



## **Audited Financial Statements for the Year Ended 31st March 2012**

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**26th November 2012**

### **1 Purpose of report**

The purpose of this report is to present the audited Financial Statements for the year ended 31st March, 2012.

### **2 Key Findings**

- 2.1 The unaudited financial Statements were noted by the Lothian Valuation Joint Board at its meeting on the 29th June, 2012 and there have been no changes to the figures reported then.
- 2.2 There were no qualifications to the auditor's opinion in the audit certificate. It was concluded that the financial statements give a true and fair view of the state of affairs of the Lothian Valuation Joint Board and have been properly prepared in accordance with the International Financial Reporting Standards; the requirements of the Local Government (Scotland) Act 1973, and the Local Government in Scotland Act 2003.

### **3 Recommendations**

It is recommended that the Board notes the Audited Financial Statements for the year ended 31st March, 2012.

**Hugh Dunn**  
Treasurer

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<b>Appendices</b>	(1) Audited Report and Accounts for the year ended 31st March, 2012
<b>Contact/tel</b>	Mr Ian Knowles: 0131 469 3173
<b>Background Papers</b>	Held at the office of the Treasurer

**LOTHIAN VALUATION JOINT BOARD**

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2012***

**AUDITED**

# LOTHIAN VALUATION JOINT BOARD

## CONTENTS

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	Page
List of Members and Officials	1
Foreword	2 - 6
Statement of Responsibilities for the Financial Statements	7
<u>Financial Statements:</u>	
1. <i>Movement in Reserves for the year ended 31st March 2012</i>	8
2. <i>Comprehensive Income &amp; Expenditure Statement for the year ended 31st March 2012</i>	9
3. <i>Balance Sheet as at 31st March 2012</i>	10
4. <i>Cash Flow Statement for the year ended 31st March 2012</i>	11
Statement of Accounting Policies	12 - 20
Notes to the Financial Statements	21 - 45
Annual Governance Statement	46 - 48
Remuneration Report	49 - 53
Independent Auditor's Report	54 - 55

# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

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### Members

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

***Appointed by The City of Edinburgh Council :*** 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

***Appointed by East Lothian Council :*** Councillor Jacqui Bell  
Councillor Roger Knox

***Appointed by Midlothian Council :*** Councillor Margot Russell  
Councillor Lisa Beattie

***Appointed by West Lothian Council :*** Councillor Frank Anderson  
Councillor Peter Johnston  
Councillor Dave King

### Officials

Assessor : Joan M. Hewton BSc, FRICS  
Chief Executive and Clerk : Sue Bruce MPhil LLB Dip FRSA  
Treasurer : Hugh Dunn, CPFA  
Solicitor : Carol Campbell, LLP(Hons), DipLP  
Monitoring Officer : Alastair Maclean, LLB(Hons), DipLP, NP, WS

# LOTHIAN VALUATION JOINT BOARD

## FOREWORD

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### **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 appointed from the constituency authorities of whom nine are elected from the City of Edinburgh Council, three from West Lothian and two each from 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 expenditure being allocated 61.22% to The City of Edinburgh Council, 9.08% to Midlothian Council, 11.02% to East Lothian Council, and 18.68% to West Lothian Council.

### **Adoption of International Financial Reporting Standards**

The Financial Statements of the Board for 2011/12 have been prepared in accordance with the International Financial Reporting Standards (IFRS) based 2011 Code of Practice in the United Kingdom (The Code). Previous Financial Statements were prepared based on the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP). Local Authorities were required to adopt IFRS from 1st April 2010. The Financial Statements also include IFRS based comparative figures for 2010/11. The main reason for adopting IFRS is to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.

The primary financial statements are as follows:

#### **Movement in Reserves Statement**

This is a new statement, which shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves.

#### **Comprehensive Income and Expenditure Statement**

This is a new statement, which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from requisitions.

#### **Balance Sheet**

The only difference in this statement to the one produced under the SORP is in relation to the format of the balance sheet.

#### **Cash Flow Statement**

There are only some minor format changes to the Cash Flow Statement under IFRS.

# LOTHIAN VALUATION JOINT BOARD

## FOREWORD (Contd.)

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### **Financial Statements**

The Financial Statements present the financial position and performance of the Board, for the year to 31st March 2012. This section of the foreword describes briefly the purpose of each statement and the relationship between them.

### **Annual Governance Statement**

This sets out how the Lothian Valuation Joint Board delivers good governance and reviews the effectiveness of these arrangements. It also includes a statement on internal financial control in accordance with proper practice.

### **Remuneration Report**

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. This report provides details of the Board's remuneration policy for Board Members and senior employees.

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Joint Board and Treasurer for the accounts.

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from requisitions. The Board receives council requisitions to cover expenditure in accordance with regulations, which may be different from the accounting cost.

### **Balance Sheet**

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 authority (assets less liabilities) are matched by the reserves held by the Board.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### **Statement of Accounting Policies**

This Statement describes the basis for the recognition, measurement and disclosure of transactions shown in the Financial Statements.

# LOTHIAN VALUATION JOINT BOARD

## FOREWORD (Contd.)

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### Financial Performance

This review of financial performance is based on management accounting information, rather than the unaudited Financial Statements, which are stated after adjustments to reflect IFRS based Code of Practice.

### Revenue

The outturn position compared to budget is summarised below:

	Budget 2011/12 £m	Actual 2011/12 £m	Variance £m
• Employees	4.563	4.607	0.044
• Property	0.615	0.591	(0.024)
• Supplies and Services	0.872	0.794	(0.078)
• Transport and Plant	0.133	0.108	(0.025)
• Third Party Payments	0.080	0.126	0.046
• Support services	0.088	0.072	(0.016)
	<hr/>	<hr/>	<hr/>
	6.351	6.298	(0.053)
• Sales, fees and charges	(0.188)	(0.177)	0.011
	<hr/>	<hr/>	<hr/>
	6.163	6.121	(0.042)
	<hr/>	<hr/>	<hr/>

For the year ended 31st March 2012, the Board had a surplus on its Comprehensive Income and Expenditure account of £0.042m (Note 16.1 refers). Actual is 99.3% of budget.

The principal reasons for the surplus are variances in the following budgets:

• Employees	£m
	0.044

This overspend is mainly due to pension strain costs in respect of three employees who left during 2011/12, offset by savings due to unfilled staff vacancies and the operation of flexible working options.

• Property	£m
	(0.024)

This underspend is mainly due to lower than budgeted repairs and maintenance costs £0.013m and lower energy costs £0.012m.

• Supplies and Services	£m
	(0.078)

This underspend is mainly due to lower than anticipated costs in respect of operational and computer equipment £0.030m; postages £0.017m; and legal fees £0.020m.

• Transport and Plant	£m
	(0.025)

The continuing review of work practices on external survey requirement and the economic downturn in the construction industry has resulted in lower business mileage claims.

# LOTHIAN VALUATION JOINT BOARD

## FOREWORD (Contd.)

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### Revenue (Contd.)

£m

- Third Party Payments

0.046

This overspend is mainly due to higher than anticipated activity of the Valuation Appeals Committee arising from a large volume of lodged revaluation appeals and the increasing number of material change of circumstances appeals received subsequently and the increasing complexity both in valuation and legal terms that these appeals present.

The Board has no power to establish a general reserve, however the Board agreed a recommendation to fund future liabilities for early release measures from the 2011/12 underspend. The underspend for 2011/12 of £0.042m is carried forward together with the 2010/11 underspend of £0.228m as previously agreed.

### Net Pension Liability

The net pension liability of the Board as at 31st March 2012 was calculated in accordance with the requirements of International Accounting Standard 19 (IAS 19) and amounts to £4.504m (2010/11 £4.964m).

IAS 19 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.

Staff are admitted to the Lothian Pension Fund. A tri-ennial actuarial valuation considers the appropriate employer's rates and this, together with revenues generated from employee contributions and investments, is utilised to meet the fund's commitments. The last valuation was carried out by Hymans Robertson, LLP during 2011. The next actuarial review is due in 2014.

