

Audited Accounts for the Year Ended 31st March 2009 and Auditor's Report

7th December 2009

1 Purpose of report

To present to members the audited Report and Accounts for the financial year 2008/09 together with the Auditor's Report and related ISA260 (Report to Those Charged with Governance) letter.

2 Main Report

- 2.1 There were no qualifications to the auditor's opinion in the audit certificate and it was concluded that the financial statements give a true and fair view of the Board's financial position and that they have been properly prepared in accordance with relevant legislation and accounting requirements.
- 2.2 Audit Scotland's report summarises the Auditor's main responsibilities and duties and a copy is appended to this report. The following areas were particularly noted:
- a) audited accounts were certified by the target date of 30th September, 2009;
 - b) many aspects of sound corporate governance framework are in place;
 - c) the work of the internal audit service is conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government and that all work was completed and the relevant assurances obtained;
 - d) overall there are no material issues of concern in relation to the operation of the main financial systems;
 - e) reasonable assurance can be placed on the adequacy and effectiveness of Board's system of internal controls;
 - f) adequate assurance could be placed upon the adequacy and effectiveness of the Board's internal financial control systems in the year to 31st March, 2009;
 - g) the Board has arrangements in place to prevent and detect fraud, inappropriate conduct and corruption.

3 Recommendations

The Board is requested to note the:

- i) audited Report and Accounts for the year ended 31st March 2009;
- ii) Auditor's report for 2008/09;
- iii) report to Those Charged with Governance.


D. McGOUGAN,
Treasurer.

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Appendices	(1) Audited Report and Accounts for the year ended 31st March, 2009 (2) Auditor's Report to Members of the 2008/09 Audit (3) Report to Those Charged with Governance on the 2008/09 Audit (ISA260 Letter)
Contact/tel	Mr Ian Knowles: 0131 469 3173
Background Papers	Held at the office of the Treasurer

THE LOTHIAN VALUATION JOINT BOARD

*Financial Statements
for the year ended 31st March 2009*

THE LoTHIAN VALUATION JOINT BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2009

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THE LoTHIAN VALUATION JOINT BOARD

MEMBERS AND OFFICIALS AS AT 31ST MARCH 2009

Members

Convener: Councillor Stuart McIvor, City of Edinburgh Council
Vice Convener: Councillor Lisa Beattie, Midlothian Council

City of Edinburgh Council Members: Councillor Stuart McIvor
Councillor Andrew Burns
Councillor Gordon Mackenzie
Councillor Ian Perry
Councillor Jason Rust
Councillor Paul Edie
Councillor Gordon Buchan
Councillor Phil Wheeler
Councillor David Beckett

East Lothian Council: Councillor Jacqui Bell
Councillor Roger Knox

Midlothian Council Members: Councillor Margot Russell
Councillor Lisa Beattie

West Lothian Council Members: Councillor Frank Anderson
Councillor Martyn Day
Councillor Dave King

Officials

Assessor: Joan M. Hewton, BSc, FRICS
Chief Executive and Clerk: Tom Aitchison, CBE
Treasurer: Donald McGougan, CPFA
Solicitor: Gill Lindsay, LLB
Monitoring Officer: Jim Inch, BA, FIMS

THE LoTHIAN VALUATION JOINT BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2009

Foreword by Treasurer

Introduction

The Lothian Valuation Joint Board was established under the Valuation Joint Boards (Scotland) Order 1995 and provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for council tax within the area of each constituent authority. This has resulted in costs being split 61.83% (2007/08 61.83%) to the City of Edinburgh Council, 9.06% (2007/08 9.06%) to Midlothian Council, 10.92% (2007/08 10.92%) to East Lothian Council and 18.19% (2007/08 18.19%) to West Lothian Council.

The financial statements presents the financial position and performance of the Lothian Valuation Joint Board for the year to 31st March 2009. This foreword describes briefly the nature and purpose of each of the statements which follow and the principal items of interest or note which are contained within the accounts.

The Local Authority Accounts (Scotland) Regulations 1985 (as amended) require that all local government bodies submit their unaudited annual financial statements to the Controller of Audit by 30th June. Audit Scotland monitors compliance with this requirement and reports to the Accounts Commission on the extent to which it is met. The financial statements were authorised for issue on 9th June, 2009 and therefore comply with this statutory requirement.

The Income and Expenditure Account complies with Generally Accepted Accounting Practice (UK GAAP). However, to show the net position of the Board, it is necessary to adjust the Income and Expenditure Account for additional items required by statute or non-statutory proper practice to be taken into account in determining the General Fund balance for the year. These are shown in Note 16 to the Financial Statements.

The financial statements have been prepared in accordance with the following fundamental accounting principles: relevance, reliability, comparability, understandability and materiality. The accounting concepts of accruals, going concern and primacy of legislative requirements also apply.

Financial Statements

The financial statements which follow show the financial results of the Board for the year to 31st March 2009. They comprise the following individual statements:

Statement of Accounting Policies which explains the basis for the recognition, measurement and disclosure of transactions and other events shown in the financial statements.

THE LoTHIAN VALUATION JOINT BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2009

Foreword by Treasurer (Contd.)

Income and Expenditure Account this summarises the resources that have been generated and consumed in providing services and managing the Board during the last year. It includes all day to day expenses and related income on an accruals basis and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance this summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses this brings together all the gains and losses of the Board for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet this summarises in its top half all of the assets that the Board owns and the liabilities that it owes to others. The bottom half sets out reserves needed to recognise the complexities of local authority accounting.

Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties for revenue purposes.

Statement of Responsibilities for the Statement of Accounts which sets out the respective responsibilities of the Joint Board and the Treasurer for the accounts.

Statement on the System of Internal Financial Control which sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

These financial statements are supported by the Statement of Accounting Policies which follows this foreword and appropriate notes to the Core Financial Statements.

2008/09 Revenue Outturn

The 2008/09 Revenue Outturn can be summarised in the following table:

	Estimate	Outturn	Variance
	£000	£000	£000
Employee Costs	4,290	4,223	(67)
Operating Costs	1,639	1,625	(14)
Income	(91)	(62)	29
			<hr/>
			(52)

The employee cost underspending totalling £67,000 was mainly due to maternity leave, changes to working hours to reflect work/life balance and an underspending on overtime.

THE LOTHIAN VALUATION JOINT BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2009

Foreword by Treasurer (Contd.)

2008/09 Revenue Outturn (Contd)

There was also a small underspending on operating costs of £14,000, mainly computer equipment and; central support costs offset by higher electricity, and property repairs and maintenance costs.

The underspends have been partially offset by lower rental income and interest received during the year.

Expenditure includes retirement and redundancy payments totalling £293,000.

The net underspending of £52,448 will be returned to the constituent councils. This sum has been deducted from the constituent authority contributions shown in the accounts.

FRS17 - Retirement Benefits

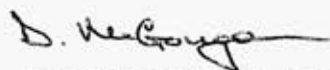
In accordance with the requirements of FRS17, the net pension liability of £2.488 million is shown in Note 1 to the Accounts, an increase of £1.088 million from the 2007/08 liability mainly as a result of a reduction in asset values. This note details the movement in surplus/(deficit) during the year. This liability is accounted for within the balance sheet and through the creation of a Pension Reserve.

