383**

No taxable expenses were paid in 2017/18 or 2018/19.

Remuneration of Councillors (Table 2)

Grampian Valuation Joint Board paid the following salaries, allowances and expenses for all councillors (including senior councillors) during the year. It includes expenses met directly by the Board and expenses reimbursed to Councillors.

Type of Remuneration	2018/19	2017/18
	£	£
Salaries	3,534	4,382
Expenses	557	1,064
TOTAL	**4,091**	**5,446**

Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Amendment Regulations 2014 require remuneration information to be disclosed for senior employees as defined below:

i. A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
ii. A person who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989.
iii. A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

These regulations apply equally to Joint Boards and remuneration disclosure is therefore required for the Assessor and Electoral Registration Officer (ERO) and two Depute Assessor and Depute Electoral Registration Officers who are deemed to be senior employees for the Grampian Valuation Joint Board. Details are shown on Table 3 below.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the terms and conditions and pay bandings for senior employees but remuneration levels and payscales are set locally and were last agreed by the Board on 23 January 2004.

Remuneration of Senior Employees of the Board (Table 3)

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2018/19	Total Remuneration 2017/18
	£	£	£	£
Ian Milton Assessor & ERO	108,648	694	109,342	107,503
Gavin Oag Depute Assessor & ERO	85,078	639	85,717	84,152
Mark Adam Depute Assessor & ERO	77,001	593	77,594	75,206
TOTAL	**270,727**	**1,926**	**272,653**	**266,861**

The Treasurer and the Clerk to the Board do not receive remuneration from the Valuation Joint Board. The duties of the posts are covered by the post holders' substantive posts in Moray Council. Details of their salaries are included in the remuneration report for Moray Council.

Pension Benefits

Pension benefits for Councillors and Local Government employees are provided through the North East Scotland Pension Fund, a Local Government Pension Scheme.

Councillors' pension benefits are based on career average pay. For benefits earned up to 31 March 2019, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the year of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

The Board pay a contribution to the Pension Fund for the Convener and Depute Convener's pensions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. Details are shown on Table 4 below.

For local government employees, up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on 'career average'. The scheme's normal retirement age for both councillors and employees is 65 for benefits up to 31 March 2015 and the State Pension Age for benefits built up after 1 April 2015.

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

The member contribution rates for 2018/19 are the same as for 2017/18; however the earning bands have changed as shown in the table below.

Whole time earnings (2017/18 in brackets)	Contribution rate 2018/19	Contribution rate 2017/18
On earnings up to and including £21,300 (£20,700)	5.50%	5.50%
On earnings above £21,300 and up to £26,100 (£20,700 and up to £25,300)	7.25%	7.25%
On earnings above £26,100 and up to £35,700 (£25,300 and up to £34,700)	8.50%	8.50%
On earnings above £35,700 and up to £47,600 (£34,700 and up to £46,300)	9.50%	9.50%
On earnings above £47,600 (£46,300)	12.00%	12.00%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

Pension Benefits (continued)

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) some pension for a lump sum up to the limit set by the Finance Act 2004. Up until 31 March 2015, the accrual rate guarantees a pension based on 1/60th of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of the final pensionable salary and years of pensionable service). From 1 April 2015, the accrual rate guarantees a pension of 1/49th of pensionable pay for each year. At the end of each year the benefits are revalued and increased by inflation.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

Senior Councillors (Table 4)

	For the year to 31 March 2019	For the year to 31 March 2018
	£	£
Cllr Leadbitter	82 (Full year equivalent £410)	308 (Full year equivalent £408)
Cllr Cormie	600	462 (Full year equivalent £613)
Total	**682 (Full year equivalent £1,010)**	**770 (Full year equivalent £1,021)**

The above amounts show the in-year contributions relating to the Special Responsibility Allowance shown in Table 1. The total pension benefits relating to Councillor Leadbitter are detailed in the remuneration report of Moray Council and those relating to Councillor Cormie are detailed in the remuneration report of Aberdeen City Council.