The 2011/12 accounts have been prepared in accordance with IAS 19. The IAS 19 based adjustments to net operating expenditure lead to an overall Pension Liability of £4.504m which is offset by a pension reserve. This is a reduction of £0.460m from the 2010/11 balance sheet position of £4.9640m mainly due to public sector pay restrictions.

The technical accounting charge has had no impact on the underlying basis for meeting the Lothian Valuation Joint Board's current and ongoing pension liabilities. These will be met from contributions from constituent authorities under the Order 1995. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these Financial Statements.



# LOTHIAN VALUATION JOINT BOARD

## FOREWORD (Contd.)

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### Future Outlook

The 2012/13 Local Government Finance Settlement is for three years with revenue funding for 2012/13 being maintained at 2011/12 "flat cash" settlement. Local Government's share of the total Scottish Government budget is therefore broadly maintained at 2011/12 levels.

At its meeting on the 4th February 2011, the Board approved a one year revenue budget for 2011/12 and indicative budgets for 2012/13 and 2013/14. Budget planning assumptions reported at that meeting were for a 4% cash reduction by 2013/14 with reductions phased 0.07% in 2012/13 and 0.63% in 2013/14. In February 2012, these planning assumptions were updated with a reduction of 0.7% being made in 2012/13.

The above planning assumption will result in a reduction from the approved budget for 2011/12 of £0.045m. The target budget for 2012/13 is therefore £6.118m.

The Assessor has prepared a service plan which aims to integrate the direction of the service with the revenue budget. Over the coming years the focus will be on improving service delivery and creating efficiencies through improved work practices and procedures.

### Borrowing Facilities

The Local Government in Scotland Act 2003 introduced the Prudential Code for capital finance in local authorities. The Board now has the power to decide how much to spend and borrow subject to demonstrating that its plans are prudent and affordable. There was no prudential borrowing in 2011/12.

**Treasurer:**

**Date:**

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Karen Kelly, CPFA

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**Treasurer:**

**Date:**

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Hugh Dunn, CPFA

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# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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### The Board's Responsibilities

The Board is required:

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

### The Treasurer's Responsibilities

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

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 are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### The Financial Statements

The Financial Statements present a true and fair view of the financial position of the Board as at 31st March 2012, and its income and expenditure for the year ended 31st March 2012.

**Treasurer:**

**Date:**

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Karen Kelly, CPFA

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**Treasurer:**

**Date:**

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Hugh Dunn, CPFA

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LOTHIAN VALUATION JOINT BOARD

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on different reserves held by the Board, analysed into Usable Reserves (that is, those that can be applied to fund expenditure) and Unusable Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance before any discretionary transfers to or from other statutory reserves undertaken by the Board.

2010/11 - Previous Year Comparative	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2010</b>	<b>0</b>	<b>11,286</b>	<b>11,286</b>
<b>Movement in reserves during 2010/11</b>			
(Surplus) or deficit on provision of services	(3,408)	0	<b>(3,408)</b>
Other Comprehensive Expenditure and Income	0	(3,352)	<b>(3,352)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,408)</b>	<b>(3,352)</b>	<b>(6,760)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 6.2)</b>	3,408	(3,408)	<b>0</b>
<b>Net increase/decrease before transfers to Other Statutory Reserves</b>	<b>0</b>	<b>(6,760)</b>	<b>(6,760)</b>
Transfers to/from Other Statutory Reserves	0	0	<b>0</b>
<b>Increase/Decrease in 2010/11</b>	<b>0</b>	<b>(6,760)</b>	<b>(6,760)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>0</b>	<b>4,526</b>	<b>4,526</b>

2011/12 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2011</b>	<b>0</b>	<b>4,526</b>	<b>4,526</b>
<b>Movement in reserves during 2011/12</b>			
(Surplus) or deficit on provision of services	(228)	0	<b>(228)</b>
Other Comprehensive Expenditure and Income	0	(177)	<b>(177)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(228)</b>	<b>(177)</b>	<b>(405)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 6.1)</b>	228	(228)	<b>0</b>
<b>Net increase/decrease before transfers to Other Statutory Reserves</b>	<b>0</b>	<b>(405)</b>	<b>(405)</b>
Transfers to/from Other Statutory Reserves	0	0	<b>0</b>
<b>Increase/Decrease in 2011/12</b>	<b>0</b>	<b>(405)</b>	<b>(405)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>0</b>	<b>4,121</b>	<b>4,121</b>

# LOTHIAN VALUATION JOINT BOARD

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with the generally accepted accounting practices, rather than the amount to be funded from requisitions. The Board receives requisitions to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,558	(17)	1,541	Registration of Electors	1,553	(43)	1,510
4,673	(51)	4,622	Local Tax Collection	4,660	(130)	4,530
(3,459)	0	(3,459)	Extraordinary item - change to the basis for calculating pension increases (from Retail Price Index to Consumer Price Index as introduced in the Chancellor's budget statement)	0	0	0
<b>2,772</b>	<b>(68)</b>	<b>2,704</b>	<b>Cost Of Services</b>	<b>6,213</b>	<b>(173)</b>	<b>6,040</b>
			<b>Financing and Investment Income:</b>			
0	0	0	Interest payable & similar charges	0	0	0
0	(3)	(3)	Interest receivable	0	(3)	(3)
31	0	31	Pensions interest cost & expected return on pensions asset:	0	(149)	(149)
<b>31</b>	<b>(3)</b>	<b>28</b>	<b>Total Financing and Investment Income</b>	<b>0</b>	<b>(152)</b>	<b>(152)</b>
			<b>Taxation and Non-Specific Grant Income:</b>			
0	(6,140)	(6,140)	Constituent council requisitions (Note 27)	0	(6,116)	(6,116)
<b>0</b>	<b>(6,140)</b>	<b>(6,140)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>0</b>	<b>(6,116)</b>	<b>(6,116)</b>
<b>2,803</b>	<b>(6,211)</b>	<b>(3,408)</b>	<b>(Surplus) or Deficit on Provision of Services (Note 16.1)</b>	<b>6,213</b>	<b>(6,441)</b>	<b>(228)</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
(3,352)	0	(3,352)	Actuarial (gains) / losses on pension assets / liabilities	(177)	0	(177)
<b>(549)</b>	<b>(6,211)</b>	<b>(6,760)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>6,036</b>	<b>(6,441)</b>	<b>(405)</b>

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories. The first category of reserves are usable reserves, that is, those reserves that the Board may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Board is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2011 £'000		Notes	31 March 2012 £'000
501	Property, plant and equipment	7.1	439
22	Intangible assets	8	24
132	Long-term debtors	25	118
<u>655</u>	<b>Long term assets</b>		<u>581</u>
16	Inventories	10	9
237	Short-term debtors	11	245
609	Cash and cash equivalents	12	751
<u>862</u>	<b>Current assets</b>		<u>1,005</u>
(344)	Short-term creditors	13	(503)
<u>(344)</u>	<b>Current liabilities</b>		<u>(503)</u>
(735)	Other long-term liabilities	26	(700)
(4,964)	Other long-term liabilities (Pensions)	23.4	(4,504)
<u>(5,699)</u>	<b>Long-term liabilities</b>		<u>(5,204)</u>
<u><u>(4,526)</u></u>	<b>Net assets</b>		<u><u>(4,121)</u></u>
4,526	Unusable reserves	14	4,121
<u><u>4,526</u></u>	<b>Total reserves</b>		<u><u>4,121</u></u>

The unaudited financial statements were issued on the 4th June, 2012 by the former Treasurer to the Board, Karen Kelly. The audited financial statements were authorised for issue by Hugh Dunn on 3rd September, 2012.

Treasurer:

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Karen Kelly, CPFA

Date:

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Treasurer:

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Hugh Dunn, CPFA

Date:

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# LOTHIAN VALUATION JOINT BOARD

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisitions and 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows.