FRS17 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future.

Net cost of services in the Income Expenditure Account therefore includes an appropriate amount for the retirement benefits the Board has committed to give, while the effect on the amount to be met from the constituent authorities has been balanced through inclusion of pension interest costs and the transfer from the pensions' reserve.

This has no impact on the underlying basis for meeting the Board's current and ongoing pension liabilities, which will be met out of contributions from constituent authorities. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Staff are admitted to the Lothian Pension Fund. Actuarial Valuations will consider the appropriate employers' contributions and this, together with revenues generated from employee contributions and investments, will be utilised to meet the fund's commitments.



Donald McGougan, CPFA,
Treasurer
9th June 2009

THE LOTHIAN VALUATION JOINT BOARD

Statement of Accounting Policies

1. General

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice issued in 2008 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Exceptions to this are stated in the Policies and Notes to the Financial Statements. The financial statements are intended to present the financial position and transactions of the Board and have been prepared in accordance with the basic accounting principles and accounting concepts.

2. Revenue Expenditure

In broad terms the revenue expenditure of the Lothian Valuation Joint Board can be divided into two categories:

- employees;
- day-to-day operating expenses; this includes costs incurred in respect of furniture and fittings and equipment.

Each year net revenue expenditure is met by way of requisitions on the City of Edinburgh, West, East and Midlothian Councils.

3. Capital Expenditure

Capital expenditure is presented as a fixed asset in the balance sheet. Capital expenditure is the expenditure on the acquisition of tangible or intangible assets which adds to and not merely maintains the value of an existing asset provided that it yields benefits to the Board and the services it provides for a period of more than one year. Capital expenditure is subject to a de minimis level of £6,000.

These fixed assets are matched by a Revaluation Reserve and Capital Adjustment Account within the balance sheet. These reserves do not represent resources available to the Board.

4. Fixed Assets

4.1 Intangible Fixed Assets

Intangible assets represent software licences purchased by the Board.

4.2 Tangible Fixed Assets

Tangible assets are categorised into the following classes: leasehold improvements, and plant and equipment.

4.3 Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

4.4 Basis of Valuation

Plant, equipment, computer software and leasehold improvements are included in the balance sheet at depreciated historic cost.

THE LOTHIAN VALUATION JOINT BOARD

Statement of Accounting Policies (Contd)

4.5 **Depreciation**

Depreciation is provided on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Depreciation is not provided in the year of an asset's purchase.
- Depreciation is calculated using the straight line method over the following periods:

Leasehold improvements	25 years
Plant and equipment	5 years

Leasehold improvements are depreciated over the term of the lease.

Software licences classified as intangible fixed assets are depreciated over the period of the licence, commencing in the year after acquisition.

5. **Reserves**

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital controls system.

The General Fund represents the balance of the surpluses or deficits arising from the Income and Expenditure Account.

The Pension Reserve complies with the requirements of FRS17 Retirement Benefits. This represents the difference between the accounting cost (FRS17 based cost) and the funding cost (contributions or payments made during the year).

6. **Basis of Inclusion of Debtors and Creditors**

All transactions are recorded on a system of receipts and payments during the year and converted to an income and expenditure basis at the year end. As a result, amounts estimated to be due to, or from, the Board in respect of that year but still outstanding at the year end are included in the financial statements.

7. **Assisted Car Purchase Scheme**

The Car Purchase Advances outstanding at 31st March 2009 represent the outstanding principal and interest thereon calculated on the full life of the loan.

8. **Pensions**

The Joint Board is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The financial statements have been prepared including pension costs, as determined under FRS17 – Retirement Benefits. The net cost of services includes expenditure equivalent to the amount of retirement benefits the Board has committed to during the year. Pensions interest cost and the expected return on pension assets have been charged to net operating expenditure.

THE LOTHIAN VALUATION JOINT BOARD

Statement of Accounting Policies (Contd.)

8 Pensions (Contd)

The pension costs charged to the Income and Expenditure Account in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under FRS17 are different from the contributions due under the pension scheme regulations are disclosed in the Statements of Movement on the General Fund Balance.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

9. Financial Instruments

9.1 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Board has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discounts is respectively deducted from or added to the amortised cost of the new loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Board has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

9.2 Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Board has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

THE LOTHIAN VALUATION JOINT BOARD

Statement of Accounting Policies (Contd)

10. *Going Concern*

The balance sheet as at 31st March 2009 shows a net liability of £1.921 million. This net liability position reflects the inclusion of net pension liabilities of £2.488 million falling due in future years and arising from the application of FRS17. It is appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the Valuation Joint Boards (Scotland) Order 1995 to provide the Joint Board with funding to meet all liabilities as they fall due.

THE LOTHIAN VALUATION JOINT BOARD

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH 2009

2007/08 Actual £		2008/09 Budget £	2008/09 Actual £	
	EXPENDITURE			
	1 Employee Costs			
317,688	Chief Officers	310,216	308,796	<i>Note 12</i>
3,653,938	Administration and Clerical	3,644,504	3,579,435	<i>Note 12</i>
0	Temporary Staff	44,377	41,387	
310,266	Other Allowances - Retirement and Redundancy Costs	291,091	293,364	
4,281,892	Total Employee Costs	4,290,188	4,222,982	
	2 Operating Costs			
	Property Costs			
2,594	Repairs and Maintenance	45,000	58,304	
170,274	Rates	170,600	177,177	
305,200	Rents	310,200	305,200	
26,085	Electricity and Gas	42,000	64,245	
13,338	Water Charges	10,000	15,465	
33,293	Other Costs	34,816	37,942	
550,784		612,616	658,333	
	Supplies and Services Costs			
45,776	Operational Equipment and Materials	18,000	14,085	
118,004	Computer Equipment	213,345	133,105	
71,107	Printing and Stationery	58,000	65,945	
241,524	Postages	230,000	238,096	
13,071	Telephones	17,400	11,098	
33,389	Conference, Training and Subsistence	29,000	26,052	
13,803	Advertising	10,000	13,381	
25,983	Insurance	26,832	22,829	
28,677	Legal Fees	44,500	44,022	
23,094	Other Costs	17,250	21,602	
614,428		664,327	590,215	
	Transport and Plant Costs			
3,846	Fuel and Hires	2,900	4,104	
110,633	Travel Expenses, Allowances and Other Costs	135,726	129,532	
114,479		138,626	133,636	
	Payments to Agencies and Other Bodies			
54,462	External Contractors	37,143	20,210	
50,019	Fees	78,300	83,645	
104,481		115,443	103,855	