Senior Employees (Table 5)

The pension entitlements of Senior Employees for the year to 31 March are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2019	For the year to 31 March 2018		As at 31 March 2019	Difference from March 2018
	£	£		£	£
Ian Milton Assessor and ERO	20,942	20,633	Pension Lump Sum	53,511 100,543	3,083 1,483
Gavin Oag Depute Assessor & ERO	16,393	16,084	Pension Lump Sum	36,094 61,390	2,446 1,157
Mark Adam Depute Assessor & ERO	14,834	14,332	Pension Lump Sum	36,551 67,444	2,738 2,281
Total	**52,169**	**51,049**		**355,533**	**13,188**

All senior employees shown in the tables above are members of the North East Scotland Pension Fund. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

General Disclosure by Pay Band

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown overleaf.

General Disclosure by Pay Band (Table 6)

The Table includes the remuneration of the senior employees detailed in Table 3.

Remuneration Band	Number of Employees	
	2018-19	2017-18
£50,000 - £54,999	6	2
£55,000 - £59,999	3	2
£75,000 - £79,999	1	1
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£105,000 - £109,999	1	1
	12	**7**

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

23 August 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This differs from the expenditure to be funded from the requisitions raised by the Board from the three constituent Local Authorities in accordance with statute. The effect on the General Fund is shown in the Movement in Reserves Statement and Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations.

		31-Mar-18					31-Mar-19
£000	£000	£000			£000	£000	£000
Expenditure	Income	Net		Note	Expenditure	Income	Net
4,645	(190)	4,455	Rating and Council Tax Valuation and Electoral Registration		4,570	(171)	4,399
4,645	**(190)**	**4,455**	**Cost Of Services**		**4,570**	**(171)**	**4,399**
161	(2)	159	Financing and Investment Income and Expenditure	9	93	(3)	90
		(4,039)	Requisitions and Non-Specific Grant Income	19			(4,157)
		575	**Deficit on Provision of Services**	8			**332**
		-	Surplus on revaluation of Property, Plant and Equipment	10			(49)
		(3,237)	Remeasurement of the Net Defined Benefit Liability	22			206
		(3,237)	**Other Comprehensive Income and Expenditure**				**157**
		(2,662)	**Total Comprehensive Income and Expenditure**				**489**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

This Statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (those that can be applied to fund expenditure) and unusable reserves. The Statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable against requisitions for the year. The Increase or Decrease line shows the statutory General Fund movements in the year.

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 16) £000	Total Board Reserves £000
Balance at 31 March 2017	**209**	**73**	**282**	**(6,081)**	**(5,799)**
Total Comprehensive Income and Expenditure	(575)	-	(575)	3,237	2,662
Adjustments between accounting basis & funding basis under regulations (Note 7)	519	(18)	501	(501)	-
Increase / (Decrease) in Year	(56)	(18)	(74)	2,736	2,662
Balance at 31 March 2018	**153**	**55**	**208**	**(3,345)**	**(3,137)**

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 16) £000	Total Board Reserves £000
Balance at 31 March 2018	**153**	**55**	**208**	**(3,345)**	**(3,137)**
Total Comprehensive Income and Expenditure	(332)	-	(332)	(157)	(489)
Adjustments between accounting basis & funding basis under regulations (Note 7)	394	(55)	339	(339)	-
Increase / (Decrease) in Year	62	(55)	7	(496)	(489)
Balance at 31 March 2019	**215**	**-**	**215**	**(3,841)**	**(3,626)**

BALANCE SHEET AS AT 31 MARCH 2019

The Balance Sheet shows the value as at the Balance Sheet date of 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.