2010/11			2011/12	
£'000	£'000		£'000	£'000
<b>OPERATING ACTIVITIES</b>				
(47)		Cash received for goods and services	(32)	
0		Other local authorities	(99)	
(3)		Interest received	(3)	
(6,129)		Other operating cash receipts	(5,936)	
	<b>(6,179)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,070)</b>
4,524		Cash paid to and on behalf of employees	4,413	
1,644		Cash paid to suppliers of goods and services	1,484	
	<b>6,168</b>	<b>Cash outflows generated from operating activities</b>		<b>5,897</b>
	<b>(11)</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(173)</b>
<b>INVESTING ACTIVITIES</b>				
72		Purchase of property, plant and equipment and intangible assets.	31	
0		Proceeds from sales of property, plant and equipment and intangible assets.	0	
	<b>72</b>	<b>Net cash flows from investing activities</b>		<b>31</b>
	<b>0</b>	<b>Net cash flows from financing activities</b>		<b>0</b>
	<b>61</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(142)</b>
1st April			1st April	
670		Cash and cash equivalents	609	
	670			609
31st March			31st March	
609		Cash and cash equivalents	751	
	609			751
	<b>61</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(142)</b>

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES

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### 1.1 General

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice in the United Kingdom (the Code) and the Service Reporting Code of Practice (SeRCOP). This is to ensure that the Financial Statements "present a true and fair view" of the financial position and transactions of the Board.

From 1st April 2010, the Board implemented the requirements of International Financial Reporting Standards for the first time and these are used for the purpose of preparing the Financial Statements for the year ended 31st March 2012.

The Financial Statements have been prepared on an historic cost basis, modified by the revaluation of certain categories of fixed assets where appropriate.

### 1.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place and not simply when cash payment is made or received. This means that expenses are recorded when goods or services have been received and income is recorded when goods or services have been provided. This recording is irrespective of whether cash has actually been paid or received in the year.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments maturing in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

### 1.4 Changes in Accounting Policies, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events or conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.5 Revenue Expenditure

Revenue expenditure is that which does not yield benefit beyond the year of account. In broad terms the revenue expenditure of the Board can be divided into two categories:

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

All revenue expenditure is accounted for on an accruals basis.

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

### 1.6 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 Capital Adjustment Account within the Balance Sheet. This reserve does not represent resources available to the Board.

### 1.7 Short Term Debtors and Short Term Creditors

The revenue and capital transactions of the Board are recorded on an accruals basis which means that amounts due to or from the Board, but still outstanding at the year end, are included in the accounts. Where there was insufficient information to provide actual figures, estimates have been included.

### 1.8 Value Added Tax

Value Added Tax is excluded from the Financial Statements unless it is not recoverable from HM Revenues and Customs.



# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.9 Non-Current Assets

#### a) *Intangible Assets*

**Recognition:**

- Intangible assets are non-current assets that have no physical substance but are identifiable and controlled by the Board and it can be established that there is an economic benefit or service potential associated with the item which will flow to the Board. This expenditure is mainly in relation to software licenses purchased by the Board. Expenditure on the acquisition, creation or enhancement of intangible assets has been capitalised on an accruals basis.

**Depreciation:**

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

**Measurement:**

- Intangible assets are initially measured at cost and included in the Balance Sheet at net historical cost.

#### b) *Property, Plant and Equipment*

Property, plant and equipment are tangible items held for use by the Board in its provision of service and are expected to be used for more than one financial year. Property, plant and equipment are included in the Balance sheet in the following classes:

- Leasehold improvements;
- Vehicles, plant, furniture and equipment

**Recognition:**

- Expenditure on the acquisition, creation or enhancement of these non-current assets has been capitalised on an accruals basis, provided that future economic benefits or service potential associated with the item will flow to the Board and the cost of the item can be measured reliably. This expenditure is subject to the application of a de-minimis level of £6,000.

**Depreciation:**

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

- No depreciation is charged on freehold land;
- Depreciation is not provided in the year of an asset's purchase;
- Depreciation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset;

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.9 Non-Current Assets (Contd.)

#### b) *Property, Plant and Equipment (Contd.)*

##### Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property	25
Vehicles, plant and equipment	5

Leasehold improvements are depreciated over the remaining life of the asset.

##### Measurement:

Property, plant and equipment, and leasehold improvements are measured at depreciated historic cost. This does not comply with the Code, however, the difference is not considered material.

##### De-recognition:

An asset is de-recognised either on its disposal or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in "Surplus or Deficit on the Provision of Service" within the Comprehensive Income and Expenditure Statement when the asset is de-recognised. The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the "Movement in Reserves Statement for the General Fund".

##### Impairment:

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired, that is, that the carrying value of an asset on the Balance sheet exceeds its recoverable amount. Where indications exist and any possible differences are material, the recoverable amount is estimated and an impairment loss is recognised for the shortfall. Impairment losses, if any, are accounted for by debiting any accumulated balance of revaluation gains for the asset held in the Revaluation Reserve or where there is no or insufficient balance in the Revaluation Reserve, by debiting the relevant service line in the Comprehensive Income and Expenditure Statement.

### 1.10 Overheads and Support Services

The costs of support services are allocated on a basis appropriate to the service provided in order to match costs to service usage. Certain support service costs are provided under a Service Level Agreement between the Board and service provider.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.11 Charges to Comprehensive Income and Expenditure Statement for use of non-current assets

The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the Board;
- Impairment losses, if any, attributable to the clear consumption of economic benefits on property, plant and equipment used by the Board.

The Board is not required to raise requisitions on the constituent councils to cover depreciation or impairment losses. Depreciation and impairment losses are not proper charges under statutory accounting requirements and are therefore a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the Capital Adjustment Account.

### 1.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

#### a) Finance Leases

##### *Leased-in assets*

The Board has not identified any leased-in assets that fall under the definition of finance leases.

##### *Leased-out assets*

The Board has not identified any leased-out assets that fall under the definition of finance leases.

#### b) Operating Leases

##### *Leased-in assets*

Rental payments, net of benefits received, under operating leases are charged to the Comprehensive Income and Expenditure statement on a straight line basis over the life of the lease.

##### *Leased-out assets*

The Board has not identified any leased-out assets that fall under the definition of operating leases.

### 1.13 Provisions

Provision is made within the Statement of Accounts when the board has a present legal or constructive obligation as a result of a past event, there is a probability of a transfer of economic benefit and a reliable estimate can be made of the obligation. Provisions are charged to the Comprehensive Income and Expenditure Statement in the year in which the Board becomes aware of the obligation.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.14 Contingent Liability

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not wholly within the control of the Board or a present obligation that arises from past events, but it is not possible that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. If such obligation exist, they are not recognised in the Balance Sheet but are disclosed as a note to the Statement of Accounts.

### 1.15 Contingent Assets

A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not wholly within the control of the Board. If such assets exist, they are disclosed as a note to the Statement of Accounts.

### 1.16 Employee Benefits

Cost of service includes a charge for annual leave to which employees are entitled, but have not taken as at the Balance Sheet date. The Board is not required to raise requisitions on constituent councils to cover the cost of accrued annual leave. These costs are therefore replaced by revenue provision in the Movement in Reserves Statement for the General Fund balance by way of an adjusting transaction with the Accumulated Absences Account.

### 1.17 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate employees' employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to either terminating the employment of an employee or making an offer to encourage voluntary redundancy.

### 1.18 Inventories

Inventories are assets in the form of materials or supplies which are consumed, distributed or held for sale in the ordinary course of the Board's operations. Inventories are included in the Balance Sheet at latest invoice price. This does not comply with the Code, which requires such items to be shown at the lower of cost and net realisable value. The difference is not considered to be material.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.19 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 International Accounting standard 19 - Employee Benefits (IAS 19). The cost of service in the Comprehensive Income and Expenditure Statement includes expenditure equivalent to the amounts of retirement benefits the Board has committed to pay during the year. Pension interest cost and the expected return on pension assets have been included in the "Surplus or Deficit on the Provision of Services" within the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations are disclosed in the Movement in Reserves Statement for the General Fund Balance.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

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.