THE LOTHIAN VALUATION JOINT BOARD

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH 2009

2007/08 Actual £		2008/09 Budget £	2008/09 Actual £	
	Support Services			
6,550	Service Level Agreements	8,500	6,550	
79,544	Central Support Costs	99,288	91,705	
<u>86,094</u>		<u>107,788</u>	<u>98,255</u>	<i>Note</i>
<u>1,470,266</u>	Total Operating Costs	<u>1,638,800</u>	<u>1,584,294</u>	
	3 Capital Costs			
44,860	Depreciation	0	65,215	
<u>5,797,018</u>	GROSS OPERATING EXPENDITURE	<u>5,928,988</u>	<u>5,872,491</u>	
	3 Income			
0	Grant	(23,345)	(23,345)	<i>Note 2</i>
(45,016)	Sales, Fees and Charges	(52,657)	(30,073)	
(8,594)	Rents	0	0	
<u>(53,610)</u>		<u>(76,002)</u>	<u>(53,418)</u>	
<u>5,743,408</u>	NET COST OF SERVICE	<u>5,852,986</u>	<u>5,819,073</u>	
(21,443)	Interest on Investment Income	(15,000)	(8,708)	
(143,000)	Pensions interest cost and expected return on pensions asset	13,000	13,000	<i>Note 1</i>
<u>5,578,965</u>	NET OPERATING EXPENDITURE	<u>5,850,986</u>	<u>5,823,365</u>	
5,964,879	Constituent Authority Contributions	6,245,986	6,187,898	<i>Note 3</i>
<u>(385,914)</u>	NET (SURPLUS)/DEFICIT FOR YEAR	<u>(395,000)</u>	<u>(364,533)</u>	

THE LoTHIAN VALUATION JOINT BOARD

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 Actual £	2008/09 Budget £	2008/09 Actual £	
(385,914)	(395,000)	(364,533)	
(Surplus)/Deficit for the year on the Income and Expenditure Account			
385,914	395,000	364,533	<i>Note</i>
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year			
0	0	0	(Increase)/Decrease in General Fund Balance for the year
0	0	0	General Fund Balance brought forward
0	0	0	General Fund Balance carried forward

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

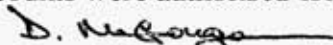
2007/08 Actual £		2008/09 Actual £	
(385,914)	(Surplus)/Deficit on the Income and Expenditure Account for the year	(364,533)	
(3,643,000)	Actuarial (Gain)/Loss on Pension assets and Liabilities	1,483,000	
(4,028,914)	Total Recognised (Gains) and Losses for the year	1,118,467	<i>Note 1</i>

THE LOTHIAN VALUATION JOINT BOARD

BALANCE SHEET AS AT 31ST MARCH 2009

2008 £		2009 £	2009 £	
38,131	INTANGIBLE FIXED ASSETS		30,505	<i>Note 13</i>
	TANGIBLE FIXED ASSETS			
	Operational Assets			
379,200	Leasehold Improvements	372,174		
179,881	Plant & Equipment	164,066		
<hr/>		<hr/>		
559,081			536,240	<i>Note 13</i>
611,723	LONG TERM DEBTORS		604,952	<i>Note 19</i>
	CURRENT ASSETS			
240,531	Sundry Debtors	243,277		<i>Note 10</i>
1,129	Car Purchase Advances due within 12 months	1,129		
228,171	Balance due from City of Edinburgh Council	76,620		
500	Cash Imprest	500		
<hr/>		<hr/>		
470,331	TOTAL CURRENT ASSETS	321,526		
	CURRENT LIABILITIES			
(242,054)	Sundry Creditors	(121,478)		<i>Note 20</i>
<hr/>		<hr/>		
228,277	TOTAL CURRENT ASSETS/LESS CURRENT LIABILITIES		200,048	
<hr/>			<hr/>	
1,437,212	TOTAL ASSETS LESS CURRENT LIABILITIES		1,371,745	
	LONG TERM LIABILITIES			
(840,000)	Deferred Credit		(805,000)	<i>Note 18</i>
(1,400,000)	Net Pension Liability		(2,488,000)	<i>Note 1</i>
<hr/>			<hr/>	
(802,788)	TOTAL ASSETS LESS LIABILITIES		(1,921,255)	
<hr/>			<hr/>	
	REPRESENTED BY:			
(597,212)	Capital Adjustment Account		(566,745)	<i>Notes 15&</i>
1,400,000	Pension Reserve		2,488,000	<i>Notes 1&1</i>
<hr/>			<hr/>	
802,788			1,921,255	
<hr/>			<hr/>	

The unaudited accounts were issued on 9th June 2009 and the audited accounts were authorised for issue on 29th September 2009.


 Donald McGougan, CPFA
 Treasurer
 9th June 2009

THE LOTHIAN VALUATION JOINT BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

2007/2008			2008/2009	
£	£		£	£
		REVENUE ACTIVITIES <i>(Note 6a)</i>		
		Cash Outflows		
4,601,211		Cash paid to and on behalf of employees	4,587,549	
1,515,522		Other operating cash payments	1,635,685	
		Cash Inflows		
0		Government Grants	(46,690)	
(85,793)		Cash received for goods and services	(34,107)	
(6,144,585)	(113,645)	Other operating cash receipts	(6,016,926)	125,511
		SERVICING OF FINANCE		
		Cash Inflows		
	(21,443)	Interest Received		(8,708)
		CAPITAL ACTIVITIES		
		Cash Outflows		
	101,774	Purchase of Fixed Assets		34,748
	(33,314)	Net (increase)/decrease in cash <i>(Note 6b)</i>		151,551

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements

1. Pensions

Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The Fund's Actuary reported that, as at 31st March 2008, the funding level was 85% and that a period of 20 years had been adopted in assessing the level of contribution required to fund that deficit. In addition, the Board is responsible for all pensions relating to added years' benefits it has awarded, together with the related increases.

From April 2009, employees' contributions to the Fund vary depending on rates of pay and employer's contributions are assessed every three years by an independent actuary. The employer's contribution is calculated to ensure that the Fund can meet its future pension and pensions increase liabilities. The latest Actuarial Valuation was at 31st March 2008.

The funding objectives are to build up assets to provide adequate security for the benefits as they accrue. The actuarial method of valuation used is the "Projected Unit Method", which assumes a stable long term contribution rate over time and a steady flow of new entrants to the Fund.

Employer contributions are calculated by the Fund Actuary. They are made up of two elements:

- a) an estimate of the cost of benefits accruing in the future (17.1% of salaries), referred to as the "future service rate"; and
- b) an adjustment for the solvency of the Fund based on the benefits already accrued. If there is a surplus, there may be a contribution reduction; if there is a deficit there may be a contribution increase. For the financial years 2009/10, 2010/11 and 2011/12 the increase is 2.9%, 3.4% and 3.9% respectively.

Further information can be found in the Lothian Pension Fund's Funding Strategy Statement which is available on application to the City of Edinburgh Council's Director of Finance.

Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits, the Board is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 8 of the Accounting Policies, the Board participates in the Local Government Superannuation Scheme, which is administered by Lothian Pension Fund. The Board has liabilities for discretionary pension payments outside the main scheme. The Board's assets and liabilities amounted to:

	2007/08	2008/09
	£000	£000
Share of assets in Lothian Pension Fund	22,982	18,766
Less: Estimated liabilities in Lothian Pension Fund	(22,215)	(20,070)
Estimated liabilities for discretionary pensions	(2,167)	(1,184)
Net pension asset/(liability)	(1,400)	(2,488)

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements

Assets are valued at fair value, principally market value for investments, and consist of:

	Market Value	Rate of Return	Market Value	Rate of Return
	2007/08	2007/08	2008/09	2008/09
	£000	%	£000	%
Equity investments	17,447	7.7	14,825	7.0
Bonds	2,041	5.7	2,064	5.4
Property	2,736	5.7	1,877	4.9
Cash	758	4.8	-	-
	<u>22,982</u>		<u>18,766</u>	

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the Fund discounted to their present value. The valuations are based on a valuation as of 31st March 2008 updated by Hymans Robertson, the independent actuaries to Lothian Pension Fund. The main assumptions used in the calculations are:

	2007/08	2008/09
	%	%
Price Increases	3.6	3.1
Salary Increases	5.1	4.6
Pension Increases	3.6	3.1
Discount Rates	6.9	6.9
Expected Return on Assets	7.2	6.6

Income and Expenditure

In accordance with FRS17, the following charges are included in the Income and Expenditure Account. The budget has been adjusted to reflect these charges.

	2007/08	2008/09
	£000	£000
Employer pension contributions	827	792
Contributions in respect of unfunded benefits	122	64
	<u>949</u>	<u>856</u>
Less: FRS17 Charges:		
Current Service Costs	(763)	(448)
Past Service Costs	0	0
Expected return on assets	1,689	1,675
Interest on pension scheme liabilities	(1,546)	(1,688)
	<u>(620)</u>	<u>(461)</u>
Contribution to/(from) pension reserve	329	395

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000
Analysis of amount recognised in Statement of Total Movement in reserves:					
Actual return less expected return on pension scheme assets	454	3,313	137	(2,396)	(6,487)
Experience gains and losses arising on the scheme liabilities	624	(1,146)	1,018	37	2,544
Changes in financial assumptions underlying the present value of scheme liabilities	(5,302)	(4,126)	2,525	6,002	2,460
Actuarial gain/(loss) in Pension Plan	(4,224)	(1,959)	3,680	3,643	(1,483)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial gain/(loss)	(4,224)	(1,959)	3,680	3,643	(1,483)
				2007/08	2008/09
				£000	£000
Movement in Surplus/(Deficit) during the year:					
Surplus/(deficit) at beginning of year				(5,372)	(1,400)
Current Service Cost				(763)	(448)
Employer contributions				827	792
Contributions in respect of unfunded benefits				122	64
Net return on assets				143	(13)
Actuarial gains/(losses)				3,643	(1,483)
Surplus/(Deficit) at end of year				(1,400)	(2,488)
	2004/05	2005/06	2006/07	2007/08	2008/09
History of Experience Gains and Losses:	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	454	3,313	137	(2,396)	6,487
Value of assets	15,142	20,974	23,000	22,982	18,766
Percentage of assets	3.0%	15.8%	0.6%	(10.4%)	34.6%
Experience gains/(losses) on liabilities	624	(1,146)	1,018	37	2,544
Present value of liabilities	22,675	30,252	28,372	24,382	21,254
Percentage of the present value of liabilities	2.8%	(3.8%)	3.6%	0.2%	12.0%
Actuarial gains/(losses) recognised in reserves	(4,224)	(1,959)	3,680	3,643	(1,483)
Present value of liabilities	22,675	30,252	28,372	24,382	21,254
Percentage of the present value of liabilities	(18.6%)	(6.5%)	13.0%	14.9%	(7.0%)

THE LoTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements Contd.

2. *Support Services*

The expenditure is analysed as follows:	2007/08	2008/09
	£	£
Finance Charges	53,166	51,355
Corporate Services Charges	19,536	29,756
Corporate and Democratic Core	11,603	10,594
Service Level Agreements	6,550	6,550
Refund 2006/07 costs	(4,761)	0
	<u>86,094</u>	<u>98,255</u>

The increase in Corporate Services Charges is mainly due to increased recharges from the Council Solicitor.

Members expenses/allowances are recharged to the Board annually and are included within Corporate and Democratic Core. The recharge in 2008/09 was £5,400 (2007/08 £5,982).

3. *Constituent Authority Contributions*

The net expenditure of the Board is a charge upon the City of Edinburgh, West, East and Midlothian Councils. The division of net expenditure borne by the constituent authorities is made in accordance with the Valuation Joint Boards (Scotland) Order 1995.

	Due for 2008/09 £	Received during 2008/09 £	Amount Returned £
City of Edinburgh Council	3,825,977	3,858,411	(32,434)
Midlothian Council	560,624	565,373	(4,749)
East Lothian Council	675,718	681,440	(5,722)
West Lothian Council	1,125,579	1,135,122	(9,543)
	<u>6,187,898</u>	<u>6,240,346</u>	<u>(52,448)</u>

4. *Publicity*

Section 5 of the Local Government Act 1986 requires local authorities to maintain a separate publicity account. In 2008/09, expenditure of £5,283 was incurred by the Board on publicity as defined by the relevant statutory provisions (2007/08 £6,742).

5. *Audit Fees*

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are detailed below:

	2007/08	2008/09
	£	£
Indicative audit fee (mid point)	6,300	6,400
Fixed charge element	1,200	1,300
	<u>7,500</u>	<u>7,700</u>

There is no fees payable in respect of any other service provided by Audit Scotland over and above the duties undertaken in accordance with the Code.

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements Contd.

6. Cash Flow Statement

(a) Reconciliation between the General Fund Balance and the revenue activities net cash flow.

	2007/08	2008/09
	£	£
(Increase)/Decrease in General Fund Balance	0	0
Exclude Interest received	21,443	8,708
Exclude Revenue Contribution to Capital	(101,774)	(34,748)
	<u>(80,331)</u>	<u>(26,040)</u>
Increase/(Decrease) in Long Term Debtors	(5,642)	(5,642)
Increase/(Decrease) in Debtors	(3,079)	2,746
Increase/(Decrease) in Car Loans	(1,129)	(1,129)
(Increase)/Decrease in Deferred Credit	35,000	35,000
(Increase)/Decrease in Creditors	(58,464)	120,576
Revenue Activities Net Cash Flow	<u>(113,645)</u>	<u>125,511</u>

(b) Reconciliation of the movements in cash with the related items in the opening and closing balance sheets for the period.

	2007/08	2008/09
	£	£
Due by/(to) the City of Edinburgh Council and Lothian Pension Fund at 1st April	194,857	228,171
Due by/(to) the City of Edinburgh Council and Lothian Pension Fund at 31st March	228,171	76,620
	<u>(33,314)</u>	<u>151,551</u>

7. Officers' Emoluments

The number of employees whose remuneration during the year exceeded £50,000 was as follows:

	2007/08	2008/09
£ 50,001 - £ 60,000	3	3
£ 60,001 - £ 70,000	-	-
£ 70,001 - £ 80,000	2	2
£ 80,001 - £ 90,000	-	-
£ 90,001 - £100,000	-	-
£100,001 - £110,000	1	1

8. Euro Costs

No significant expenditure on Euro preparation is planned by the Board at present.