31 March 2018 £000		Note	31 March 2019 £000
643	Property, Plant & Equipment	10	753
643	**Long Term Assets**		**753**
66	Short Term Debtors	11	42
448	Cash and Cash Equivalents	12	613
514	**Current Assets**		**655**
(416)	Short Term Creditors	13	(558)
(416)	**Current Liabilities**		**(558)**
(3,878)	Other Long Term Liabilities	22	(4,476)
(3,878)	**Long Term Liabilities**		**(4,476)**
(3,137)	**Net Liabilities**		**(3,626)**
	Usable reserves	15	
153	General Fund		215
55	Capital Fund		-
208	**Total**		**215**
	Unusable Reserves	16	
218	Revaluation Reserve		262
425	Capital Adjustment Account		490
(3,878)	Pensions Reserve		(4,476)
(110)	Employee Statutory Adjustment Account		(117)
(3,345)	**Total**		**(3,841)**
(3,137)	**Total Reserves**		**(3,626)**

The notes on Pages 37 to 65 form part of the Financial Statements.

Lorraine Paisey CA
Treasurer

23 August 2019

The unaudited Annual Accounts were issued on 31 May 2019 and the audited Annual Accounts were authorised for issue on 23 August 2019.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Cash Flow statement shows the changes in cash and cash equivalents of the Board during the financial year. 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 Board are funded by way of requisition and grant income or from the recipients of services provided by the Board. 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, i.e. assets.

31 March 2018 £000		**31 March 2019 £000**
575	Net deficit on the provision of services	332
(269)	Adjust net deficit on the provision of services for non cash movements (Note 18)	(560)
306	Net cash flows from Operating Activities	(228)
-	Net Cash flows from Investing Activities	63
306	Net (increase)/decrease in cash and cash equivalents	(165)
754	Cash and cash equivalents at the beginning of the financial year	448
448	**Cash and cash equivalents at the end of the financial year**	**613**

NOTES TO THE ACCOUNTS

Note 1 Accounting Policies

1 General Principles

The Annual Accounts summarise the Board's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The principal accounting policies have been applied consistently throughout the year. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of property, plant and equipment.

2 Accruals of Income and Expenditure

Income and expenditure are accounted for in the year in which they take place, not simply when cash payments are made or received. Where income and expenditure has 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 the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Charges to Revenue for Non-Current Assets

The service is charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

4 Requisitions and Contributions

Requisitions and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Board has not satisfied.

5 Cash and Cash Equivalents

The Board uses Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund. This balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2019.

Note 1 (continued)

6 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Board. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

7 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement at the earlier of when the Board can no longer withdraw the offer of those benefits or when the Board recognises costs for a restructuring.

8 Going Concern

The Pension Fund overall liability demonstrates the Board's commitment to pay retirement benefits in the long term. As a consequence there is a significant impact on the net worth of the Board as recorded on the Balance Sheet, which shows a net liability. Statutory arrangements for the funding of the deficit mean that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Annual Accounts should follow the going concern basis of accounting.

9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (S*e*RCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

10 Value Added Tax

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

11 Reserves

The Board sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against requisitions for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Board.

Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires the Board to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

New or amended standards within the 2019/20 Code relate to:

- Amendments to IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments that may apply to local authorities include:
    - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
    - IAS28 Investments in Associates and Joint Ventures: Measuring an Associate of Joint Venture at Fair Value
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment features with Negative Compensation

The Code requires implementation from 1 April 2019 and there is, therefore, no impact on the 2018/19 Financial Statements. The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Treasurer has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

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

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Board's Balance Sheet at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Note 4 (continued)

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £0.626m.

Note 5 Material Items of Income and Expenditure

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. The following items are regarded as material:

	2017/18	2018/19
Nature	**£000**	**£000**
Grant income from the UK Government for Individual Electoral Registration (IER)	177	160

The grant received for Individual Electoral Registration (IER) is intended to fund the additional costs incurred by the Board.

Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 31 May 2019 and the audited Annual Accounts were authorised for issue on 23 August 2019 by Lorraine Paisey, Treasurer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions and government grants) by the Board in comparison with those resources consumed by the Board in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

31 March 2018				31 March 2019		
Net Expenditure chargeable to General Fund £000	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**		**Net Expenditure chargeable to General Fund £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
4,097	358	4,455	Rating and CT valuation & Electoral Registration	4,098	301	4,399
4,097	358	4,455	Net Cost of Services	4,098	301	4,399
(4,041)	161	(3,880)	Other Income and Expenditure	(4,160)	93	(4,067)
56	519	575	(Surplus) or Deficit	(62)	394	332
(209)			Opening Balance	(153)		
56			(Surplus) or Deficit	(62)		
(153)			**Closing Balance**	**(215)**		

Note 7 (continued)

Adjustments between the Funding and Accounting Basis

				2017/18
	Adjustment for Capital Purposes £000	**Net Change for Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
Rating and CT valuation & Electoral Registration	24	329	5	358
Net Cost of Services	24	329	5	358
Other Income and Expenditure	-	161	-	161
Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	**24**	**490**	**5**	**519**

				2018/19
	Adjustment for Capital Purposes £000	**Net Change for Pensions Adjustments £000**	**Other Differences £000**	**Total Adjustments £000**
Rating and CT valuation & Electoral Registration	(5)	299	7	301
Net Cost of Services	(5)	299	7	301
Other Income and Expenditure	-	93	-	93
Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	**(5)**	**392**	**7**	**394**

Note 7 (continued)

a) Adjustments for Capital Purposes
This column adds in depreciation and impairment and revaluation gains and losses in the services line.

b) Net Change for the Pensions Adjustments
This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For the service this reflects the removal of the employer pension contributions made by the Board as allowed by statute and the replacement with current service costs and past service costs.

c) Other Differences
This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For the service this reconciles the impact of accruals for accumulating compensated absences e.g. holiday pay as required by IAS19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.

Note 8 Expenditure and Income Analysed by Nature

The Board's expenditure and income is analysed as follows:

Expenditure and Income

	2017/18 £000	2018/19 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Employee benefit expenses	3,521	3,512
Other service expenses	1,044	998
Support service recharges	56	58
Depreciation, amortisation and impairment	24	2
Interest payments	161	93
Total Expenditure	**4,806**	**4,663**
Requisitions	(4,039)	(4,157)
Government grants and other service income	(190)	(171)
Interest and investment income	(2)	(3)
Total Income	**(4,231)**	**(4,331)**
(Surplus) or deficit on the provision of services	**575**	**332**

Note 9 Financing and Investment Income and Expenditure

	2017/18 £000	2018/19 £000
Pensions interest cost and expected return on pensions assets	161	93
Interest receivable and similar income	(2)	(3)
	159	**90**

Note 10 Property, Plant and Equipment

Recognition
All expenditure on the acquisition, creation, enhancement or replacement of an asset or part of an asset is capitalised, providing the asset yields benefit for more than one year to the Board and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

Measurement
New assets are measured at cost. Cost includes the original purchase of the asset and the costs attributable to bringing the assets to its working condition for its intended use.

Assets are measured at current value which is Existing Use Value for Land and Buildings and Depreciated Historic Cost for Equipment and Furniture which is used as a proxy for current value.

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised when an asset is disposed of or when no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt is written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Requisitions, as the cost of non current assets is fully provided for under separate arrangements for Capital Financing. The carrying amount of the non current asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Fund and reported in the Movement in Reserves Statement.

Depreciation
Depreciation is provided for on all items of property, plant and equipment with a finite useful life by the systematic allocation of their depreciable amount over their useful lives. An exception is made for land where it can be demonstrated that it has an unlimited useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets. In the year of disposal, no depreciation is charged.

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings - 35-60 years, land is not depreciated
Vehicles, Plant, Furniture & Equipment - 10 years

Note 10 (continued)

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised.

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

Revaluations
The Board carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The last revaluation of Land and Buildings was done with effect from on 1 April 2018 and the next revaluation is scheduled during 2023/24. All valuations were carried out by Moray Council's Head of Estates in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current values.

Note 10 (continued)

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation			
At 1 April 2017	696	210	906
Additions	0	18	18
At 31 March 2018	**696**	**228**	**924**
Accumulated Depreciation and Impairment			
At 1 April 2017	55	202	257
Depreciation charge	14	10	24
At 31 March 2018	**69**	**212**	**281**
Net Book Value			
At 1 April 2017	641	8	649
At 31 March 2018	627	16	643
Cost or valuation			
At 1 April 2018	696	228	924
Additions	-	62	62
Revaluation increases recognised in the Revaluation Reserve	-	-	-
Revaluation increases recognised in the Provision of Services	-	-	-
At 31 March 2019	**696**	**290**	**986**
Accumulated Depreciation and Impairment			
At 1 April 2018	69	212	281
Depreciation written out to the Revaluation Reserve	(49)	-	(49)
Depreciation written out to the Provision of Services	(20)	-	(20)
Depreciation charge	14	7	21
At 31 March 2019	**14**	**219**	**233**
Net Book Value			
at 31 March 2018	627	16	643
at 31 March 2019	682	71	753

Note 11 Short Term Debtors

	Restated 2017/18 £000	2018/19 £000
Prepayments	31	31
Other Receivables	35	11
	66	**42**

Note 12 Cash and Cash Equivalents

	2017/18 £000	2018/19 £000
Temporary Investment in the Moray Council Loans Fund	448	613

Note 13 Short Term Creditors

	Restated 2017/18 £000	2018/19 £000
Trade Payables	301	59
Other Payables	115	499
	416	**558**

Note 14 Financial Instruments

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Board and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Board.

The majority of the Board's financial liabilities held during the year are measured at amortised cost and comprised:

- Creditors for requisitions due to be returned to constituent authorities
- Trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Board that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Board. The financial assets held by the Board during the year are accounted for under the following classification:

- Amortised cost (where cash flows are solely payments of principal and interest and the business model is to collect those cash flows) comprising:
    - temporary investment in the Moray Council Loans Fund
    - trade receivables for goods and services provided

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Board.

Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Short Term Creditors	
	2017/18	**2018/19**
	£000	**£000**
Amortised Cost	416	558

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Short Term Debtors	
	2017/18	**2018/19**
	£000	**£000**
Amortised Cost	66	42

Note 15 Usable Reserves

General Fund
The creation of a General Fund was agreed by the Board at its meeting on 28 January 2011. This was introduced to provide the Assessor with some flexibility to investigate any spend-to-save projects which would require one-off expenditure in order to deliver future budget savings. The reserve also acts as a contingency for any unexpected costs in future years. Transfers are restricted to 3% of revenue budget in any one year subject to the reserve having a cumulative balance not exceeding 5% of revenue budget.

Capital Fund
Under the terms of Schedule 3 to the Local Government (Scotland) Act 1975, the Board has established a Capital Fund and has paid into that fund the receipt in respect of the Board's share from the sale of Woodhill House. Interest earned on the Capital Fund balance is added to the accumulated balance each year.

Usable Reserves	**2017/18 £000**	**2018/19 £000**
General Fund	153	215
Capital Fund	55	-
	208	**215**

Note 16 Unusable Reserves

	2017/18 £000	**2018/19 £000**
Revaluation Reserve	218	262
Employee Statutory Adjustment Account	(110)	(117)
Capital Adjustment Account	425	490
Pension Reserve	(3,878)	(4,476)
	(3,345)	**(3,841)**

Note 16 (continued)

Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment.

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	223	218
Revaluations		
Upward revaluation of assets not posted to the Surplus or Deficit on the Provision of Services	-	49
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(5)	(5)
Balance at 31 March	**218**	**262**

Employee Statutory Adjustment Account

The Employee Statutory Adjustment 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 the Account.

	2017/18 £000	2018/19 £000
Balance at 1 April	(105)	(110)
Settlement or cancellation of accrual made at the end of the preceding year	105	110
Amounts accrued at the end of the current year	(110)	(117)
Balance at 31 March	**(110)**	**(117)**

Note 16 (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account also 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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**426**	**425**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(24)	(2)
Adjusting amounts written out of the Revaluation Reserve	5	5
Net written out amount of the cost of non-current assets consumed in the year	(19)	3
Capital financing in the year:		
Use of Capital Fund to finance new capital expenditure	18	55
Capital Expenditure charged against the General fund	-	7
Balance 31 March	**425**	**490**

Note 16 (continued)

Pensions Reserve

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

	2017/18 £000	**2018/19 £000**
Balance at 1 April	(6,625)	(3,878)
Remeasurements of the net defined benefit liability/asset	3,237	(206)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(956)	(876)
Employer's pensions contributions and direct payments to pensioners payable in the year	466	484
Balance at 31 March	**(3,878)**	**(4,476)**

Note 17 External Audit Costs

The Board has incurred the following costs in relation to the audit of the Annual Accounts.

	2017/18 £000	2018/19 £000
Fees payable in respect of external audit services carried out by the appointed Auditor for the year	7	7

Note 18 Cashflow – Analysis of Net Deficit on the provision of services for non cash movements

	2017/18 £000	2018/19 £000
Depreciation/Impairment charges	(24)	(2)
Pension Liability	(490)	(392)
Increase/(Decrease) in Debtors	40	(24)
Decrease/(Increase) in Creditors	205	(142)
	(269)	**(560)**

Note 19 Requisition and Grant Income

The Board credited the following requisitions to the Comprehensive Income and Expenditure Statement. The requisitions are based on population.

	2017/18 £000	2018/19 £000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,583	1,677
Requisition from Aberdeenshire Council	1,800	1,914
Requisition from Moray Council	656	701
	4,039	**4,292**

	2017/18 £000	2018/19 £000
Returned to constituent authorities:		
Aberdeen City Council	-	53
Aberdeenshire Council	-	60
Moray Council	-	22
	-	**135**

Note 20 Leases

Operating Leases – Board as Lessee

Operating lease payments are reflected in the Cost of Services heading in the Comprehensive Income and Expenditure Statement, as the rentals become payable. The Board does not have any finance leases.

The Board pays Aberdeenshire Council for the rental of their offices within Woodhill House under the terms of an operating lease. The amount paid under these terms in 2018/19 was £0.125m (£0.125m in 2017/18).

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

	2017/18 £000	2018/19 £000
Not later than one year	125	125
Later than one year and not later than five years	375	500
More than five years	-	375
	500	**1000**

Note 21 Related Parties

The Board is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

Constituent Authorities

The constituent authorities have the potential to control or influence the Board as they provide the majority of the Board's funding. Details are shown in Note 19. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	Restated **2017/18** **£000**	**2018/19** **£000**
Aberdeen City Council	68	76
Aberdeenshire Council	298	199
Moray Council	84	73

The amounts owed to the constituent authorities for requisitions and normal business activities at 31 March were:

Aberdeen City Council	4	57
Aberdeenshire Council	17	72
Moray Council	56	92

Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid is shown in the Remuneration Report. There were no other material transactions with members other than the allowances shown in the Remuneration Report.

Note 22 Defined Benefit Pension Scheme

Participation in Pension Scheme

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 the employees retire, the Board has a commitment to make the payments for those benefits and must disclose them at the time that employees earn their future entitlement.

The Board participates in the North East Scotland Pension Fund (NESPF), a Local Government Pension Scheme, which is administered by Aberdeen City Council. Up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on career average salary. The Scheme is a funded defined benefit scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

There are also arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of nine elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. Following the introduction of The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Pension Fund took the opportunity to review its governance arrangements. To comply with these regulations, the Pension Fund implemented a Pension Board with representation from Unions and Employers from the 1 April 2015. With the introduction of the Pension Board, the Joint Investment Advisory Committee was disbanded.

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policy note.

Transactions relating to Post-employment Benefits

In relation to the North East Scotland Pension Fund, the Board recognises 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 required to be made against requisitions is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Note 22 (continued)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2017/18	2018/19
	£000	£000
Cost of Services:		
Current Service Cost and administration expenses	795	783
Financing and Investment Income and Expenditure:		
Net Interest Expense	161	93
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	956	876
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.		
Remeasurement of the Net Defined Benefit Liability comprising:		
Expected return on pension fund assets	(769)	(1,615)
Actuarial (gain)/loss on financial assumptions	(2,468)	1,821
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	**(3,237)**	**206**
MOVEMENT IN RESERVES STATEMENT		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	956	876
Actual amount charged against requisitions for pensions in the year	**466**	**484**

Note 22 (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The change in the net pensions liability is analysed into the following components:
Current Service Cost: The increase in liabilities as a result of years of service earned this year.
Net Interest on the Net Defined Benefit Liability: The change during the year in the net defined benefit liability that arises from the passage of time – charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.
Remeasurements: This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

	31 March 2018	**31 March 2019**
	£000	**£000**
Present value of the defined benefit obligation	(35,079)	(37,671)
Fair value of plan assets	31,201	33,195
Net liability arising from defined benefit obligation	**(3,878)**	**(4,476)**

Note 22 (continued)

The reconciliation of the Board's share of the present value of the North East Scotland Pension Fund's defined benefit liability is as follows:

	2018	2019
	£000	**£000**
1 April	(36,477)	(35,079)
Current Service Cost	(786)	(773)
Interest on pension liabilities	(905)	(899)
Remeasurements:		
Experience gain/(loss)	229	-
Gain/(Loss) on financial assumptions	2,452	(1,821)
Gain/(Loss) on demographic assumptions	(213)	-
Contributions by scheme participants	(159)	(228)
Benefits Paid	780	1,129
31 March	**(35,079)**	**(37,671)**

The reconciliation of the movements in the Board's share of the fair value of the North East Pension Fund's assets is as follows:

	2018	2019
	£000	**£000**
1 April	29,852	31,201
Interest on plan assets	744	806
Remeasurements (assets)	769	1,615
Administration expenses	(9)	(10)
Employer Contributions	466	484
Contributions by scheme participants	159	228
Benefits Paid	(780)	(1,129)
31 March	**31,201**	**33,195**

Note 22 (continued)

The Board's share of the Pension Fund's assets is:

31 March 2018	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Totals £000
U.K. Equities	10,463	-	10,463
Overseas Equities	10,047	-	10,047
U.K Government Bonds	1,903	-	1,903
Other Government Bonds	437	-	437
Other U.K. Bonds	21	-	21
Other non U.K. Bonds	374	-	374
Property	-	2,277	2,277
Private Equity	-	1,217	1,217
Global Infrastructure	-	437	437
Cash Instruments	-	499	499
Infrastructure Pooled fund	-	468	468
Multi Asset Credit	-	749	749
Diversified Growth Funds	-	2,309	2,309
Total Assets	**23,245**	**7,956**	**31,201**

31 March 2019	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Totals £000
U.K. Equities	9,979	-	9,979
Overseas Equities	10,805	-	10,805
U.K Government Bonds	1,534	-	1,534
Other Government Bonds	471	-	471
Other U.K. Bonds	23	-	23
Other non U.K. Bonds	388	-	388
Property	-	2,437	2,437
Private Equity	-	1,524	1,524
Private Debt	-	146	146
Private Equity Infrastructure	-	252	252
Infrastructure Pooled fund	793	-	793
Private Equity Real Estate	-	405	405
Multi Asset Credit	-	767	767
Diversified Growth Funds	-	2,327	2,327
Cash Instruments	-	1,344	1,344
Total Assets	**23,993**	**9,202**	**33,195**

Note 22 (continued)

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2017 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, in order to assess the liabilities of the Fund as at 31 March 2019. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.
The principal assumptions used by the actuary have been:

	31 March 2018	31 March 2019
Financial assumptions:		
Discount rate	2.60%	2.40%
Rate of increase in salaries	3.60%	3.70%
Rate of increase in pensions	2.20%	2.30%
Rate of CPI inflation	2.10%	2.20%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.9
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	25.6	25.8
Women	27.9	28.1

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The effects of a 0.1% increase/decrease in the rate for discounting scheme liabilities, the rate of inflation, and the rate of increase in salaries and a 1 year increase/decrease in life expectancy are shown in the table below:

Note 22 (continued)

Sensitivity Analysis as at 31 March 2019

	Central position	+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	+1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	37,671	37,045	38,308	37,809	38,399
Assets	(33,195)	(33,195)	(33,195)	(33,195)	(33,195)
Fund Deficit	4,476	3,850	5,113	4,614	5,204

	Central position	- 0.1% p.a. discount rate	- 0.1% p.a. inflation	- 0.1% p.a. pay growth	-1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	37,671	38,297	37,034	37,533	36,943
Assets	(33,195)	(33,195)	(33,195)	(33,195)	(33,195)
Fund Deficit	4,476	5,102	3,839	4,338	3,748

Note 22 (continued)

Funding Strategy Statement (FSS)

The FSS sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pension Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date. Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular year. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

The asset proportions of the Fund at 31 March 2019, with March 2018 in brackets were: equities, including alternatives 81.3% (82.3%), bonds 7.3% (8.8%), property 7.4% (7.3%) and cash 4.0% (1.6%). This is based on the Board's proportion of assets held as supplied by the actuary, rather than the proportions held by the fund as a whole.

Impact on the Board's Cash Flows

While the Fund's main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2017 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years with the next triennial valuation due as at 31 March 2020 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2019 is £0.484m.

The weighted average duration of the liabilities for scheme members at the 31 March 2017 valuation is 17 years.

Note 23 Contingent Liabilities

Guaranteed Minimum Pension (GMP)

This relates to pension schemes which were ‘contracted out’ of additional state pension arrangements. The UK Government has stated “defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man.”

The Government launched a consultation on this issue and, based on the responses received, implemented an interim solution whilst a long term approach is finalised.

There is potential for a financial cost to the Board as a result of this issue but, until a long term solution can be determined by the UK Government, the extent of such a cost cannot be determined.

Pensions Transition Arrangements Age Discrimination

In December 2015, the UK Government introduced reforms to public sector pension. In December 2018, the Court of Appeal ruled that some of the transitional arrangements put in place as a result of these reforms were discriminatory. The UK Government appealed this ruling but in June 2019 the Supreme Court denied this request to appeal.

It is not currently known how this will impact Local Government pensions but there is the potential for a financial impact on schemes which have implemented transitional arrangements for benefits changes. However, the potential liability, if any, to the Board cannot be calculated with any certainty.

GLOSSARY OF TERMS

EXPENDITURE

Employee Benefit Expenses
Includes direct and indirect employee expenses.
Direct expenses include salaries and overtime, employer's national insurance and superannuation contributions.
Indirect employee expenses include relocation cost, interview expenses, training and staff advertising.

Other Service Expenses
Includes

- rent, rates, repairs and maintenance and premises-related expenditure at the area offices in Banff, Elgin and Woodhill House headquarters.
- all costs associated with the hire or use of transport, including staff travel allowances and public transport and
- the cost of purchasing equipment, furniture and materials used in the operation or administration of the service, including printing and stationery, canvass expenses and valuation appeal panel costs.

Support Services
This is a charge from Moray Council for services that support the Board in its provision of services to the public. These include Legal Services, Financial Services, Internal Audit and Human Resources.

Depreciation
Depreciation is a charge to the Comprehensive Income and Expenditure Statement, reflecting the decline in value of assets as a result of their usage or ageing.

Impairment
Impairment is a charge to the Comprehensive Income and Expenditure Statement, reflecting that the recoverable amount of an asset is less than its carrying amount.

INCOME

Requisitions
Funding received from the constituent authorities for which the Board provides a service.

GLOSSARY OF TERMS (continued)

OTHER TERMS

CIPFA
The Chartered Institute of Public Finance and Accountancy

LASAAC
Local Authority (Scotland) Accounts Advisory Committee

IFRS
International Financial Reporting Standard

The Code
The Code of Practice on Local Authority Accounting in the United Kingdom

SeRCOP
Service Reporting Code of Practice

Fair Value
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

Current Value
For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

Economic Cost
The total cost of performing an activity or following a decision or course of action.