### 1.20 Revenue Contributions

Revenue contributions from constituent councils have been included in the Financial Statements on an accruals basis. Where such contributions remain unspent at the Balance sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in creditors.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.21 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable. Usable reserves hold monies that can be applied to fund expenditure. Unusable reserves cannot be applied to fund expenditure.

The Board operates the following usable reserves:

**a) *General Fund***

This represents the balance of the surpluses or deficits arising from the Comprehensive Income and Expenditure Statement. However, the Board has no statutory powers to hold a general fund balance, there is therefore no balance on the General fund.

The Board operates the following unusable reserves:

**b) *Capital Adjustment Account***

This provides a balancing mechanism between the different rates at which assets are depreciated and financed.

**c) *Pension Reserve***

This represents the difference between the monies which the Board requires to meet its pension liability as calculated under International Accounting Standards 19, Employee Benefits (IAS 19) and the amount required to be charged to the General Fund in accordance with statutory requirement governing Local Government Pension Scheme.

**d) *Accumulated Absences Account***

This represents the net monies which the Board requires to meet its short-term compensated absences for employees under IAS19.

### 1.22 Financial Instruments

**a) *Financial Liabilities***

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. As at 31st March, 2012, the Board had no borrowings.

**b) *Financial Assets***

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Board holds its surplus funds with the City of Edinburgh Council in a pooled investment arrangement and does not place external deposits in its own name. These sums are presented in the Balance Sheet as the balance due from the City of Edinburgh Council and interest receivable from this investment is credited to the Comprehensive Income and Expenditure Statement.

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.22 Financial Instruments (Contd.)

#### *b) Financial Assets (Contd.)*

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 Comprehensive Income and Expenditure Statement.

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

### 1.23 Events After the Balance Sheet Date

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such items;
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### 1.24 Exceptional Items

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

### 1.25 Going Concern

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 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due.

## LOTHIAN VALUATION JOINT BOARD

### 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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Amendments have been made to IFRS7 - Financial Instruments: Disclosures (transfers of financial assets). These were issued in October 2010 and are intended to assist users of financial statements evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Board's financial position

The Board is not aware of any transfers that are covered by the change to IFRS7.

The Financial Instruments accounting policy 1.22 is detailed on pages 19 and 20.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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In applying the accounting policies set out in Note 1, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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The Statement of Accounts contains estimated figures that are based on assumptions made by the Board about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

#### 4.1 Property, Plant and Equipment

##### *Uncertainties*

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relations to individual assets. The current economic climate may mean that the Board restricts spending on repairs and maintenance which, in turn, may have an effect on the useful lives of the assets.

##### *Effect if Actual Result Differs from Assumptions*

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £0.090m for every year that useful lives had to be reduced.



# LOTHIAN VALUATION JOINT BOARD

## 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (Contd.)

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### 4.2 Pension Liabilities

#### *Uncertainties*

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.

#### *Effect if Actual Result Differs from Assumptions*

During 2011/12, the Board's actuaries advised that the balance sheet position has improved since last year. This was principally due to three main factors:

- Public sector pay restraint. The effect of this was to reduce liabilities and results in a positive impact on the balance sheet and CIES. This has been offset by:
- Discount rate - new approach and falling bond yields. The effect of this was to increase liabilities and results in a negative impact on the balance sheet and CIES;
- Investment performance - lower than expected. The effect of this was to reduce assets and results in a negative impact on the balance sheet and CIES.

The following table shows the sensitivity of the results to the changes in the assumptions used to measure the scheme liabilities. Approximate percentage changes and monetary values are shown:

	Approximate % increase to Employer Obligations %	Approximate monetary value £000
0.5% decrease in Real Discount Rate	11%	3,649
1 year increase in member life expectancy	3%	984
0.5% increase in the Salary Increase Rate	4%	1,267
0.5% increase in the Pension Increase Rate	7%	2,330

## 5. EVENTS AFTER BALANCE SHEET DATE

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There are no events after balance sheet date.

# LOTHIAN VALUATION JOINT BOARD

## 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

6.1 This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Board to meet future capital and revenue expenditure.

2011/12 - Current Financial Year	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(81)	81	0	0	81
Amortisation of intangible assets	(9)	9	0	0	9
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	30	(30)	0	0	(30)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(481)	0	481	0	481
Reversal of exceptional items relating to retirement benefits debited or credited to the CIES	0	0	0	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	764	0	(764)	0	(764)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	0	0	(5)	(5)
<b>Total Adjustments</b>	<b>228</b>	<b>60</b>	<b>(283)</b>	<b>(5)</b>	<b>(228)</b>

# LOTHIAN VALUATION JOINT BOARD

## 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (Contd.)

6.2 This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Board to meet future capital and revenue expenditure.

2010/11 - Comparative Figures	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(68)	68	0	0	68
Amortisation of intangible assets	(9)	9	0	0	9
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	72	(72)	0	0	(72)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(790)	0	790	0	790
Reversal of exceptional items relating to retirement benefits debited or credited to the CIES	3,459	0	(3,459)	0	(3,459)
Employer's pension contributions and direct payments to pensioners payable in the year	755	0	(755)	0	(755)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(11)	0	0	11	11
<b>Total Adjustments</b>	<b>3,408</b>	<b>5</b>	<b>(3,424)</b>	<b>11</b>	<b>(3,408)</b>

# LOTHIAN VALUATION JOINT BOARD

## 7. PROPERTY PLANT AND EQUIPMENT

### Movements on balances:

	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<b>7.1 <u>Current Year Movements in 2011/12</u></b>			
<b>Cost or Valuation</b>			
At 1st April 2011	414	321	735
Additions	0	19	19
At 31st March 2012	414	340	754
<b>Accumulated Depreciation</b>			
At 1st April 2011	(64)	(170)	(234)
Depreciation charge	(17)	(64)	(81)
At 31st March 2012	(81)	(234)	(315)
<b>Net Book Value at 31st March 2012</b>	<b>333</b>	<b>106</b>	<b>439</b>
<b>7.2 <u>Comparative Movements in 2010/11</u></b>			
<b>Cost or Valuation</b>			
At 1st April 2010	404	259	663
Additions	10	62	72
At 31st March 2011	414	321	735
<b>Accumulated Depreciation</b>			
At 1st April 2010	(48)	(118)	(166)
Depreciation charge	(16)	(52)	(68)
At 31st March 2011	(64)	(170)	(234)
<b>Net Book Value at 31st March 2011</b>	<b>350</b>	<b>151</b>	<b>501</b>

# LOTHIAN VALUATION JOINT BOARD

## 7. PROPERTY PLANT AND EQUIPMENT (Contd.)

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### 7.3 Depreciation

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

- Leasehold improvements (buildings) - 25 years
- Vehicles, plant and equipment - 5 years

### 7.4 Capital Commitments

At 31st March 2012, there were no capital commitments entered into by the Board.

### 7.5 Revaluations

Property, plant and equipment are shown in the balance sheet at depreciated historic cost.

The significant assumptions applied in estimating the fair values are:

- the property was not inspected - this was neither practical nor considered by the valuer to be necessary for the purpose of the valuation;
- unless stated otherwise, all properties with greater than de-minimus value were assumed to be in reasonable state of repair and have a life expectancy of more than 50 years;
- the valuations were prepared using information from the City of Edinburgh Council's internal records as well as the valuation Roll produced by the Lothian Valuation Joint Board.

	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
Carried at historical cost	333	106	439
Valued at fair values as at:			
• 31st March 2012	0	0	0
• 31st March 2011	0	0	0
• 31st March 2010	0	0	0
• 31st March 2009	0	0	0
• 31st March 2008	0	0	0
Total Cost or Valuation	<u>333</u>	<u>106</u>	<u>439</u>

# LOTHIAN VALUATION JOINT BOARD

## 8. INTANGIBLE ASSETS

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The Board accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Board. The useful lives assigned to the major software suites used by the Board are:

5 years:           GIS and Imaging Application  
                      Disaster Recovery Solution  
                      Oracle database operating system.  
                      Sophos upgrade - Dacoll

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £9,396 was charged to the Comprehensive Income and Expenditure during 2011/12.