THE LoTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

9. *Related Parties*

The Board entered into transactions with related parties:

INCOME AND EXPENDITURE ACCOUNT	2007/08	2008/09
	£	£
The City of Edinburgh Council		
Rates	170,274	177,177
Central Support Costs	86,094	98,255
Interest on Revenue Balances	(21,443)	(8,708)
Constituent Authority Contribution	3,688,084	3,825,976
Midlothian Council		
Constituent Authority Contribution	540,418	560,624
East Lothian Council		
Constituent Authority Contribution	651,365	675,718
West Lothian Council		
Constituent Authority Contribution	1,085,012	1,125,579
BALANCE SHEET		
The City of Edinburgh Council		
Car Purchase Advances:		
Due within 12 months	1,129	1,129
Due in excess of 12 months	1,317	188
Balance due from City of Edinburgh Council	228,171	76,620

10. *Debtors*

The debtors figure includes a balance outstanding for car leasing £130,538 (2007/08 £140,679).

11. *Registration of Electors/Local Tax Collection*

During 2008/09, 20% of staff time related to Registration of Electors and 80% of staff time related to Local Tax Collection (2007/08 15% and 85% respectively). This amounts to £1,237,580 for Registration of Electors (2007/08 £894,732) and £4,950,318 (2007/08 £5,070,147) for Local Tax Collection.

12. *Employee Costs*

To ensure compliance with FRS17, the amounts shown on the face of the Income and Expenditure Account for Chief Officers, Administration and Clerical, and Temporary Staff costs include the following notional FRS17 charges:

	2007/08	2008/09	2008/09
	Actual	Budget	Actual
	£	£	£
Chief Officers service costs/budget	332,743	342,654	341,234
FRS17 adjustments	(15,055)	(32,438)	(32,438)
Adjusted Chief Officers costs	317,688	310,216	308,796
Administration and Clerical actual service costs/budget	3,824,883	4,020,066	3,954,997
FRS17 adjustments	(170,945)	(375,562)	(375,562)
Adjusted Administration and Clerical costs	3,653,938	3,644,504	3,579,435

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

13. *Fixed Assets*

The following information is provided in relation to the capital accounting requirements introduced by the CIPFA Code of Practice on Local Authority Accounting

	Intangible Assets	--- Tangible Assets ---		Total Tangible Assets
	£	Leasehold Improvements	Plant and Equipment	£
Gross Book Value as at 31.03.08	38,131	395,000	208,941	603,941
Additions during the year	-	8,774	25,974	34,748
<hr/>				
Gross Book Value as at 31.03.09	38,131	403,774	234,915	638,689
Accumulated Depreciation as at 31.03.08	-	(15,800)	(29,060)	(44,860)
Depreciation for the year to 31.03.09	(7,626)	(15,800)	(41,789)	(57,589)
<hr/>				
Net Book Values as at 31.03.09	30,505	372,174	164,066	536,240
<hr/>				
Net Book Values as at 31.03.08	38,131	379,200	179,881	559,081
<hr/>				

Plant, equipment and leasehold improvements are included in the Balance Sheet at depreciated historic cost.

Intangible assets represent expenditure on computer software.

14. *Capital Expenditure*

	£	£
Expenditure during 2008/09		
Plant and Equipment	25,974	
Leasehold Improvements	8,774	34,748
Financed by:		
Capital from Current Revenue		(34,748)
		<hr/>

15. *Capital Adjustment Account*

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed. The movement in the Capital Adjustment Account is summarised in the "Movement in Reserves" note 17.

THE LoTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

16. Analysis of additional items required by statute and non-statutory proper practice to be taken into account in determining the General Fund balance for the year

Actual 2007/08 £	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	Budget 2008/09 £	Actual 2008/09 £
(44,860)	Depreciation and Impairment of Fixed Assets	0	(65,215)
(620,000)	Net charges made for retirement benefits in accordance with FRS17	(461,000)	(461,000)
(664,860)		(461,000)	(526,215)
	Amounts not included in the Income and Expenditure Account but required to be included when determining the Movement on the General Fund Balance for the year		
101,774	Capital Expenditure Financed from the General Fund	0	34,748
949,000	Employer's contributions payable to the Lothian Pension Fund and retirement benefits payable direct to pensioners	856,000	856,000
1,050,774		856,000	890,748
385,914	Net additional amount required to be debited to the General Fund Balance for the year	395,000	364,533

17. Movement on Reserves

	Balance Brought Forward £	(Gains)/ Losses for the Year £	Transfers Between Reserves £	Balance Carried Forward £
Capital Adjustment Account	(597,212)	0	30,467	(566,745)
Pension Reserve	1,400,000	1,483,000	(395,000)	2,488,000
General Fund Balance	0	(364,533)	364,533	0
	802,788	1,118,467	0	1,921,255

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

18. Deferred Credit

The Board relocated to its new offices in December 2006. As part of the agreement, the landlord agreed to pay a cash incentive of £400,000 on the date of entry and £475,000 in 2011. This will be amortised on a straight line basis totalling £35,000 per annum over 25 years, the term of the lease. This is shown in the following table:

	£
Balance at 01.04.08	(840,000)
Amortised to income and expenditure account	35,000
	<hr/>
Balance at 31.03.09	(805,000)
	<hr/>

19. Long Term Debtors

This includes car purchase advances due after twelve months £188 (2007/08 £1,317) and a long term debtor totalling £604,764. The long term debtor is in respect of £141,048 used to finance one-off relocation costs as agreed by the Board at its meeting on September 2006, a benefit in respect of a relocation cash incentive of £475,000 receivable in 2011. The relocation costs are amortised on a straight line basis over the term of the lease, consequently £5,642 has been credited to the income and expenditure account. This is shown in the following table:

Long Term Debt	£
Cash incentive	610,406
Amortised to income and expenditure account	(5,642)
	<hr/>
	604,764
Car purchase advances	188
	<hr/>
	604,952
	<hr/>

20. Creditors

This includes an amount due to constituent authorities of £52,449.

21. Grant

A Ministry of Justice project, "Co-ordinated On-line Register of Electors", aims to create a UK national database that holds copies of all Register of Electors. The primary purpose of this, at this time, is to prevent electoral fraud and to monitor donations to political parties.

To ensure systems are capable of exchanging data, the Board was awarded a Ministry of Justice Grant totalling £46,690 with £23,345 being allocated in 2008/09 and the same amount in 2009/10.

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

22. Financial Instruments

The SORP includes disclosure and accounting requirements in relation to financial instruments and this note to the accounts deals with these insofar as they are applicable to the Board.

All Treasury Management is carried out on the Board's behalf by The City of Edinburgh Council. The Council complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice.

Overall Procedure for Managing Risk

The City of Edinburgh Council on behalf of the Board has overall risk management procedures that focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks.

Financial Risks

The Board's activities expose it to a variety of financial risks which have been assessed in order to determine whether or not such risks have, in order to comply with financial instrument accounting requirements, an impact on these financial statements. For all of the financial risks the impact on these financial statements was found to be immaterial. Each risk is detailed below along with an explanation as to why there is no financial effect arising:

- Re-financing risk - the possibility that the Board might require to renew a financial instrument on maturity at disadvantageous interest rates or terms is considered immaterial because, although the Board has powers to obtain loan finance, no such loans were held during the year;
- Market risk - the possibility that financial loss might arise for the Board as a result of changes in such measures as interest rates movements is considered immaterial because the finances of the Board are such that during the year there was no interest payable and interest receivable was immaterial;
- Credit risk - the possibility that other parties might fail to pay amounts due to the Board is considered immaterial on the basis of past experience and the fact that most debt payable to the Board is due from other public bodies;
- Liquidity risk - the possibility that the Board might not have funds available to meet its commitments to make payments is considered immaterial given the statutory responsibilities that the Board has to have a balanced budget and that constituent authorities have to fund the activities of the Board;
- Price risk - the possibility that fluctuations in equity prices could have a significant impact on the value of financial instruments held by the Board is considered immaterial because the Board does not generally invest in equity shares;

THE LOTHIAN VALUATION JOINT BOARD

Notes to the Financial Statements (Contd.)