The movement on Intangible Assets during the year is as follows:

	2010/11 £'000	2011/12 £'000
Balance at start of year:		
• Gross carrying amounts	46	47
• Accumulated amortisation	(15)	(25)
<b>Net carrying amount at start of year</b>	<b>31</b>	<b>22</b>
Additions	0	11
Amortisation for the period	(9)	(9)
<b>Net carrying amount at end of year</b>	<b>22</b>	<b>24</b>
Comprising:		
• Gross carrying amounts	46	58
• Accumulated amortisation	(24)	(34)
	22	24

# LOTHIAN VALUATION JOINT BOARD

## 9. FINANCIAL INSTRUMENTS

9.1 In accordance with IAS 32 Financial Instruments: Presentation; IAS 39 Financial Instruments: Recognition and Measurement; and FRS 7 Financial Instruments : Disclosures; this note details the make up of financial instruments, both assets and liabilities, the key risks the Board is exposed to in its management of its financial instruments, and how these are managed. From 1st April 2012, the Board will change its Accounting Policy in respect of the transfer of assets to comply with amendments to IFRS 7 issued in October 2010. Initial assessment suggests that the standard will not have a material impact on the financial statements of the Board.

	Long-term		Current	
	31st March 2011 £'000	31st March 2012 £'000	31st March 2011 £'000	31st March 2012 £'000
<b>Investments</b>				
Loans and receivables	0	0	608	750
<b>Creditors</b>				
Trade creditors	0	0	43	36

### 9.2 Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities measured at amortised cost 31st March 2011 £'000	Financial Liabilities measured at amortised cost 31st March 2012 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	3	3

### Fair Values of Assets and Liabilities

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	43	43	36	36
Loans and receivables	608	608	750	750

# LOTHIAN VALUATION JOINT BOARD

## 10. INVENTORIES

	Stationery		Operational equipment	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance at start of year	13	12	3	4
Purchases	25	4	10	3
Expense in year	(26)	(10)	(9)	(4)
Balance at end of year	12	6	4	3

	Consumables		Total	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance at start of year	1	0	17	16
Purchases	2	4	37	11
Expense in year	(3)	(4)	(38)	(18)
Balance at end of year	0	0	16	9

## 11. SHORT TERM DEBTORS

	31st March 2011 £'000	31st March 2012 £'000
Debtors:		
• HM Revenues and Customs - VAT	36	27
• Rent	57	57
• Car leasing	101	77
• Car purchase advances	8	8
• Insurances	16	14
• Other entities and individuals	19	62
	237	245



# LOTHIAN VALUATION JOINT BOARD

## 12. CASH AND CASH EQUIVALENTS

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

	31st March 2011 £'000	31st March 2012 £'000
Cash held by the Board	1	1
Other local authorities	608	750
	<hr/>	<hr/>
	609	751
	<hr/>	<hr/>

## 13. SHORT TERM CREDITORS

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	31st March 2011 £'000	31st March 2012 £'000
Other local authorities	(228)	(270)
Employee costs	(86)	(82)
Valuation Appeals Panel - Secretary's fees	(26)	(22)
Other entities and individuals	(4)	(129)
	<hr/>	<hr/>
<b>Total</b>	(344)	(503)
	<hr/>	<hr/>

## 14. UNUSABLE RESERVES

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	31st March 2011 £'000	31st March 2012 £'000
<b>14.1</b> Capital Adjustment Account	(524)	(465)
<b>14.2</b> Pension Reserve	4,964	4,504
<b>14.3</b> Accumulated Absence Account	86	82
	<hr/>	<hr/>
	4,526	4,121
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# LOTHIAN VALUATION JOINT BOARD

## 14. UNUSABLE RESERVES (Contd.)

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### 14.1 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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Board as finance for the costs of acquisition, construction and enhancement.

Note 6 provides details of all the transactions posted to the Account.

	2010/11 £'000	2011/12 £'000
<b>Balance at 1st April</b>	(529)	(524)
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	68	80
• Revaluation losses on Property, Plant and Equipment	0	0
• Amortisation of intangible assets	9	9
• Amounts of non-current assets written off on gain/loss on disposal to CIES	0	0
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in year	(452)	(435)
Capital financing for the year:		
• Use of capital receipts to finance new capital expenditure	0	0
• Statutory provision for the financing of capital expenditure	(72)	(30)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	<b>(524)</b>	<b>(465)</b>

### 14.2 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure 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.

# LOTHIAN VALUATION JOINT BOARD

## 14. UNUSABLE RESERVES (Contd.)

### 14.2 Pension Reserve (Contd.)

	2010/11 £'000	2011/12 £'000
<b>Balance at 1st April</b>	11,740	4,964
Actuarial gains or losses on pension assets and liabilities	(3,352)	(177)
Reversals 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.	(2,669)	481
Employer's pension contributions and direct payments to pensioners payable in the year.	(755)	(764)
<b>Balance at 31st March</b>	4,964	4,504

### 14.3 Accumulated Absences Account

The Accumulated Absences 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, for example, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2010/11 £'000	2010/11 £'000	2011/12 £'000	2011/12 £'000
<b>Balance at 1st April</b>		75		86
Settlement or cancellation of accrual made at the end of the preceeding year	(75)		(86)	
Amounts accrued at the end of the current year	86		82	
Amount by which officer remuneration charged to the Comprehensive Income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		11		(4)
<b>Balance at 31st March</b>		86		82

# LOTHIAN VALUATION JOINT BOARD

## 15. CASH FLOW STATEMENT

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### 15.1 Reconciliation between the General Fund Balance and the revenue activities net cash flow.

	2010/11 £'000	2011/12 £'000
Net increase/(decrease) in the General Fund Balance	0	0
Exclude accumulated absences	11	(5)
Exclude revenue contribution to capital	(72)	(30)
	<hr/>	<hr/>
	(61)	(35)
(Decrease)/increase in revenue debtors	17	7
(Decrease)/increase in long term debtors	16	(14)
(Decrease)/increase in stocks	(1)	(6)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	(17)	(160)
	<hr/>	<hr/>
Revenue activities net cash flow	(11)	(173)

### 15.2 Reconciliation of the movement in cash with the related items in the opening and closing balance sheets for the period.

	2010/11 £'000	2011/12 £'000
Due by/(to) the City of Edinburgh Council at 31st March	669	608
Due by/(to) the City of Edinburgh Council at 1st April	608	750
	<hr/>	<hr/>
(Increase)/decrease in cash	61	(142)

## 16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Board on the basis of budget reports analysed across functions. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement),
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year,

# LOTHIAN VALUATION JOINT BOARD

## 16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)

<b>16.1 2011/12 - Current Year</b>	<b>2011/12</b>
<b>Service Information</b>	<b>£'000</b>
Fees, charges and other service income	(174)
Interest and investment income	(3)
Income from requisitions	(6,158)
Govt grants and other contributions	0
	<u>(6,335)</u>
Employee expenses	4,607
Other operating expenses	1,614
Support Services	72
	<u>6,293</u>
<b>Cost of Services</b>	<b>(42)</b>

### Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement

Cost of Service in Service Analysis	(42)
Add: amounts not reported to management	715
Remove: amounts reported to management not included in CIES	5,367
	<u>6,040</u>
<b>Net Cost of Services in CIES</b>	<b>6,040</b>

Service Analysis	Not Reported to Mgnt	Not Included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Deficit on Provision of Service
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### Reconciliation to Subjective Analysis

Fees, charges and other income	(174)	0	0	0	(174)	0	(174)
Interest and investment income	(3)	0	3	0	0	(3)	(3)
Income from requisitions	(6,158)	0	6,158	0	0	(6,116)	(6,116)
Interest receipts	0	0	0	0	0	(149)	(149)
Govt grants and other contribns	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(6,335)</b>	<b>0</b>	<b>6,161</b>	<b>0</b>	<b>(174)</b>	<b>(6,268)</b>	<b>(6,442)</b>
Employee expenses	4,607	625	(764)	29	4,497	0	4,497
Other operating expenses	1,614	0	(30)	43	1,627	0	1,627
Support Services	72	0	0	(72)	0	0	0
Depreciation, amort & impair	0	90	0	0	90	0	90
Interest payments	0	0	0	0	0	0	0
Gain/Loss on disposal of assets	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>6,293</b>	<b>715</b>	<b>(794)</b>	<b>0</b>	<b>6,214</b>	<b>0</b>	<b>6,214</b>
<b>Surplus or Deficit on the provision of service</b>	<b>(42)</b>	<b>715</b>	<b>5,367</b>	<b>0</b>	<b>6,040</b>	<b>(6,268)</b>	<b>(228)</b>

# LOTHIAN VALUATION JOINT BOARD

## 16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)

<b>16.2 2010/11 - Comparative figures</b>	<b>2010/11</b>
<b>Service Information</b>	<b>£'000</b>
Fees, charges and other service income	(67)
Interest and investment income	(3)
Income from requisitions	(6,368)
Govt grants and other contributions	0
	<hr/>
	(6,438)
	<hr/>
Employee expenses	4,523
Other operating expenses	1,609
Support Services	78
	<hr/>
	6,210
	<hr/>
<b>Cost of Services</b>	<b>(228)</b>

### Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement

Cost of Service in Service Analysis	(228)
Add: amounts not reported to management	(2,612)
Remove: amounts reported to management not included in CIES	5,544
	<hr/>
<b>Net Cost of Services in CIES</b>	<b>2,704</b>

	Not Reported to Mgmt	Not Included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Deficit on Provision of Service
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### Reconciliation to Subjective Analysis

Fees, charges and other income	(67)	0	0	0	(67)	0	(67)
Interest and investment income	(3)	0	3	0	0	(3)	(3)
Income from requisitions	(6,368)	0	6,368	0	0	(6,140)	(6,140)
Interest receipts	0	0	0	0	0	0	0
Govt grants and other contribns	0	0	0	0	0	0	0
	<hr/>						
Total Income	(6,438)	0	6,371	0	(67)	(6,143)	(6,210)
	<hr/>						
Employee expenses	4,523	(2,689)	(755)	31	1,110	0	1,110
Other operating expenses	1,609	0	(72)	47	1,584	0	1,584
Support Services	78	0	0	(78)	0	0	0
Depreciation, amort & impair	0	77	0	0	77	0	77
Interest payments	0	0	0	0	0	31	31
Gain/Loss on disposal of assets	0	0	0	0	0	0	0
	<hr/>						
Total Expenditure	6,210	(2,612)	(827)	0	2,771	31	2,802
	<hr/>						
<b>Surplus or Deficit on the provision of service</b>	<b>(228)</b>	<b>(2,612)</b>	<b>5,544</b>	<b>0</b>	<b>2,704</b>	<b>(6,112)</b>	<b>(3,408)</b>

# LOTHIAN VALUATION JOINT BOARD

## 17. MEMBERS ALLOWANCES

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The Board paid the following amounts to members during the year:

	2010/11 £000's	2011/12 £000's
Salaries	9	9
Allowances	0	0
Expenses	0	0
Total	<u>9</u>	<u>9</u>

Details are contained in the Remuneration Report (page 52)

## 18. EXTERNAL AUDIT COSTS

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The Board has incurred the following costs in relation to the audit of the Statement of Accounts:

Fees payable in respect of:	2010/11 £000's	2011/12 £000's
<ul style="list-style-type: none"><li>external audit services carried out by the appointed auditor for the year</li></ul>	8	7
<ul style="list-style-type: none"><li>statutory inspection</li></ul>	0	0
	<u>8</u>	<u>7</u>

## 19. GRANT INCOME

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There was no revenue grant credited to the Comprehensive Income and Expenditure Statement in 2011/12 (2010/11 £0).

## 20. RELATED PARTIES

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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.

### 20.1 Scottish Government

The Scottish Government is responsible for providing the statutory framework within which the Board operates. It provides the majority of the Board's funding in the form of grants to the constituent councils, and prescribes the terms of many of the transactions that the Board has with other parties. Constituent councils provide funding to the Board at the start of each financial year. Grants received are set out in the subjective analysis in Note 16, Amounts Reported for Resource Allocation Decisions. Grant receipts at 31st March, 2012 are shown in Note 19, Grant Income.

# LOTHIAN VALUATION JOINT BOARD

## 20. RELATED PARTIES (Contd.)

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### 20.2 Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 17 and the Remuneration Report.

### 20.3 Other Parties

During the year, the Board entered into the following transactions with related parties:

	2010/11 £000's	2011/12 £000's
• The City of Edinburgh Council		
Rates	158	165
Central support costs	78	72
Interest on revenue balances	(3)	(3)
Constituent council contribution	3,921	3,770
Car purchase advances	22	13
Due from City of Edinburgh Council	608	750
Long term debtor - lease of office	118	113
• Midlothian Council		
Constituent council contribution	576	559
• East Lothian Council		
Constituent council contribution	700	679
• West Lothian Council		
Constituent council contribution	1,171	1,150

## 21. TERMINATION BENEFITS

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There were three employee contracts terminated by the Board during 2011/12. These are shown in the Remuneration Report - Exit Packages (page 53).



# LOTHIAN VALUATION JOINT BOARD

## 22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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The total amount of capital expenditure incurred in the year is shown below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Board, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Board that has yet to be financed.

	2010/11 £000's	2011/12 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
• Property, Plant and Equipment	72	19
• Intangible assets	0	11
Sources of finance		
• Capital receipts	0	0
• Direct revenue contributions	(72)	(30)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

## 23. DEFINED BENEFIT PENSION SCHEMES

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### 23.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Board participates in the following post employment scheme:

- Local Government Pension Scheme (LGPS) - a funded defined benefit statutory scheme as administered by the City of Edinburgh Council's Lothian Pension Fund. The LGPS is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

A funded defined benefit final salary scheme, requires the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

# LOTHIAN VALUATION JOINT BOARD

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.2 Transactions Relating to Post-employment Benefits

The Board recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2010/11 Local Govt Pension Scheme	2011/12 Local Govt Pension Scheme
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service costs	759	630
• Past service costs	0	0
• Exceptional item - change from RPI to CPI	(3,459)	0
• Settlements and curtailments	0	0
Financing and Investment Income and Expenditure		
• Interest cost	1,938	1,804
• Expected return on scheme assets	(1,907)	(1,953)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of services	(2,669)	481
Other Post Employment Benefit Charged to the CIES:		
• Actuarial (gains) and losses	(3,352)	(177)
Total Post Employment Benefit Charged to the CIES	(3,352)	(177)
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	3,424	283
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to the scheme	684	689
• Contributions in respect of unfunded benefits	71	75
	755	764

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a gain of £0.177m (2010/11 gain of £3.352m).