22. *Financial Instruments (Contd)*

- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Board is considered immaterial because there are no financial assets or liabilities held at the year end denominated in foreign currencies.

The Board holds its surplus funds with The City of Edinburgh Council and does not place external deposits in its own name. No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period the Board held no collateral as security.

THE LOTHIAN VALUATION JOINT BOARD

Statement of Responsibilities for the Financial Statements

The Joint Board's Responsibilities

The Joint Board is required:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Board's financial statements which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the Joint Board at the accounting date and its income and expenditure for the year (ended 31st March 2009).

In preparing the financial statements, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice, except where stated in the Policies and Notes to the Financial Statements.

The Treasurer has also:

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

The Financial Statements

The financial statements give a true and fair view of the financial position of the Lothian Valuation Joint Board at the accounting date and its income and expenditure for the year ended 31st March 2009.



Donald McGougan, CPFA,
Treasurer.

9th June 2009

THE LOTHIAN VALUATION JOINT BOARD

Statement on the System of Internal Financial Control for the year ended 31st March 2009

1. This statement is given in respect of the statement of accounts for the Lothian Valuation Joint Board. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.
2. 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 would be detected within a timely period.
3. 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 is maintained and developed by Board management and includes:
 - comprehensive budgeting systems;
 - regular reviews of periodic reports that measure financial performance against forecasts;
 - targets against which financial and operational performance can be assessed;
 - preparation of regular financial reports that compare expenditure with plans and forecasts;
 - clearly defined capital expenditure guidelines; and
 - as appropriate, formal project management disciplines.
4. The Internal Audit function is provided by the City of Edinburgh Council's Internal Audit Section. The Section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government and complies with the ISO 9001:2008 quality standard. The Section's annual programme is based on formal assessments of risk and audit needs in line with the agreed Audit Strategy. The Section reports directly to the Treasurer of the Board and, where necessary, to members and employees of the Board. The Chief Internal Auditor has provided me with an assurance statement that contains his views on the adequacy and effectiveness of the system of internal financial control.
5. My review of the effectiveness of the system of internal financial control is informed by:
 - the Assessor's assurance certificate on internal controls;
 - the work of managers within the Board;
 - the work of the internal auditors as described above; and
 - the external auditors in their annual audit letter and other reports.
6. Having reviewed the above, it is my opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal control system.



Donald McGougan, CPFA,
Treasurer.
9th June 2009

THE LoTHIAN VALUATION JOINT BOARD

Service Profile

The Board is responsible for providing valuation appeals, lands valuation, registration of electors and council tax valuation services to the four constituent authorities: City of Edinburgh, West, East and Midlothian Councils.

STATISTICS

	Number of Staff (Full-time Equivalent)		
	2007/08 Actual	2008/09 Budget	2008/09 Actual
Executive	3	3	3
Professional	31	32	31
Technical	21	22	21
Administrative	62	62	62
	117	119	117

2007/08	City of Edinburgh	Midlothian	East Lothian	West Lothian
Electorate	332,807	62,122	74,100	123,104
Number of Council Tax Properties	227,717	34,242	42,612	72,480
Non-Domestic Properties:				
- Number	18,380	2,688	3,178	5,065
- Value	£785m	£57.5m	£50m	£166.2m

2008/09	City of Edinburgh	Midlothian	East Lothian	West Lothian
Electorate	330,318	62,317	74,023	123,361
Number of Council Tax Properties	231,356	35,281	43,958	74,247
Non-Domestic Properties:				
- Number	18,500	2,727	3,204	5,230
- Value	£775.9m	£58.3m	£50.1m	£172.6m

THE LOTHIAN VALUATION JOINT BOARD


STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE

The Lothian Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for governance of the Board's affairs and the stewardship of the resources at its disposal. To this end the Board adopted a Local Code of Corporate Governance in November 2004, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework.

The Board has put in place arrangements, detailed within the Local Code, for monitoring each element of the framework and providing evidence of annual compliance.

During the year, the Chief Internal auditor has undertaken a review of changes in the current arrangements and has indicated that he is satisfied the Code is adequate and effective. He has also indicated that satisfactory evidence has been provided to allow him to conclude the arrangements are fully compliant with the requirements of the latest guidance issued by CIPFA/SOLACE.

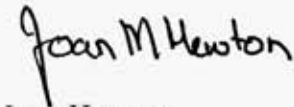
Arrangements have also been put in place to support the Treasurer's statement on internal financial controls.



Stuart McIvor
Convener



Tom Aitchison
Chief Executive and Clerk



Joan Hewton
Assessor

Independent Auditor's Report

Independent auditor's report to the members of Lothian Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Lothian Valuation Joint Board and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the List of Members and Officials, the Treasurer's Foreword, the Service Profile and Statistics and the Statement of Assurance on Corporate Governance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Lothian Valuation Joint Board circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Lothian Valuation Joint Board as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Alasdair Craik

Alasdair Craik FCCA
Senior Audit Manager
Audit Scotland – Audit Services
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

30 September 2009

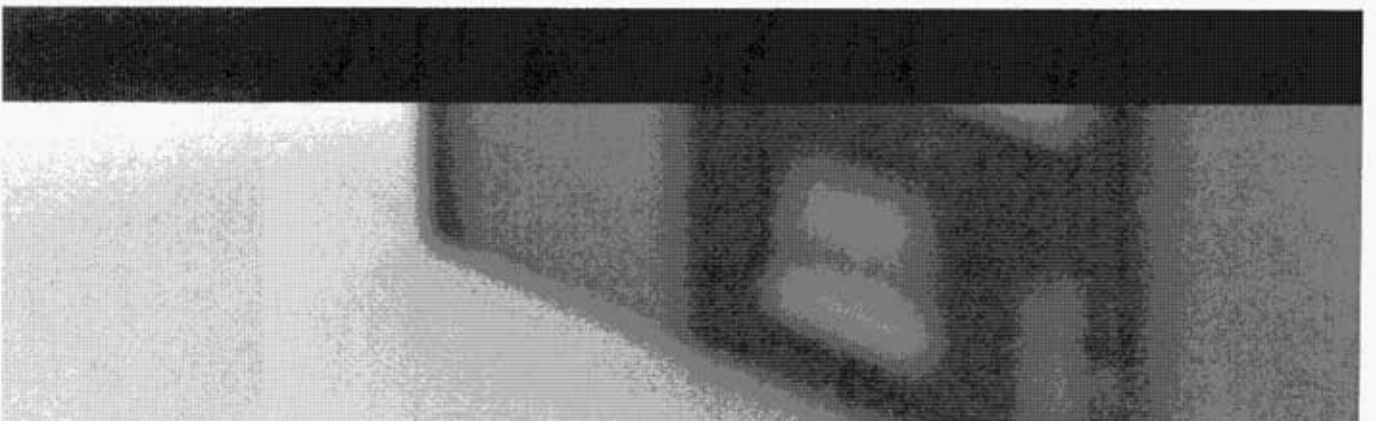
Lothian Valuation Joint Board

Report to Members and the Controller of Audit
on the 2008/09 Audit

October 2009



 AUDIT SCOTLAND



Lothian Valuation Joint Board

**Report to Members and the Controller of Audit
on the 2008/09 Audit**

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Key Messages

We have audited the 2008/09 financial statements and looked at aspects of performance management and governance, including the key financial risks faced by the board. This report sets out our main findings, summarising key outcomes from the 2008/09 audit and the outlook for the period ahead.