# LOTHIAN VALUATION JOINT BOARD

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.3 Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11 Local Govt Pension Scheme	2011/12 Local Govt Pension Scheme
Opening balance at 1st April	37,647	32,763
Current Service Cost	759	630
Interest cost	1,938	1,804
Contributions by scheme participants	242	237
Contributions in respect of unfunded benefits	(71)	(75)
Actuarial gains and losses	(3,819)	(1,848)
Benefits paid	(474)	(715)
Past service costs	0	0
Exceptional item - change from RPI to CPI	(3,459)	0
Curtailments	0	0
Settlements	0	0
	<hr/>	<hr/>
Closing balance at 31st March	32,763	32,796
	<hr/>	<hr/>

Reconciliation of fair value of the scheme assets:

	2010/11 Local Govt Pension Scheme	2011/12 Local Govt Pension Scheme
Opening balance at 1st April	25,907	27,799
Expected rate of return	1,907	1,953
Actuarial gains and losses	(467)	(1,671)
Employer contributions	684	689
Contributions by scheme participants	242	237
Benefits paid	(474)	(715)
Settlements	0	0
	<hr/>	<hr/>
Closing balance at 31st March	27,799	28,292
	<hr/>	<hr/>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

# LOTHIAN VALUATION JOINT BOARD

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.4 Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Present value of liabilities:</b>					
• Local Government Pension Scheme	(24,382)	(21,254)	(37,647)	(32,763)	(32,796)
<b>Fair value of assets in the Local Government Pension Scheme</b>					
<b>Surplus/(deficit) in the scheme:</b>					
• Local Government Pension Scheme	22,982	18,766	25,907	27,799	28,292
<b>Total</b>	<b>(1,400)</b>	<b>(2,488)</b>	<b>(11,740)</b>	<b>(4,964)</b>	<b>(4,504)</b>

The liabilities show the underlying commitments that the Board has in the long run to pay post-employment (retirement) benefits. The total liability of £4.504m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £4.121m. However statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (that is, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

### 23.5 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of the assets or liabilities at 31st March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000s	£'000s	£'000s	£'000s	£'000s
Differences between expected and actual return on assets:					
• Local Government Pension Scheme	(10.4%)	34.6%	20.6%	(1.7%)	(5.9%)
Experience gains and losses on liabilities:					
• Local Government Pension Scheme	0.2%	12.0%	0.0%	0.0%	8.1%

# LOTHIAN VALUATION JOINT BOARD

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.6 Basis for Estimating Assets and Liabilities

Liabilities have been Assessed on an actual basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, independent actuaries.

	2010/11	2011/12
	Local Govt	Local Govt
	Pension	Pension
	Scheme	Scheme
The principal assumptions used by the actuary have been:		
Long term expected rate of return on assets in the scheme:		
• Equities	7.5%	6.2%
• Bonds	4.9%	4.0%
• Property	5.5%	4.4%
• Cash	4.6%	3.5%
Mortality assumptions - longevity at 65 for current pensioners:		
• Men	20.8 years	20.4 years
• Women	24.1 years	22.8 years
Mortality assumptions - longevity at 65 for future pensioners:		
• Men	22.3 years	22.6 years
• Women	25.7 years	25.4 years
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Expected return on assets	7.0%	5.8%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the assets held:

	31st March	31st March
	2011	2012
Equity investments	79%	79%
Debt instruments	8%	8%
Other assets	13%	13%
	100%	100%

# LOTHIAN VALUATION JOINT BOARD

## 24. LEASES

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### Operating Leases

The Board currently occupies land and buildings listed below by entering into the following operating lease:

- 17a South Gyle Crescent - offices

	2010/11 £000's	2011/12 £000's
The future minimum lease payments due in future years are:		
<ul style="list-style-type: none"><li>Not later than 1 year</li></ul>	305	305
<ul style="list-style-type: none"><li>Later than 1 year not later than 5 years</li></ul>	1,526	1,526
<ul style="list-style-type: none"><li>Later than 5 years</li></ul>	4,578	4,273
	<hr/>	<hr/>
	6,409	6,104
	<hr/>	<hr/>

The Board has no finance lease obligations.

## 25. LONG TERM DEBTORS

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The long term debtor is in respect of a cash incentive received by the Board on its relocation of offices to its new premises at 17a South Gyle Crescent (Note 24 Leases refers). The cash incentive is amortised on a straight line basis over the term of the lease. A 25 year lease was entered into in December 2006, the remaining life amounts to 20 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2010/11 £000's	2011/12 £000's
<ul style="list-style-type: none"><li>Cash incentive:</li></ul>		
Balance at 1st April	124	118
Amortised to Comprehensive Income and Expenditure Statement	(6)	(6)
	<hr/>	<hr/>
Balance at 31st March	118	112
<ul style="list-style-type: none"><li>Car purchase advances</li></ul>	14	6
	<hr/>	<hr/>
	132	118
	<hr/>	<hr/>

## 26. OTHER LONG TERM LIABILITIES

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The Board relocated to its new offices in December 2006. As part of the agreement, the landlord agreed to pay a cash incentive of £0.400m on date of entry and £0.475m in 2011. This will be amortised on a straight line basis totalling £0.035m per annum over 25 years, the term of the lease.

	2010/11 £000's	2011/12 £000's
Balance at 1st April	(770)	(735)
Amortised to Comprehensive Income and Expenditure Statement	35	35
	<hr/>	<hr/>
Balance at 31st March	(735)	(700)
	<hr/>	<hr/>

# LOTHIAN VALUATION JOINT BOARD

## 27. CONSTITUENT COUNCIL REQUISITIONS

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

	Amount due for 2011/12 £000's	Amount received 2011/12 £000's	Creditor established 2011/12 £000's
City of Edinburgh Council	3,744	3,770	(26)
Midlothian Council	555	559	(4)
East Lothian Council	674	679	(5)
West Lothian Council	1,143	1,150	(7)
	<hr/>	<hr/>	<hr/>
	6,116	6,158	(42)

The Board agreed a recommendation to fund future liabilities for early release measures from the 2011/12 underspend. This is represented by the creditor to the constituent councils as shown above.

## 28. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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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. 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.

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 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 be required 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 rate 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;

### 28. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Contd.)

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- 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 responsibility 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 has 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.
- 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. The balance held by and due from the City of Edinburgh Council at 31st March 2012 amounted to £0.750m (2010/11 £0.608m). 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.



# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

Lothian Valuation Joint Board aims to ensure best value and provide equitable, customer focussed, high quality, professional valuation and electoral services for all its stakeholders.

The Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for, and used economically, efficiently, effectively and ethically. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these overall responsibilities, Elected Members and Senior Officers are responsible for implementing proper arrangements for the governance of the Board's affairs, and facilitating the effective exercise of its functions, including arrangements for management of risk.

The Board has approved and adopted a Local Code of Corporate Governance that is consistent with the principles, and reflects the requirements, of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and is supported by detailed evidence of compliance, which is regularly reviewed. A copy of the code is on our website [www.lothian-vjb.gov.uk](http://www.lothian-vjb.gov.uk) or can be obtained from the Assessor. The Board's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

This statement explains how Lothian Valuation Joint Board delivers good governance and reviews the effectiveness of those arrangements. It also includes a statement on internal financial control in accordance with proper practice.

### The Board's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled, and its activities through which it accounts to, engages with and influences 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 services. The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance.

- Focusing on the purpose of the Board and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### The Board's Governance Framework (Contd.)

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives. These are outlined in the Board's annual Corporate & Service Plan. This will enable the Board to manage its key risks efficiently, effectively, economically and ethically. While the system of internal control is designed to manage risk at a reasonable level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

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

### Determining the Board's purpose, its vision for the local area and intended outcomes for the Community

The Board has communicated its vision in the Corporate & Service Plan. Delivery of the vision is the responsibility of the Board, the Assessor, Depute Assessor and Heads of Service. The Board has developed a partnership approach when working with other authorities.

### Review of Effectiveness

The Board has put in place arrangements, detailed in the Local Code, for monitoring each element of the framework and providing evidence of compliance. A Principal Officer within Lothian Valuation Joint Board has been nominated to review the effectiveness of the Local Code and will report annually to the Board.

The review of the effectiveness of its governance framework including the system of internal financial control is informed by:

- the work of the internal auditors and the Chief Internal Auditor's Annual Statement on the adequacy and effectiveness of the Board's system of internal financial control;
- the Assessor's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Board Managers; and
- the External Auditors in their Annual Audit Letter and other reports;

Through the year Elected Members and Officers have responsibility for the development and maintenance of the governance environment. These review mechanisms include:

- **The Lothian Valuation Joint Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Board's performance.
- **Internal Audit** provides an independent and objective assurance service to the Board who complete a programme of reviews throughout the year, to provide an opinion on internal control, risk management and governance arrangements of Lothian Valuation Joint Board.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### Review of Effectiveness (Contd.)