Key outcomes from the 2008/09 audit

Overall we found the financial stewardship of the board during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below.

- we have given an **unqualified** opinion on the financial statements of Lothian Valuation Joint Board.
- final accounts preparation procedures and working papers were generally good
- many aspects of a sound corporate governance framework are in place. These have been strengthened by the adoption of a local code of corporate governance
- Internal Audit concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the board's internal financial control systems in the year to 31 March 2009

Outlook

Key issues for the board in the future include:

- delivering continuous improvement in service delivery and use of resources in the face of increasing financial constraints
- continuing the work done to prepare for the 2010 Non-Domestic Rating revaluation and managing this to conclusion by 31 March 2010.

Key issues for the attention of members are outlined in an Action Plan included at appendix A of this report.



Introduction

1. This report summarises the findings from our 2008/09 audit of the Lothian Valuation Joint Board. The scope of the audit is set out in our Annual Audit Plan which was submitted to the board in January 2009.
2. The financial statements of the board are the means by which it accounts for the stewardship of the resources made available and its financial performance in the use of those resources. It is the responsibility of the board to prepare financial statements that give a true and fair view of its financial position and of its income and expenditure for the year.
3. The members and officers of the board are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed
 - the board's system of recording and processing transactions provides an adequate basis for the preparation of financial statements and the effective management of assets and interests
 - the board has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption
 - the board has proper arrangements for securing best value in its use of resources.



Financial statements

4. In this section we summarise the key outcomes from our audit of the board's financial statements for 2008/09. We also summarise key aspects of the board's reported financial position and performance to 31 March 2009.
5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the board and its income and expenditure for the year
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the board to obtain assurances on the systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the board.

Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of the Lothian Valuation Joint Board for 2008/09.
8. We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the authority to obtain assurances on the systems of internal control.
9. The board's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Working papers provided to support the financial statements have improved since last year, but there remains scope for further improvement. We will work closely with finance staff from the City of Edinburgh Council to support the improvement process.
10. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are an essential means by which the board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.



Accounting issues

11. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP and we were satisfied that the board prepared the accounts in accordance with the 2008 SORP.
12. The board has adjusted the financial statements to reflect our audit findings most of which related to presentational matters.

Financial position

13. The surplus or deficit on the income and expenditure account measures the board's financial result for the year, recognising the resources that have been consumed and generated in accordance with Generally Accepted Accounting Principles. The board's net operating expenditure in 2008/09 was £5.8 million (2007/08 - £5.6 million). This was met by constituent authorities' contributions of £6.2 million (2007/08 - £6.0 million)
14. The movement on the general fund balance is also an important aspect of the board's stewardship as the main budget reference point. The main differences being:
 - capital investment is accounted for as it is financed rather than when fixed assets are consumed
 - retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.
15. After adjusting for these items the board broke even for the year.
16. Within these figures, the board made savings of £52k arising from underspends (2007/08 - £229k). The underspend will be returned to constituent councils.

Going concern

17. The board's balance sheet shows a net liability of £1.9 million (2007/08 - £0.8 million). The negative balance reflects the pension liabilities falling due in future years. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.



18. The board's statement of accounting policies confirms that it has been considered appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent councils have a legal obligation to fund the net expense of the board. Future pension liabilities will therefore be met as they fall due by constituent authorities in the normal way. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

Legality

19. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Financial outlook

IFRS adoption

20. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Because local government has already adopted some aspects of IFRS, we expect the transition to be fairly smooth. But it is important that the board starts the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required.

Key Risk Area, Action 1

21. The economic recession has had a major impact on the finances of local authorities and current projections are for the constraints on public sector expenditure to increase significantly as the Government seeks to reduce its debt burden. The board will face some difficult decisions in the coming years to ensure that it manages its budget in the light of increasing financial pressures.



Governance and accountability

Introduction

22. In this section we comment on key aspects of the board's governance arrangements during 2008/09. We also provide an outlook on future governance issues, including our views on potential risks.

Overview of arrangements in 2008/09

23. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. The board has a responsibility to put in place arrangements for the conduct of the affairs of the organisation, ensure the legality of activities and transactions, and to monitor the adequacy and effectiveness of those arrangements.

Structures and policies

24. Corporate governance is about direction and control of organisations. The board has assessed its own arrangements against the CIPFA /SOLACE guidance: *Delivering Good Governance in Local Government*. The assessment has identified a number of areas for improvement, but overall, the results suggest that the board has a sound governance framework.
25. In June 2009 the board approved the adoption of a Local Code of Corporate Governance which reflects the six principles of corporate governance outlined in the CIPFA/SOLACE guidance.

Roles and relationships

26. The board is comprised of elected members from four constituent authorities but is a body corporate in its own right separate from those authorities. It is incumbent on all members to ensure that, in the context of their service to the board, all of the necessary disclosures have been made to ensure that the risk of conflicts of interest is adequately managed. Elected members are required to make a 'declaration of interest' at the beginning of any meeting where they have an interest in any item on the agenda.
27. In our view it would be improve openness and transparency if the board were to maintain a register of members' interests. Members should record interests of relevance to their roles on the valuation joint board, which may vary from those relevant to their parent council.

Key Risk Area, Action 2



Internal audit

28. Internal audit provides a key role in the board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by the City of Edinburgh Council's Chief Internal Auditor. From our review of the service, we found that the work is conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government, that the audit plan was sufficient and that all work on which we planned to place reliance was completed and the relevant assurances obtained.

Systems of internal control

29. The board's financial transactions are processed through the City of Edinburgh Council's financial systems. It is therefore the responsibility of the council's management to maintain adequate financial systems and associated internal controls. The auditor evaluates significant financial systems and associated internal controls for the purpose of giving an opinion on the financial statements and as part of a review of the adequacy of governance arrangements.
30. Our review of these systems was conducted as part of the audit of City of Edinburgh Council, supplemented by specific audit work on the board's financial statements. Overall there are no material issues of concern in relation to the main financial systems.
31. A Statement on the System of Internal Financial Control was included within the financial statements. Following receipt of the Assessor's certificate of assurance on financial controls, and consideration of the work of managers, and internal and external auditors, the Treasurer concluded that he was satisfied that reasonable assurance could be placed on the adequacy and effectiveness of the systems of internal control operated by the board.
32. In accordance with good practice, the statement was reviewed by the board in June 2009 prior to signature by the Treasurer and is supported by a high level review of the adequacy and effectiveness of internal financial controls undertaken by Internal Audit. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.
33. In our report on the 2007/08 audit we noted that there were no formal Service Level Agreements between the board and the City of Edinburgh Council in respect of the support functions provided by the council. We note that whilst some progress has been made the agreements are not yet in place.

Key Risk Area, Action 3



34. The board has arrangements in place to prevent and detect fraud, inappropriate conduct and corruption. These arrangements include standing orders and financial regulations, a whistle blowing policy, an anti-fraud and corruption policy and codes of conduct for elected members and staff. We are pleased to note that the board continues to have appropriate arrangements in place to minimise the risk of fraud and corruption. Each year, Audit Scotland gathers information on such cases of fraud identified by audited bodies. In 2008/09 there were no such cases reported for the board.

Performance

35. The board publishes an annual report each year outlining how it has performed across all of its functions and providing details of some of its major activities during the year.
36. It is important that performance information is timeously presented to users in order to maximise its value. The board's Annual Report 2008/09 was approved for publication at the board meeting on 26 June 2009 and has been made available to the public in hard copy from public counters and in electronic format via the board's website..



Final remarks

37. The members of the Lothian Valuation Joint Board are invited to note this report. We would be pleased to provide any additional information that members may require.
38. The co-operation and assistance given to us by officers of the board and the City of Edinburgh Council is gratefully acknowledged.

**Audit Scotland
October 2009**



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	20	<p>IFRS adoption Local government will move from UK GAAP to IFRS based accounting in 2010/11. It is important that the board starts the transition period in 2009/10 to ensure it is prepared for 2010/11.</p> <p><i>Risk: the necessary management information processes may not be in place to generate IFRS compliant financial statements.</i></p>	<p>External advisers PWC and CIPFA have been engaged to aid in the preparation for the implementation of IFRS.</p> <p>Treasurer and Lothian Valuation Joint Board are actively progressing necessary actions.</p>	Treasurer/Assessor	March 2010
2.	27	<p>Register of interests The board does not maintain a register of interests for members separate from those held by the constituent councils.</p> <p><i>Risk</i> <i>Members may put themselves in a position of conflict of interests.</i></p>	The board will consider the introduction of a register of members' interests	Clerk to the Joint Board	March 2010
3.	33	<p>Service Level Agreements A service level agreement between the Lothian Valuation Joint Board and the City of Edinburgh Council should be formalised and presented to the board for their approval.</p> <p><i>Risk</i> <i>The board cannot monitor the performance of services provided by the City of Edinburgh Council.</i></p>	<p>To develop a Service Level Agreement with the City of Edinburgh Council.</p> <p>The total charge to LVJB in 2008/09 amounts to £85k which represents 1.4% of total expenditure.</p>	Assessor/Treasurer	April 2010

Lothian Valuation Joint Board

Report to those charged with governance on the 2008/09 audit

September 2009



 AUDIT SCOTLAND

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Key Issues

Introduction

1. International Standard on Auditing 260 (ISA 260) requires auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body in time to enable appropriate action.
2. ISA 260 requires us to highlight:
 - Relationships that may bear on our independence and the integrity and objectivity of the audit engagement lead and audit staff
 - the overall scope and approach to the audit, including any expected limitations, and the form of reports expected to be made
 - expected modifications to the audit report
 - management representations requested by us
 - unadjusted misstatements
 - material weaknesses in internal control identified during the audit
 - views about the qualitative aspects of accounting practices and financial reporting, including accounting policies
 - matters specifically required by other auditing standards to be communicated and any other matters that are relevant to the audit.
3. This report sets out for the Board's consideration the relevant matters arising from the audit of the Lothian Valuation Joint Board's financial statements for 2008/09 that require reporting under ISA 260. The contents should be brought to the attention of the Treasurer, Chief Executive, Assessor and Convenor so that they can consider them before they sign the relevant pages of the financial statements. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. The report has been prepared for the use of the Lothian Valuation Joint Board and no responsibility to any third party is accepted.



Status of the audit

4. Our work on the financial statements is now complete and the matters identified during the audit have been discussed with the Treasurer and Assessor.

Matters to be reported to those charged with governance

Conduct and scope of the audit

5. Information on the integrity and objectivity of the audit engagement lead and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan submitted to management in January 2009 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in March 2007.

Audit opinion & representations

6. Our anticipated auditor's report (appendix A) is unqualified.
7. All errors identified during the audit have been corrected in the accounts and therefore there are no unadjusted misstatements to bring to your attention.
8. We note that at well as a Statement on the System of Internal Financial Control, which we audit as part of our financial statements audit, there is a Statement of Assurance on Corporate Governance accompanying the financial statements. We do not audit the Statement of Assurance on Corporate Governance but consider whether or not it is consistent with our understanding of the Board and the results of our audit. Having one statement only is preferable and we understand that the Board will include a Statement of Assurance on Corporate Governance only from 2009/10 onwards and that we will audit this.
9. As part of the completion of our audit we seek written assurances from the Treasurer on aspects of the accounts and judgements and estimates made. A draft letter of representation under ISA 580 has been provided to the Treasurer. This should be signed and returned by the Treasurer prior to the independent auditor's opinion being certified.

Accounting and internal control systems

10. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.



11. A number of changes were made to the draft financial statements, the most significant of which was to reduce the nature and extent of the disclosures in relation to financial instruments. All other changes were either typographical in nature or were presentational changes to improve compliance with the Code of Practice on Local Authority Accounting 2008.
12. We found that the overall quality of the draft financial statements submitted for audit was better than last year. Any further improvements to maximise both the efficiency of the audit process and to minimise the audit burden on Board staff will be considered during our audit planning process for the 2009/10 year.

Matters arising

13. In our view, one issue requires to be brought to your attention regarding the appropriateness of the council's accounting policies or accounting estimates and judgements, the timing of transactions, the existence of any material unusual transactions or the potential effect on the financial statements of any uncertainties.
14. **Going Concern:** The Board's Balance Sheet as at 31 march 2009 has an excess of liabilities over assets of £1.9 million (2007/08 £0.8 million) due to the accrual of pension liabilities in accordance with Financial Reporting Standard 17 (retirement benefits). The Board has adopted a 'going concern' basis for the preparation of the financial statements as future liabilities will be met, as they fall due from constituent authorities as required under the Valuation Joint Boards (Scotland) Order 1995. We have asked the Treasurer for formal assurances, in the letter of representation, as to the Board's ability to continue as a going concern.

Outstanding information

15. **Letter of Representation:** The formal Letter of Representation is required prior to the Auditor's certification of the financial statements.

Acknowledgements

16. We would like to express our thanks to the staff of Lothian Valuation Joint Board and City of Edinburgh Council for their help and assistance during the audit of this year's financial statements.



Appendix A

Proposed Independent Auditor's Report

Independent auditor's report to the members of Lothian Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Lothian Valuation Joint Board and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the List of Members and Officials, the Treasurer's Foreword, the Service Profile and Statistics and the Statement of Assurance on Corporate Governance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Lothian Valuation Joint Board circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Lothian Valuation Joint Board as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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xx September 2009