- **Audit Scotland's Annual Audit Report** is considered by the Board along with the output from other external audits.
- **The Strategic, Operational and Project Risk Registers** are reviewed as part of the Board's Corporate and Service Plan (the Corporate and Service Plan is approved by the Board). Key risks are monitored quarterly by the Board. This ensures that actions are taken to effectively manage the Board's highest risks.
- **The Monitoring Officer** is responsible to the Board for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

### Certification

In compliance with accounting practice, the Treasurer had provided the Chief Executive with a statement on the adequacy and effectiveness of the Board's internal financial control system for the year ended 31st March 2012. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

During the year, the Chief Internal Auditor reviewed changes to the current corporate governance arrangements and systems of internal control and his findings are included in the Chief Internal Auditor's Annual Report.

From this year's review there is evidence that the Code is operating effectively with overall compliance by the Board in all significant areas of its corporate governance arrangements.

**Acting Convener of Lothian Valuation Joint Board:**

**Date:**

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Lisa Beattie

.....

**Chief Executive and Clerk:**

**Date:**

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Sue Bruce MPhil LLB Dip FRSA

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**Assessor:**

**Date:**

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Joan M. Hewton BSc, FRICS

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**Treasurer:**

**Date:**

.....  
Karen Kelly, CPFA

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**Treasurer:**

**Date:**

.....  
Hugh Dunn, CPFA

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# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

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The Remuneration Report provides details of the Board's remuneration policy for its senior employees and states how remuneration arrangements are managed. Senior employees within the Board are defined as those having the responsibility for the management of the Board to the extent that they can direct or control the major activities of the Board. This includes activities involving the expenditure of money, during the year to which the report relates, whether solely or collectively with other persons.

As well as providing details of the Board's remuneration policy, the Remuneration Report will also show:

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2011/12;
- Details of the Board's senior employees who participate in the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the benefits provided under the scheme.

### **1. Audit of Remuneration Report**

All information disclosed in the remuneration tables in this Remuneration Report has been audited by Audit Scotland and all other sections of the Remuneration Report has been reviewed to ensure that they are consistent with the financial statements.

### **2. Remuneration policy**

The Lothian Valuation Joint Board is responsible for approving the remuneration level of the Assessor and Electoral Registration Officer, and the Depute Assessor, these being the only Chief Official posts within the Board. The Scottish Joint Negotiating Committee (SJNC) for Local authority Services sets the salaries for the Chief Officials of Scottish local authorities and is responsible for agreeing annual inflationary increases. The post of Assessor and Electoral Registration Officer was reviewed at the creation of the Joint Board in 1996. Advice on such matters is received from the Human Resources division of the City of Edinburgh Council and from the Director of Corporate Services, City of Edinburgh Council, who is currently the Monitoring Officer to the Board.

The salaries of all other employees is set by reference to the Scottish Joint Council for Local Government Employees for all other categories of staff. The Board's Scheme of Delegation provides the Assessor and Electoral Registration Officer with delegated authority to appoint employees within agreed staffing and expenditure levels. The City of Edinburgh Council provides remuneration advice and assistance to the Board on request.

The Convener and Vice-Convener of the Board are remunerated by the Council of which they are a council member. The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183).

The Board has an arrangement with each council that remunerates the Convener and Vice-Convener to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

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### 2. Remuneration policy (Contd.)

All other members of the Board are remunerated by the Council of which they are a council member.

The position of Chief Executive is provided and remunerated by the City of Edinburgh Council.

In 2011/12 the Board had two senior employees and the remuneration paid to these employees totalled £0.207m.

### 3. Pension Entitlement of Senior Employees

The Board's senior employees participate in the Local Government Pension Scheme administered by the Lothian Pension Fund. This is a final salary pension scheme which 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. The scheme's normal retirement age for employees is 65.

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

The tiers and members contributions rates for 2011/12 are as follows:

On earnings up to and including £18,500 (5.5%), on earnings above £18,500 and up to £22,600 (7.25%), on earnings above £22,600 and up to £30,900 (8.5%), on earnings above £30,900 and up to £41,200 (9.5%) and on earnings above £41,200 (12%).

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.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of 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 3/80ths of final pensionable salary and years of pensionable service.

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 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.

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

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### 4. Remuneration by Pay Band

Details of the Board's employees receiving more than £50,000 remuneration for the year, excluding employer's pension contributions are:

Remuneration Band	Number of Employees	
	2010/11	2011/12
£50,000 - £54,999	-	1
£55,000 - £59,999	2	1
£60,000 - £64,999	1	1
£65,000 - £89,999	-	-
£90,000 - £94,999	1	1
£95,000 - £109,999	-	-
£110,000 - £114,999	1	1
<b>Totals</b>	<b>5</b>	<b>5</b>

### 5. Remuneration paid to Senior Employees

The table below details remuneration paid to senior employees within the Board. Senior Employees are defined as having the responsibility for management of the Board to the extent that they can direct or control the major activities of the Board. This includes activities involving the expenditure of money, during the year to which the report relates, whether solely or collectively with other persons.

Name and Post Title	Salary, Fees and Allowances 31 March 2011 £	Salary, Fees and Allowances 31 March 2012 £
	J.Hewton - Assessor and Electoral Reg Officer	115,240
G. Strachan - Depute Assessor	92,268	92,042
<b>Total</b>	<b>207,508</b>	<b>206,508</b>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>	For year to 31 March 2011 £	For year to 31 March 2012 £
Name and Post Title		
J.Hewton - Assessor and Electoral Reg Officer	23,216	23,783
G. Strachan - Depute Assessor	18,638	19,093

<u>Accrued Pension Benefits</u>	As at 31 March 2012 £'000	Difference from 31 March 2011 £'000
Name and Post Title		
J.Hewton - Assessor and Electoral Reg Officer		
Pension	45	3
Lump sum	117	2
G. Strachan - Depute Assessor		
Pension	37	2
Lump sum	97	0

All senior employees shown in the tables above are members of the Local Government Pension Scheme.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, not solely their current appointment.

### 7. Remuneration of Convener and Vice Conveners

The following table provides details of the remuneration paid to the Board's Convener and Vice-Convener:

	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2011/12 £	Total Remun. 2010/11 £
S.Mclvor - Convener	5,408	0	5,408	5,714
L.Beattie - Vice-Convener	3,768	0	3,768	3,768
	9,176	0	9,176	9,482

During 2011/12, S.Mclvor was in post as Convener from 1st April 2011 until 24th June, 2011.

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 8. Exit Packages

The following information details the number, and total cost, of exit packages agreed, grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter. This is analysed between compulsory redundancies and other departures.

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Exit Packages Band	Number of Employees		Total Cost	
	2010/11	2011/12	2010/11 £	2011/12 £
£0 - £20,000	-	2	-	39,222
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	1	-	91,437
<b>Totals</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>130,659</b>

There have been no compulsory redundancies entered into by the Board during 2011/12. Costs are in respect of voluntary retirements which were approved on the basis of Regulation 30 (Rule of 85) of the Pension Fund Regulations. Costs incurred by the Board reflect the pension strain costs in respect of retirements before 60 years of age and there were no costs in respect of added years, ex-gratia payments or other departure expenses.

**Chief Executive and Clerk:**

**Date:**

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Sue Bruce, MPhil LLB Dip FRSA

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**Treasurer:**

**Date:**

.....  
Karen Kelly, CPFA

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**Treasurer:**

**Date:**

.....  
Hugh Dunn, CPFA

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# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT

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### **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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 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**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Lothian Valuation Joint Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT

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### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of Lothian Valuation Joint Board as at 31 March 2012 and of the income and expenditure of Lothian Valuation Joint Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

### Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

James Rundell, MA CPFA  
Senior Audit Manager  
7th Floor, Plaza Tower  
East Kilbride  
G74 1LW

Date signed: