

## Notice of Meeting and Agenda

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**Monday 22 June 2015 at 10:00am**  
**in the City Chambers, High Street, Edinburgh**

**1 Order of Business**

Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

**2 Declaration of Interests**

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

**3 Minute of the Lothian Valuation Joint Board of 16 March 2015**  
(circulated) – submitted for approval as a correct record

**4 Appointments** – report by the Chief Executive and Clerk (circulated)

**5 Unaudited Annual Accounts for the Year Ended 31 March 2015** - report by the Treasurer (circulated)

**6 Internal Audit - Annual Report** – report by Principal Audit Manager (circulated)

**7 Treasury Management Annual Report 2014-2015** – report by the Treasurer (circulated)

**8 Performance Report 2014-2015** – report by the Assessor and Electoral Registration Officer (circulated)

**Sue Bruce**  
Chief Executive and Clerk

## Membership

### **The City of Edinburgh Council (9)**

Councillor Nigel Bagshaw  
Councillor Deidre Brock  
Councillor Karen Doran  
Councillor Ricky Henderson  
Councillor Karen Keil  
Councillor Mark McInnes  
Councillor Adam McVey  
Councillor Jason Rust  
Councillor Norman Work (Convener)

### **Midlothian Council (2)**

Councillor Jim Bryant  
Councillor Margot Russell

### **West Lothian Council (3)**

Councillor Dave King  
Councillor Greg McCarra  
Councillor Barry Robertson (Vice-Convener)

### **East Lothian Council (2)**

Councillor Jim Gillies  
Councillor John McNeil

## Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Governance Service - Committee Services | Legal, Risk and Compliance | Corporate Governance | City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | tel 0131 529 4240 | email [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk)
- (2) A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception Office, City Chambers, High Street, Edinburgh.
- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings). Members and Officers of the City of Edinburgh Council can also view them by going to the Orb home page and clicking on Committee Business.



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# Lothian Valuation Joint Board

Edinburgh, 16 March 2015

**Present:**

**City of Edinburgh Council** – Councillors Work (Convener), Doran, Keil, McInnes and McVey.

**East Lothian Council** – Councillor McNeil (substituting for Councillor Hampshire).

**Midlothian Council** – Councillor Russell.

**West Lothian Council** – Councillor McCarra.

## 1 Minute

**Decision**

To approve the minute of the Lothian Valuation Joint Board of 9 February 2015 as a correct record.

## 2 Budget 2014-2015 – Projected Outturn

Details were given of the Board's projected revenue outturn position to 31 March 2015 based on the position at 31 January 2015 prepared in consultation with the Assessor.

The projected outturn at this stage against the core budget indicated net forecast expenditure of £5.997m which would result in an underspend of £121,000. The resulting reduction of £0.118m was principally due to the Scottish Government agreeing to refund Scottish Independence Referendum costs of £110,000 in relation to staffing (£74,000) and postage (£36,000).

**Decision**

To note the projected outturn position for 2014-2015.

(Reference – report by the Treasurer, submitted)

## 3 Annual Audit Plan 2014-2015

The external auditor's annual Audit Plan for the Board for 2014-15 was presented. Stephen O'Hagan, Audit Scotland presented an overview of the Audit Plan and highlighted key audit issues and risks.

**Decision**

To note the annual audit plan for 2014-2015.

(Reference – report by Audit Scotland, submitted)

#### **4 Annual Investment Strategy**

##### **Decision**

To approve the annual investment strategy set out in appendix 1 of the report by the Treasurer.

(Reference – report by the Treasurer, submitted)

#### **5 Assessor's Quarterly Progress Report**

The Assessor presented an update on the service overview and priorities, current issues and the future direction of the Joint Board.

Key priorities for the service included the transition to Individual Electoral Registration (IER), preparations for the Armadale/Blackridge by-election on 26 March 2015 and the UK General Election on 7 May 2015.

##### **Decision**

To note the report.

(Reference – report by the Assessor and Electoral Registration Officer, submitted)



## Appointments

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22 June 2015

### Purpose of report

- 1 To advise of appointments to the Joint Board following the resignation of a member from East Lothian Council and the City of Edinburgh Council.

### Membership of the Joint Board

- 2 On 21 April 2015, East Lothian Council appointed Councillor John McNeil to serve on the Lothian Valuation Joint Board in place of Councillor Norman Hampshire who had resigned.
- 3 On 28 May 2015, the City of Edinburgh Council appointed Councillor Deidre Brock to serve on the Lothian Valuation Joint Board in place of Councillor Sandy Howat who had resigned.

### Recommendations

- 4 The Joint Board is asked:
  - 4.1 To note the appointment of Councillor John McNeil to represent East Lothian Council.
  - 4.2 To note the appointment of Councillor Deidre Brock to represent City of Edinburgh Council.

**Sue Bruce**  
Chief Executive and Clerk

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<b>Appendices</b>	None
<b>Contact/tel</b>	Lesley Birrell, Office of the Chief Executive and Clerk ☎ 529 4240; ✉ <a href="mailto:lesley.birrell@edinburgh.gov.uk">lesley.birrell@edinburgh.gov.uk</a>
<b>Background Papers</b>	Correspondence from East Lothian Council and the City of Edinburgh Council

## Unaudited Annual Accounts for the Year Ended 31st March 2015

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22<sup>nd</sup> June 2015

### 1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2015.

### 2 Main Report

- 2.1 The unaudited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014 which requires that the Annual Accounts for the year 2014/15 be presented to the Board no later than 30th June, 2015.
- 2.2 The unaudited Annual Accounts for 2014/15 have been prepared in accordance with the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS).
- 2.3 The unaudited Annual Accounts were authorised for issue on the 3<sup>rd</sup> June 2015. The Statement of Responsibilities and Balance Sheet have been signed by the Treasurer.
- 2.4 The Statement of Responsibilities will be updated to reflect the Board's approval for signature of the Annual Accounts upon completion of the audit. Audit Scotland will present the *Report to those charged with governance on the 2014/15 audit* at the Board's meeting in September 2015. The Governance Statement and Remuneration Report included in the Annual Accounts will also require to be signed at this point.
- 2.5 The Annual Governance Statement includes details of the Governance Framework and a review of its effectiveness including the system of internal financial control. The Treasurer's opinion is that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal control system. This opinion is informed by the work of the Internal Audit, monitoring of controls by Board staff and External Audit. 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.

- 2.6 The Board has no power to establish a general reserve, however, the Board agreed to fund future liabilities for early staff release measures through the retention of unspent constituent council's requisition. The balance available at 31<sup>st</sup> March 2014 is £0.421m.
- 2.7 The outturn for the year shows an underspending of £0.175m. The Foreword provides details and the main reasons for this under spend. Upon completion of the audit of the Annual Accounts, the Board should consider whether it wishes to retain this under spend and carry forward as unspent requisitions, or return it to the constituent councils.

	2014/15 Requisition due to constituent authorities £'000
Edinburgh	107
Midlothian	16
East Lothian	19
West Lothian	33
<b>Total</b>	<b>175</b>

### 3 Recommendations

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Annual Accounts for 2014/15 will be re-presented to the Board on completion of the external audit and that a decision on the retention or refund of requisition will be required by the Board at this time.

**Hugh Dunn,  
Treasurer.**

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**Appendices:** Unaudited Annual Accounts for the Year Ended 31st March 2015

**Contact/Tel:** Mr. T.MacDonald: 0131 469 3078

**Background Papers:** Held at the Office of Treasurer





# Annual Accounts for the year to 31st March 2015

Unaudited



# LOTHIAN VALUATION JOINT BOARD

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# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

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### Members

Convener: Councillor Norman Work, City of Edinburgh Council  
Vice-Convener: Councillor Barry Robertson, West Lothian Council

***Appointed by The City of Edinburgh Council :*** Councillor Nigel Bagshaw  
Councillor Karen Doran  
Councillor Ricky Henderson  
Councillor Sandy Howat  
Councillor Karen Keil  
Councillor Mark McInnes  
Councillor Adam McVey  
Councillor Jason Rust  
Councillor Norman Work

***Appointed by East Lothian Council :*** Councillor Jim Gillies  
Councillor Norman Hampshire

***Appointed by Midlothian Council :*** Councillor Jim Bryant  
Councillor Margot Russell

***Appointed by West Lothian Council :*** Councillor Dave King  
Councillor Greg McCarra  
Councillor Barry Robertson

### Officials

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

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### Strategic Report

#### 1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2015. The Annual Accounts 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 Annual Accounts "present a true and fair view" of the financial position and transactions of the Board. The Annual Accounts have been prepared in accordance with the following fundamental accounting principles: relevance, reliability, comparability, understandability and materiality.

The accounting concepts of accruals, going-concern, and primacy of legislation requirements also apply.

All figures in the Annual Accounts are rounded to thousand pounds (£'000) unless stated otherwise.

To show the net position of the Board, adjustments are made to the Comprehensive Income and Expenditure Statement (CIES) to reflect differences in the accounting basis and funding basis under regulations. These adjustments ensure that the actual resources available to the Board are correctly accounted for in the Movement in Reserves Statement. These adjustments are shown in Note 6.

#### 2. Statutory Background

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.

#### 3. The Lothian Valuation Joint Board's strategy and business model

The Lothian Valuation Joint Board is a local authority organisation providing a range of services to and on behalf of City of Edinburgh, West Lothian, Midlothian, and East Lothian Councils. The services provided represent duties embedded in statute and associated legislation. Specifically they relate to the creation and maintenance of the Valuation Roll, Council Tax List and Electoral Register. The Board's strategy is to ensure best value and provide equitable, customer focused, high quality, professional valuation and electoral registration services for all its stakeholders. To support this aim Corporate and Service Plans indicate a detailed range of activities and objectives necessary to deliver services. These plans are underpinned by extensive project and risk management.

#### 4. Principal risks and uncertainties facing the Board.

The principal risks and uncertainties faced by the Board fall into two categories. Firstly, there is the funding uncertainty faced by all local authorities. The Board has a range of statutory duties to enact and services to deliver. While every attempt is made to do this within the budget provided, severe cuts may make this less achievable resulting in a reduction in the quality of service provided.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 4. Principal risks and uncertainties facing the Board (Contd.)

The second category relates to changes in legislation leading to changes in the services to be delivered. This can create pressures from both a financial and organisational perspective. Electoral Registration is currently undergoing a major overhaul with the introduction of Individual Electoral Registration. Changes are anticipated concerning the appeals process associated with the Valuation Roll and should be set against the backdrop of the 2017 General Revaluation, and Council Tax is currently under review with a range of amendments and alternative local taxes under consideration.

### 5. Review of the Lothian Valuation Joint Board performance 2014/15

The Board's expenditure was under requisition income by £0.175m for 2014/15. This under spend was mainly due to savings

During 2014/15 the Board reached a high level of performance as defined by its Key Performance Indicators. The principal of these show that 95.73% of all new houses were entered onto the Council Tax List within 3 months following occupation and that 75.78% of all Valuation Roll amendments were made within 3 months following completion. The Electoral Register is subject to performance monitoring by the Electoral Commission however due to the introduction of Individual Electoral Registration in 2014/15 the normal performance monitoring was not undertaken. In recent previous years the Board has met or exceeded all the performance criteria set and monitored by the Electoral Commission.

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

The outturn position, split between core Board duties and IER duties is summarised below:

	Core Revenue Budget			Individual Electoral Registration (IER)			Total		
	Budget 2014/15 £'000	Actual 2014/15 £'000	Variance 2014/15 £'000	Budget 2014/15 £'000	Actual 2014/15 £'000	Variance 2014/15 £'000	Budget 2014/15 £'000	Actual 2014/15 £'000	Variance 2014/15 £'000
• Employees	4,562	4,552	(10)	0	155	155	4,562	4,707	145
• Property	629	613	(16)	0	4	4	629	617	(12)
• Transport and Plant	103	109	6	0	3	3	103	112	9
• Supplies and Services	695	659	(36)	0	441	441	695	1,100	405
• Third Party Payments	95	108	13	0	0	0	95	108	13
• Support services	80	65	(15)	0	0	0	80	65	(15)
	<b>6,164</b>	<b>6,106</b>	<b>(58)</b>	<b>0</b>	<b>603</b>	<b>603</b>	<b>6,164</b>	<b>6,709</b>	<b>545</b>
• Sales, fees & charges	(43)	(160)	(117)	0	0	0	(43)	(160)	(117)
• IER Grant	0	0	0	0	(603)	(603)	0	(603)	(603)
• IORB	(3)	(3)	0	0	0	0	(3)	(3)	0
	<b>(46)</b>	<b>(163)</b>	<b>(117)</b>	<b>0</b>	<b>(603)</b>	<b>(603)</b>	<b>(46)</b>	<b>(766)</b>	<b>(720)</b>
	<b>6,118</b>	<b>5,943</b>	<b>(175)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>5,943</b>	<b>(175)</b>

For the year ended 31st March 2015, the Board had an under spend against budget on its Comprehensive Income and Expenditure account of £0.175m (Note 16.1 refers). Actual is 97.1% of budget.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2014/15 (Contd.)

The Board recorded income totalling £0.817m in relation to Individual Electoral Registration at 31st March 2015, mainly in relation to specific grant provided by the Cabinet Office. Expenditure against this grant was £0.603m and therefore £0.214m was carried forward in to financial year 2015/16.

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

• Employees	£'000 (10)
This is due to the ongoing review of vacant posts and staff turnover factor.	
• Property	(16)
This is mainly due to an under spend on utilities costs.	
• Supplies and Services	(36)
Mainly due to reduced ICT expenditure resulting from the requirement to deliver IER developments, which are subject to specific grant funding.	
• Third Party Payments	13
This is a result of a higher than anticipated activity of the Valuation Appeals Committee and additional property maintenance costs.	
• Income	(117)
£0.110m relates to income from the Scottish Government to recover the Scottish Independence Referendum. The balance relates to an over-recovery of other general income.	

The Board has no power to establish a general reserve, however the Board agreed a recommendation to fund future liabilities for early staff release measures. The under spends from 2010/11 - 2013/14 totalling £0.421m were carried forward as previously agreed. This does not include the under spend of £0.175m from 2014/15.

### 6. The main trends and factors likely to affect the future development and performance

Uncertainty with the future direction of any of the services provided by the Board, either in part or whole, can in the short term prohibit the introduction of improvements and better ways of working. This is in part mitigated by the fact the Board either directly or through its partner organisations participates in the consultative process.

We shall however aim to provide a high quality service within whatever legislative framework is in place at any particular time. Financial uncertainties especially those which represent substantial cuts in funding, and the inability to be able to forecast the exact nature and extent of these cuts in sufficient time to develop suitable strategies may have an impact on future development and performance. To date the major impact of budget constraints on service delivery has been mitigated by the provision of additional funding from central government in respect of the recent major statutory changes.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 6. The main trends and factors likely to affect the future development and performance (Contd.)

The overall Local Government Finance Settlement for 2015/16 shows a “flat-cash” position, relative to 2014/15.

At its meeting on the 9th February 2015, the Board approved a one year revenue budget for 2015/16. In view of the 'flat cash' funding assumption contained within the Spending Review, the budget approved for 2015/16 was in line with the 2014/15 provision of £6.118m.

In the absence of confirmed budget allocations, even at a Scotland-wide level, for local government beyond 2015/16, longer-term funding assumptions remain subject to considerable uncertainty. Those projections that are available, however, point to a tightening of the overall fiscal position and potential cash-reductions in funding provided through the Scottish Block grant over the following two years. The Board may face a number of challenges if the requisition from Constituent Council's was to reduce beyond the current flat-cash position with additional funding not provided for potential budget pressures. These include:

- The ongoing cost of Individual Electoral Registration (IER) - The expectation is that Cabinet Office funding for the transition to IER shall cease by 2016/17. Any additional budgetary expenditure needed to fulfil the requirements of IER shall fall to the Board's constituent councils to provide funding and at this stage there's no confirmation that the Local Government Finance Settlement will make allowance for this. It is also difficult to predict the ongoing financial requirement of IER due to the fact that ongoing 'steady state' costs are not known during the current implementation stage.
- The future of Council Tax is on the Scottish Government's agenda for consideration. It remains to be seen whether the current system shall face major or minor revision or indeed be removed altogether in favour of an alternative system. Autumn 2015 has been identified as the end of the consultation period. It is envisaged that the current system as it stands shall not remain and the Board considers that this expected change gives rise to financial uncertainty.
- The Scottish Government's response to the consultation “Supporting Business-Promoting Growth” is entering its second phase. Under consideration are changes to the appeal process associated with the Valuation Roll. This issue shall continue to be monitored for any financial implications.
- 2017 is a year of Revaluation and work shall continue to be under-taken into the 2016/17 year which may arise in some additional financial pressures.

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.

# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

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

### The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

### The Annual Accounts

The Annual Accounts present a true and fair view of the financial position of the Board as at 31st March 2015, and its income and expenditure for the year ended 31st March 2015.

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Hugh Dunn, CPFA (Treasurer)

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Date:



**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.

2013/14 - Previous Year Comparative	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2013</b>	<b>0</b>	<b>5,822</b>	<b>5,822</b>
<b>Movement in reserves during 2013/14</b>			
(Surplus) or deficit on provision of services	411	0	411
Other Comprehensive Expenditure and Income	0	1,353	1,353
<b>Total Comprehensive Expenditure and Income</b>	<b>411</b>	<b>1,353</b>	<b>1,764</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 6.1)</b>	<b>(411)</b>	<b>411</b>	<b>0</b>
<b>Net increase/(decrease) before transfers to Other Statutory Reserves</b>	<b>0</b>	<b>1,764</b>	<b>1,764</b>
Transfers to/from Other Statutory Reserves	0	0	0
<b>Increase/(Decrease) in 2013/14</b>	<b>0</b>	<b>1,764</b>	<b>1,764</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>0</b>	<b>7,586</b>	<b>7,586</b>

2014/15 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2014</b>	<b>0</b>	<b>7,586</b>	<b>7,586</b>
<b>Movement in reserves during 2014/15</b>			
(Surplus) or deficit on provision of services	501	0	501
Other Comprehensive Expenditure and Income	0	3,250	3,250
<b>Total Comprehensive Expenditure and Income</b>	<b>501</b>	<b>3,250</b>	<b>3,751</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 6.1)</b>	<b>(501)</b>	<b>501</b>	<b>0</b>
<b>Net increase/(decrease) before transfers to Other Statutory Reserves</b>	<b>0</b>	<b>3,751</b>	<b>3,751</b>
Transfers to/from Other Statutory Reserves	0	0	0
<b>Increase/(Decrease) in 2014/15</b>	<b>0</b>	<b>3,751</b>	<b>3,751</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>0</b>	<b>11,337</b>	<b>11,337</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.

2013/14				2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,555	(26)	1,529	Registration of Electors	1,713	(191)	1,522
4,666	(79)	4,587	Local Tax Collection	5,140	(572)	4,568
<b>6,221</b>	<b>(105)</b>	<b>6,116</b>	<b>Cost Of Services</b>	<b>6,853</b>	<b>(763)</b>	<b>6,090</b>
<b>Financing and Investment Income:</b>						
0	(3)	(3)	Interest & Investment income (Note 9.2)	0	(3)	(3)
0	0	0	Pensions interest cost & expected return on pensions assets	0	0	0
1,778	0	1,778	Interest Cost on Defined Benefit Obligation (Note 23.5)	1,868	0	1,868
0	(1,492)	(1,492)	Interest Income on Plan Assets (Note 23.4)	0	(1,517)	(1,517)
<b>1,778</b>	<b>(1,495)</b>	<b>283</b>	<b>Total Financing and Investment Income</b>	<b>1,868</b>	<b>(1,520)</b>	<b>348</b>
<b>Other operating Expenditure:</b>						
7	0	7	(Gains) / Losses on disposal of Non-Current Assets	0	0	0
<b>7</b>	<b>0</b>	<b>7</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Taxation and Non-Specific Grant Income:</b>						
0	(5,995)	(5,995)	Constituent council requisitions (Note 27)	0	(5,937)	(5,937)
<b>0</b>	<b>(5,995)</b>	<b>(5,995)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>0</b>	<b>(5,937)</b>	<b>(5,937)</b>
<b>8,006</b>	<b>(7,595)</b>	<b>411</b>	<b>(Surplus) or Deficit on Provision of Services (Note 16.1)</b>	<b>8,721</b>	<b>(8,220)</b>	<b>501</b>
<b>Other Comprehensive Income and Expenditure:</b>						
0	0	0	Surplus or deficit on revaluation of non-current assets	0	0	0
1,835	0	1,835	Change in Financial Assumptions (Note 23.5)	5,701	0	5,701
0	0	0	Change in Demographic Assumptions (Note 23.5)	2,014	0	2,014
6	0	6	Other Experience (Note 23.5)	0	(23)	(23)
0	(488)	(488)	Return on pension assets excl. amounts included in net int. (Note 23.4)	0	(4,442)	(4,442)
		0	Actuarial gains / losses on pension assets / liabilities			0
<b>9,847</b>	<b>(8,083)</b>	<b>1,764</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>16,436</b>	<b>(12,685)</b>	<b>3,751</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".

<b>31 March 2014 £'000</b>		Notes	<b>31 March 2015 £'000</b>
512	Property, plant and equipment	7.1	564
63	Intangible assets	8	65
102	Long-term debtors	25	96
<u>677</u>	<b>Long term assets</b>		<u>725</u>
0	Inventories	10	0
165	Short-term debtors	11	164
924	Cash and cash equivalents	12	1,233
<u>1,089</u>	<b>Current assets</b>		<u>1,397</u>
(650)	Short-term creditors	13	(994)
<u>(650)</u>	<b>Current liabilities</b>		<u>(994)</u>
(630)	Other long-term liabilities	26	(595)
(8,072)	Other long-term liabilities (Pensions)	23.3	(11,870)
<u>(8,702)</u>	<b>Long-term liabilities</b>		<u>(12,465)</u>
<u><b>(7,586)</b></u>	<b>Net assets</b>		<u><b>(11,337)</b></u>
7,586	Unusable reserves	14	(11,337)
<u><b>7,586</b></u>	<b>Total reserves</b>		<u><b>(11,337)</b></u>

The unaudited Annual Accounts were authorised for issue on the 3rd June 2015.

Hugh Dunn, CPFA (Treasurer)

Date:

# 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.

31 March 2014 £'000	31 March 2014 £'000		31 March 2015 £'000	31 March 2015 £'000
<b>OPERATING ACTIVITIES</b>				
(84)		Cash received for goods and services	(646)	
(23)		Other local authorities	(117)	
(3)		Interest received	(3)	
(5,991)		Other operating cash receipts	(6,001)	
	<b>(6,101)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,767)</b>
4,297		Cash paid to and on behalf of employees	4,526	
1,648		Cash paid to suppliers of goods and services	1,795	
	<b>5,945</b>	<b>Cash outflows generated from operating activities</b>		<b>6,321</b>
	<b>(156)</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(446)</b>
<b>INVESTING ACTIVITIES</b>				
98		Purchase of property, plant and equipment and intangible assets.	137	
0		Proceeds from sales of property, plant and equipment and intangible assets.	0	
	<b>98</b>	<b>Net cash flows from investing activities</b>		<b>137</b>
	<b>0</b>	<b>Net cash flows from financing activities</b>		<b>0</b>
	<b>(58)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(309)</b>
1st April			1st April	
866		Cash and cash equivalents	924	
	866			924
31st March			31st March	
924		Cash and cash equivalents	1,233	
	924			1,233
	<b>(58)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(309)</b>

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES

---

### 1.1 General

The Annual Accounts 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 Annual Accounts "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 Annual Accounts for the year ended 31st March 2015.

The Annual Accounts 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 Annual Accounts 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. In most cases intangible assets are depreciated over the period of the licence, however, where the period of the licence is deemed 'infinite' the software will be depreciated based on an assessment of expected useful life. Depreciation charges commence 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 (Leasehold improvements) Depreciated over remaining life of asset	17
Vehicles, plant and equipment	5

##### 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 of 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. The balance of inventories held 2012/13 was deemed to have no realisable value and was written off to the Income and Expenditure during 2013/14.

# 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 Annual Accounts 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. Interest Cost on Defined Pension Obligation and Interest Income on Plan Assets have been included in the "Surplus or Deficit on the Provision of Services" within the Comprehensive Income and Expenditure Statement. Other comprehensive income and expenditure within the statements also now shows the financial effect of changes in financial assumptions, other experience and return on pension assets excluding amounts included in net interest.

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 Annual Accounts 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, 2015, 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 Annual Accounts 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

---

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code. For 2014/15 the following accounting policy changes that need to be reported relate to:

IFRS 13 Fair Value Measurement, Annual Improvements to IFRSs 2011 – 2013 Cycle and IFRIC 21 Levies.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 annual accounts. IFRS 13 relates to Fair Value Measurement with changes to increase consistency and comparability in fair value measurements and related disclosures. The issues included in the Annual Improvements to the 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property.

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government. Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

## 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

---

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 £0.001m 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 2014/15, the Board's actuaries advised that the balance sheet position has deteriorated since last year. This was principally due to two main factors:

- Reductions in financial assumptions - such as discount rate, salary growth, pension increases and demographic assumptions such as longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value. The effect of this is a negative impact on the balance sheet and CIES. This has been partially offset by:
- Investment performance - higher than expected. The effect of this was to increase assets and results in a positive 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%	6,068
1 year increase in member life expectancy	3%	1,597
0.5% increase in the Salary Increase Rate	5%	2,481
0.5% increase in the Pension Increase Rate	6%	3,406

## 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.

2014/15 - Current Financial Year	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'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	(73)	73	0	0	73
(Gain) / Loss on disposal of non-current assets	0	0	0	0	0
Amortisation of intangible assets	(10)	10	0	0	10
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	137	(137)	0	0	(137)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,330)	0	1,330	0	1,330
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	782	0	(782)	0	(782)
<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	(7)	0	0	7	7
<b>Total Adjustments</b>	<b>(501)</b>	<b>(54)</b>	<b>548</b>	<b>7</b>	<b>501</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.

2013/14 - Previous Year Comparative	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'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	(61)	61	0	0	61
(Gain) / Loss on disposal of non-current assets	(7)	7	0	0	7
Amortisation of intangible assets	(10)	10	0	0	10
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	98	(98)	0	0	(98)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,181)	0	1,181	0	1,181
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	767	0	(767)	0	(767)
<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	(17)	0	0	17	17
<b>Total Adjustments</b>	<b>(411)</b>	<b>(20)</b>	<b>414</b>	<b>17</b>	<b>411</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 2014/15</u></b>			
<b>Cost or Valuation</b>			
At 1st April 2014	432	298	730
Impairment	0	0	0
Derecognition - disposals	0	0	0
Additions	0	124	124
At 31st March 2015	432	422	854
<b>Accumulated Depreciation</b>			
At 1st April 2014	(113)	(105)	(218)
Disposals/Impairment depreciation reversal	0	0	0
Depreciation charge	(18)	(54)	(72)
At 31st March 2015	(131)	(159)	(290)
<b>Net Book Value at 31st March 2015</b>	<b>301</b>	<b>263</b>	<b>564</b>
<b>7.2 <u>Previous Year Movements in 2013/14</u></b>			
<b>Cost or Valuation</b>			
At 1st April 2013	414	433	847
Impairment	0	(6)	(6)
Derecognition - disposals	0	(209)	(209)
Additions	18	80	98
At 31st March 2014	432	298	730
<b>Accumulated Depreciation</b>			
At 1st April 2013	(97)	(273)	(370)
Disposals/Impairment depreciation reversal	0	212	212
Depreciation charge	(16)	(44)	(60)
At 31st March 2014	(113)	(105)	(218)
<b>Net Book Value at 31st March 2014</b>	<b>319</b>	<b>193</b>	<b>512</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) - 17 years
- Vehicles, plant and equipment - 5 years

### 7.4 Capital Commitments

At 31st March 2015, 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	301	263	564
Valued at fair values as at:			
• 31st March 2014	0	0	0
• 31st March 2013	0	0	0
• 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>301</u>	<u>263</u>	<u>564</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 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:

3 years:	Sophos upgrade - Dacoll
10 years :	Dacoll virtual environment - software/licences Microsoft Office licences Document & Data Disposal Module software

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.010m was charged to the Comprehensive Income and Expenditure during 2014/15.

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

	2013/14 £'000	2014/15 £'000
Balance at start of year:		
• Gross carrying amounts	124	77
• Accumulated amortisation	(47)	(14)
<b>Net carrying amount at start of year</b>	<b>77</b>	<b>63</b>
Additions	0	12
Impairment of assets	(9)	0
Derecognition - disposals	(38)	0
Derecognition - disposals (accum amort adjustment)	43	0
Amortisation for the period	(10)	(10)
<b>Net carrying amount at end of year</b>	<b>63</b>	<b>65</b>
Comprising:		
• Gross carrying amounts	77	89
• Accumulated amortisation	(14)	(24)
	<u>63</u>	<u>65</u>

# 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 changed its Accounting Policy in respect of the transfer of assets to comply with amendments to IFRS 7 issued in October 2010. The standard does not have a material impact on the Annual Accounts of the Board.

	Long-term		Current	
	31st March 2014 £'000	31st March 2015 £'000	31st March 2014 £'000	31st March 2015 £'000
<b>Investments</b>				
Loans and receivables	0	0	924	1,232
<b>Creditors</b>				
Trade creditors	0	0	(17)	(22)

### 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 2014 £'000	Financial Liabilities measured at amortised cost 31st March 2015 £'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 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade debtors	(17)	(17)	(22)	(22)
Loans and receivables	924	924	1,232	1,232

# LOTHIAN VALUATION JOINT BOARD

## 10. INVENTORIES

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The stock held at 31st of March 2014 was deemed as having no realisable value and was written off to the Comprehensive Income and Expenditure Account during 2013/14. The majority of this stock related to paper and envelopes and the balance is not considered to be material.

## 11. SHORT TERM DEBTORS

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	31st March 2014 £'000	31st March 2015 £'000
Debtors:		
• HM Revenues and Customs - VAT	40	50
• Rent	57	57
• Car leasing	25	10
• Car purchase advances	0	0
• Annual licenses, support or maintenance	23	25
• Insurances	15	17
• Other entities and individuals	5	5
	<hr/>	<hr/>
	165	164
	<hr/>	<hr/>

## 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 2014 £'000	31st March 2015 £'000
Cash held by the Board	1	1
Other local authorities	923	1,232
	<hr/>	<hr/>
	924	1,233
	<hr/>	<hr/>

## LOTHIAN VALUATION JOINT BOARD

### 13. SHORT TERM CREDITORS

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	31st March 2014 £'000	31st March 2015 £'000
Other local authorities	(421)	(596)
Employee costs	(89)	(96)
Valuation Appeals Panel - Secretary's fees	(12)	(12)
IER Grant	(80)	(214)
Other entities and individuals	(48)	(76)
<b>Total</b>	<b>(650)</b>	<b>(994)</b>

### 14. UNUSABLE RESERVES

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	31st March 2014 £'000	31st March 2015 £'000
14.1 Capital Adjustment Account	(574)	(629)
14.2 Pension Reserve	8,072	11,870
14.3 Accumulated Absence Account	88	96
	<b>7,586</b>	<b>11,337</b>

# 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1st April</b>	(554)	(574)
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	60	72
• Revaluation losses on Property, Plant and Equipment	0	0
• Amortisation of intangible assets	10	10
• Amounts of non-current assets written off on gain/loss on disposal to CIES	8	0
Net written out amount of the cost of non-current assets consumed in year	(476)	(492)
Capital financing for the year:		
• Use of capital receipts to finance new capital expenditure	0	0
• Statutory provision for the financing of capital expenditure	(98)	(137)
<b>Balance at 31st March</b>	<b>(574)</b>	<b>(629)</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.)

	2013/14 £'000	2014/15 £'000
<b>Balance at 1st April</b>	6,305	8,072
Actuarial gains or losses on pension assets and liabilities	0	0
Remeasurements of the net defined benefit liability / (asset)	1,353	3,250
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.	1,181	1,330
Employer's pension contributions and direct payments to pensioners payable in the year.	(767)	(782)
<b>Balance at 31st March</b>	<u>8,072</u>	<u>11,870</u>

### 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.

	2013/14 £'000	2013/14 £'000	2014/15 £'000	2014/15 £'000
<b>Balance at 1st April</b>		71		88
Settlement or cancellation of accrual made at the end of the preceding year	(71)		(88)	
Amounts accrued at the end of the current year	<u>88</u>		<u>96</u>	
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		17		8
<b>Balance at 31st March</b>		<u>88</u>		<u>96</u>

# 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.

	2013/14 £'000	2014/15 £'000
Net increase/(decrease) in the General Fund Balance	0	0
Exclude accumulated absences	17	7
Exclude revenue contribution to capital	(97)	(137)
	<hr/>	<hr/>
	(80)	(130)
(Decrease)/increase in revenue debtors	1	(1)
(Decrease)/increase in long term debtors	(6)	(6)
(Decrease)/increase in stocks	(16)	0
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors *	(90)	(344)
	<hr/>	<hr/>
Revenue activities net cash flow	(156)	(446)

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

	2013/14 £'000	2014/15 £'000
Due by/(to) the City of Edinburgh Council at 31st March	866	924
Due by/(to) the City of Edinburgh Council at 1st April	924	1,233
	<hr/>	<hr/>
(Increase)/decrease in cash	(58)	(309)

## 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 Annual Accounts. 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 2014/15 - Current Year</b>	<b>2014/15</b>
<b>Service Information</b>	<b>£'000</b>
Fees, charges and other service income	(763)
Interest and investment income	(3)
Income from requisitions	(6,113)
Govt grants and other contributions	0
	<hr/>
	(6,879)
	<hr/>
Employee expenses	4,708
Other operating expenses	1,931
Support Services	65
	<hr/>
	6,704
	<hr/>
<b>Cost of Services</b>	<b>(175)</b>

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

Cost of Service in Service Analysis	(175)
Add: amounts not reported to management	1,068
Remove: amounts reported to management not included in CIES	5,197
	<hr/>
<b>Net Cost of Services in CIES</b>	<b>6,090</b>

	Service Analysis £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/ Deficit on Provision of Service £'000
<b>Reconciliation to Subjective Analysis</b>							
Fees, charges and other income	(763)	0	0	0	(763)	0	(763)
Interest and investment income	(3)	0	3	0	0	(3)	(3)
Income from requisitions	(6,113)	0	6,113	0	0	(5,937)	(5,937)
Interest (receipts) / cost	0	0	0	0	0	351	351
	<hr/>						
Total Income	(6,879)	0	6,116	0	(763)	(5,590)	(6,353)
	<hr/>						
Employee expenses	4,708	986	(782)	26	4,938	0	4,938
Other operating expenses	1,931	0	(137)	39	1,833	0	1,833
Support Services	65	0	0	(65)	0	0	0
Depreciation, amort & impair	0	82	0	0	82	0	82
Interest payments	0	0	0	0	0	0	0
Gain/Loss on disposal of assets	0	0	0	0	0	0	0
	<hr/>						
Total Expenditure	6,704	1,068	(919)	0	6,853	0	6,853
	<hr/>						
<b>(Surplus) or Deficit on the Provision of Service</b>	<b>(175)</b>	<b>1,068</b>	<b>5,197</b>	<b>0</b>	<b>6,090</b>	<b>(5,590)</b>	<b>501</b>

# LOTHIAN VALUATION JOINT BOARD

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

<b>16.2 2013/14 - Comparative figures</b>	<b>2013/14</b>
<b>Service Information</b>	<b>£'000</b>
Fees, charges and other service income	(105)
Interest and investment income	(3)
Income from requisitions	(6,113)
Govt grants and other contributions	0
	<u>(6,221)</u>
Employee expenses	4,358
Other operating expenses	1,683
Support Services	62
	<u>6,103</u>
<b>Cost of Services</b>	<b>(118)</b>

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

Cost of Service in Service Analysis	(118)
Add: amounts not reported to management	983
Remove: amounts reported to management not included in CIES	5,251
	<u>6,116</u>
<b>Net Cost of Services in CIES</b>	<b>6,116</b>

	Service Analysis £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	(Surplus)/ Deficit on Provision of Service £'000
<b>Reconciliation to Subjective Analysis</b>							
Fees, charges and other income	(105)	0	0	0	(105)	0	(105)
Interest and investment income	(3)	0	3	0	0	(3)	(3)
Income from requisitions	(6,113)	0	6,113	0	0	(5,995)	(5,995)
Interest (receipts) / cost	0	0	0	0	0	286	286
<b>Total Income</b>	<b>(6,221)</b>	<b>0</b>	<b>6,116</b>	<b>0</b>	<b>(105)</b>	<b>(5,712)</b>	<b>(5,817)</b>
Employee expenses	4,358	912	(767)	25	4,528	0	4,528
Other operating expenses	1,683	0	(98)	37	1,622	0	1,622
Support Services	62	0	0	(62)	0	0	0
Depreciation, amort & impair	0	71	0	0	71	0	71
Interest payments	0	0	0	0	0	0	0
Gain/Loss on disposal of assets	0	0	0	0	0	7	7
<b>Total Expenditure</b>	<b>6,103</b>	<b>983</b>	<b>(865)</b>	<b>0</b>	<b>6,221</b>	<b>7</b>	<b>6,228</b>
<b>(Surplus) or Deficit on the Provision of Service</b>	<b>(118)</b>	<b>983</b>	<b>5,251</b>	<b>0</b>	<b>6,116</b>	<b>(5,705)</b>	<b>411</b>

# LOTHIAN VALUATION JOINT BOARD

## 17. MEMBERS ALLOWANCES

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The Board paid the following amounts to members during the year.  
These figures include NI and Pensions.

	2013/14 £000's	2014/15 £000's
Salaries (incl. NI and Pensions)	9	9
Expenses	0	0
Total	<u>9</u>	<u>9</u>

## 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:	2013/14 £000's	2014/15 £000's
<ul style="list-style-type: none"><li>external audit services carried out by the appointed auditor for the year</li></ul>	<u>7</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 2014/15 (2013/14 £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.

# 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 2014/15 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:

	2013/14 £000's	2014/15 £000's
<b>• The City of Edinburgh Council:</b>		
Rates	180	184
Central support costs	63	65
Interest on revenue balances	(3)	(3)
Constituent council contribution	(3,742)	(3,740)
Car purchase advances	0	0
Due from City of Edinburgh Council	924	1,232
Long term debtor - lease of office	102	96
Convener remuneration *	5	5
<b>• The Scottish Government - referendum costs recovered</b>	(45)	(110)
<b>• The Cabinet Office - IER grant received</b>	(98)	(806)
<b>• Midlothian Council</b>		
Constituent council contribution	(555)	(556)
<b>• East Lothian Council</b>		
Constituent council contribution	(673)	(674)
<b>• West Lothian Council</b>		
Constituent council contribution	(1,142)	(1,143)
Vice Convener remuneration *	4	4

\* 2013/14 figure adjusted from published audited accounts.

## 21. TERMINATION BENEFITS

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No exit packages were entered in to during 2014/15.

# 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.

	2013/14 £000's	2014/15 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
• Property, Plant and Equipment	98	124
• Intangible assets	0	13
Sources of finance		
• Capital receipts	0	0
• Direct revenue contributions	(98)	(137)
<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:

	2013/14 £000	2013/14 £000	2014/15 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	840		979	
Past service costs	<u>55</u>		<u>0</u>	
		895		979
<i>Financing and investment income:</i>				
Net interest expense		<u>286</u>		<u>351</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		1,181		1,330
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(488)		(4,442)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	1,835		7,715	
Other experience	<u>6</u>		<u>(23)</u>	
		<u>1,353</u>		<u>3,250</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>2,534</u>		<u>4,580</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(1,767)</u>		<u>(3,798)</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		690		703
Contributions in respect of unfunded benefits		<u>77</u>		<u>79</u>
		<u>767</u>		<u>782</u>



# LOTHIAN VALUATION JOINT BOARD

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

### 23.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2013/14	2014/15
	£000	£000
Fair value of employer assets	35,206	41,358
Present value of funded liabilities	-41,610	-51,352
Present value of unfunded liabilities	-1,668	-1,876
Net liability arising from defined benefit obligation	<u>-8,072</u>	<u>-11,870</u>

### 23.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2013/14	2014/15
	£000	£000
Opening fair value of scheme assets	33,074	35,206
Interest income	1,492	1,517
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	488	4,442
Contributions from employer	690	703
Contributions from employees into the scheme	224	239
Contributions in respect of unfunded benefits	77	79
Benefits paid	-762	-749
Unfunded benefits paid	-77	-79
Closing fair value of scheme assets	<u>35,206</u>	<u>41,358</u>

### 23.5 Reconciliation of Present Value of the Scheme Liabilities

	2013/14	2014/15
	£000	£000
Present value of funded liabilities	-37,761	-41,610
Present value of unfunded liabilities	-1,618	-1,668
Opening balance at 1 April	<u>-39,379</u>	<u>-43,278</u>
Current service cost	-840	-979
Interest cost	-1,778	-1,868
Contributions from employees into the scheme	-224	-239
Remeasurement gain / (loss):		
Change in financial assumptions	-1,835	-5,701
Change in demographic assumptions	0	-2,014
Other experience	-6	23
Past service cost	-55	0
Benefits paid	762	749
Unfunded benefits paid	77	79
Closing balance at 31 March	<u>-43,278</u>	<u>-53,228</u>

# LOTHIAN VALUATION JOINT BOARD

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

### 23.6 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2013/14		2014/15	
	£000	%	£000	%
<b><u>Equity Securities</u></b>				
Consumer *	5,335.1	13	5,800.6	14
Manufacturing *	4,805.7	12	4,864.8	12
Energy and Utilities *	3,917.6	9	4,132.4	10
Financial Institutions *	2,452.3	6	3,407.5	8
Health and Care *	2,401.9	6	2,818.2	7
Information technology *	2,290.2	6	2,586.5	6
Other *	1,555.6	5	1,852.3	4
<b>Sub-total Equity Securities</b>	<b>22,758.4</b>		<b>25,462.3</b>	
<b><u>Debt Securities:</u></b>				
Corporate Bonds (investment grade)	1,138.2	3	0.0	0
Corporate Bonds (non-investment grade)	171.2	0	0.0	0
UK Government *	1,198.1	3	2,394.8	6
Other *	30.0	0	1,019.9	2
<b>Sub-total Debt Securities</b>	<b>2,537.5</b>		<b>3,414.7</b>	
<b><u>Private Equity</u></b>				
All *	286.9	1	0.0	0
All	3,983.9	10	4,795.7	12
<b>Sub-total Private Equity</b>	<b>4,270.8</b>		<b>4,795.7</b>	
<b><u>Real Estate:</u></b>				
UK Property	2,452.9	6	2,705.2	7
Overseas Property	285.2	1	419.4	1
<b>Sub-total Real Estate</b>	<b>2,738.1</b>		<b>3,124.6</b>	
<b><u>Investment Funds and Unit Trusts:</u></b>				
Equities *	365.3	2	448.7	2
Equities	130.8	0	0.0	0
Bonds *	150.4	0	118.8	0
Infrastructure *	0.0	0	248.7	1
Commodities *	119.6	0	132.2	0
Other	0.0	0	147.7	0
Other *	114.4	0	133.7	0
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>880.5</b>		<b>1,229.8</b>	
<b><u>Derivatives:</u></b>				
Foreign Exchange *	0.0	0	63.4	0
Other	3.7	0	0.0	0
<b>Sub-total Derivatives</b>	<b>3.7</b>		<b>63.4</b>	
<b><u>Cash and Cash Equivalents</u></b>				
All *	2,016.9	5	3,267.5	8
<b>Sub-total Cash and Cash Equivalents</b>	<b>2,016.9</b>		<b>3,267.5</b>	
<b>Total Fair Value of Employer Assets</b>	<b>35,205.9</b>	<b>88</b>	<b>41,358.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in active markets.

# LOTHIAN VALUATION JOINT BOARD

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

### 23.7 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2015 were those from the beginning of the year (i.e. 31 March 2014) and have not been changed during the year. The main assumptions in the calculations are:

<u>Expected return on assets</u>	2013/14	2014/15
Equity investments	6.0%	10.1%
Bonds	6.0%	10.1%
Property	6.0%	10.1%
Cash	6.0%	10.1%

#### Average future life expectancies at age 65:

Current pensioners	male	20.4 years	22.1 years
Current pensioners	female	22.8 years	23.7 years
Future pensioners	male	22.6 years	24.2 years
Future pensioners	female	25.4 years	26.3 years

<u>Financial assumptions:</u>	2013/14	2014/15
Pension increase rate	2.8%	2.4%
Salary increase rate (see below) *	5.1%	4.3%
Discount rate	4.3%	3.2%

\* Note: The salary increases are assumed to be 1.0% p.a. until 31 March 2015, reverting to the long-term assumption shown thereafter.

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2015 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

<u>Change in assumptions at 31 March 2015</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	11.0%	6,068
1 year increase in member life expectancy	3.0%	1,597
0.5% increase in the Salary Increase Rate	5.0%	2,481
0.5% increase in the Pension Increase Rate	6.0%	3,406

### 23.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2016

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(1,152)	(940)	33.30%
Total Service Cost	0	(1,152)	(940)	33.30%
Interest income on plan assets	1,319	0	1,319	38.10%
Interest cost on defined benefit obligation	0	(1,705)	(1,705)	49.30%
Total Net Interest Cost	1,319	(1,705)	(386)	11.20%
Total included in Profit or Loss	1,319	(2,857)	(1,538)	44.50%

The Board's estimated contribution to Lothian Pension Fund for 2015/16 is £0.726m.

# LOTHIAN VALUATION JOINT BOARD

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

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### 23.9 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Board has agreed a contribution stability mechanism with the schemes actuary until 31st March 2018.

## 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

	2013/14 £000's	2014/15 £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>	3,663	3,358
The Board has no finance lease obligations.	<u>5,494</u>	<u>5,189</u>

## 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 17 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2013/14 £000's	2014/15 £000's
<ul style="list-style-type: none"><li>Cash incentive:</li></ul>		
Balance at 1st April	107	102
Amortised to Comprehensive Income and Expenditure Statement	(5)	(6)
Balance at 31st March	<u>102</u>	<u>96</u>
<ul style="list-style-type: none"><li>Car purchase advances (Balances due more than 12 months)</li></ul>	0	0
Total	<u>102</u>	<u>96</u>

## 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.

	2013/14 £000's	2014/15 £000's
Balance at 1st April	(665)	(630)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(630)</u>	<u>(595)</u>

# 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 2014/15 £000's	Amount received 2014/15 £000's	Amount due (to)/from Constituent Councils 2014/15 £000's
City of Edinburgh Council	3,635	3,740	(105)
Midlothian Council	539	556	(17)
East Lothian Council	654	674	(20)
West Lothian Council	1,110	1,143	(33)
	<hr/>	<hr/>	<hr/>
	5,938	6,113	(175)

## 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 Annual Accounts. For all of the financial risks, the impact on Annual Accounts 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;
- 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.

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

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- 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 2015 amounted to £1.232m (2013/14 £0.828m). 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.

This statement explains how the 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. This will enable the Board to manage its key risks efficiently, effectively, economically and ethically.

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

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.

### 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 and 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 LVJB 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 Head of Internal Audit'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 by completing 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 2015. 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 Head of Internal Audit reviewed changes to the current corporate governance arrangements and systems of internal control and his findings are included in the Head of Internal Audit'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.

# 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 2014/15;
- 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 will be audited by Audit Scotland and all other sections of the Remuneration Report has been reviewed to ensure that they are consistent with the Annual Accounts.

### **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 Governance, 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 Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200).

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.

### 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 2014/15 are as follows:

On earnings up to and including £20,335 (5.5%), on earnings above £20,335 and up to £24,853 (7.25%), on earnings above £24,853 and up to £34,096 (8.5%), on earnings above £34,096 and up to £45,393 (9.5%) and on earnings above £45,393 (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:

<u>Remuneration Band</u>	Number of Employees	
	2013/14	2013/14
£50,000 - £54,999	-	-
£55,000 - £59,999	3	3
£60,000 - £64,999	1	-
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	1	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
<b>Totals</b>	<b>7</b>	<b>6</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.

<u>Name and Post Title</u>	Salary, Fees and Allowances 31 March 2014 £	Salary, Fees and Allowances 31 March 2015 £
	J.Hewton - Assessor and Electoral Reg Officer	115,508
G. Strachan - Depute Assessor	92,951	94,875
<b>Total</b>	<b>208,460</b>	<b>211,531</b>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to	For year to
Name and Post Title		31 March	31 March
		2014	2015
		£	£
J.Hewton - Assessor and Electoral Reg Officer		24,021	24,261
G. Strachan - Depute Assessor		19,284	19,476
<u>Accrued Pension Benefits</u>		As at	Difference
Name and Post Title		31 March	from
		2015	31 March
		£'000	2014
			£'000
J.Hewton - Assessor and Electoral Reg Officer	Pension	54	4
	Lump sum	127	4
G. Strachan - Depute Assessor	Pension	42	2
	Lump sum	99	1

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 by the Board, excluding NI and Pensions.

	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
N.Work - Convener	4,142	0	4,142	4,101
B.Robertson - Vice-Convener	3,075	0	3,075	3,075
	<u>7,217</u>	<u>0</u>	<u>7,217</u>	<u>7,176</u>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 8. Pension Entitlement of Convener and Vice Convener

<u>In-year pension contributions</u>		For year to 31 March 2014 *	For year to 31 March 2015 *
Name and Post Title		£	£
N.Work - Convener		4,366	4,410
B.Robertson - Vice-Convener		3,965	4,006
<u>Accrued Pension Benefits</u>		As at 31 March 2015 *	Difference from 31 March 2014 *
Name and Post Title		£'000	£'000
N.Work - Convener	Pension	3	1
	Lump sum	2	0
B.Robertson - Vice-Convener	Pension	1	1
	Lump sum	0	0

\* includes full pension entitlement as a Councillor, not just that in respect of Convener/Vice Convener of the Lothian Valuation Joint Board.

### 9. 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.

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs. No exit packages were agreed 2014/15.

Exit Packages Band	Number of Employees		Total Cost	
	2013/14	2014/15	2013/14 £	2014/15 £
£0 - £20,000	-	-	-	-
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	2	-	92,961	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
<b>Totals</b>	<b>2</b>	<b>0</b>	<b>92,961</b>	<b>0</b>

There have been no compulsory redundancies entered into by the Board. Costs for 2013/14 are in respect of voluntary retirements which were approved on the basis of Regulation 30 (Rule of 85) of the Pension Fund Regulations.

# Lothian Valuation Joint Board

## Internal Audit – Annual Report

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**22 June 2015**

### **1. Purpose of this report**

This report highlights the work carried out by Internal Audit for the Financial Year 2014/15.

### **2. Summary**

- 2.1 Due to the size of the organisation LVJB has no Audit Committee. The External Auditor has however recommended that an Annual Report is provided by the Head of Internal Audit. This report is designed to meet that requirement.
- 2.2 Overall reasonable assurance can be placed upon the internal controls in place within the Board and I am pleased to include my Statement of Assurance (Appendix 1).
- 2.3 My statement, along with the work of managers of LVJB and External Audit, helps inform the Annual Governance Statement (Appendix 2) which includes the Treasurer's Statement on the effectiveness of the Authority's internal financial control. Although considered unlikely, it should be noted that any major issues raised by the External Auditor in the audit of the accounts could affect the Draft Annual Governance Statement.

### **3. Governance**

- 3.1 Internal Audit and the management of LVJB have undertaken a review of the corporate governance arrangements within the Board against best practice and concluded that the arrangements are fully compliant.

### **4. Promotion of internal control**

- 4.1 The Internal Audit Section ensures a systematic appraisal of the Board's control environment and framework of internal controls by being active in a number of areas within the Board. The Section's work is based upon a risk analysis of the Board's activities to ensure that the limited resources of the Section are used in the most effective way.
- 4.2 The Section has also provided the Board with ongoing advice on corporate governance issues when required, including ensuring the framework that demonstrates compliance with appropriate governance arrangements remains current.

## **5. Treasurer's Assurance Statement**

- 5.1 Within the Accounting Code of Practice there is a requirement for the Treasurer to sign an annual statement on the adequacy of the internal controls in place within the financial systems.
- 5.2 As part of his Assurance Statement it is recommended that the Treasurer reports on the arrangements within LVJB. It is also recommended that the Head of Internal Audit reports on the financial controls in place.
- 5.3 Internal audit staff carried out a high level review of the adequacy and effectiveness of the Authority's system of internal financial control for the year to 31<sup>st</sup> March 2015. This work supplemented our annual programme of internal audit activity and provided documentary evidence to support the overall assessment of LVJB's system of internal control.
- 5.4 The following areas of work provided additional support to this assessment of LVJB' system of financial control:
- Internal Audit and LVJB's management review of corporate governance arrangements;
  - a programme of testing of ICT Asset and Data Security, and Council Tax Band Amendments has been undertaken by Internal Audit staff;
  - a Certificate of Assurance signed by the Assessor to the effect that the controls in place are sound.

## **6. Focus of internal audit resources**

- 6.1 The Annual Internal Audit Plan for the period to 3<sup>1st</sup> March 2015 (Internal Audit planning year) includes:
- an annual review of internal financial control in the Authority to support the development of LVJB's corporate governance arrangements and to provide evidence for the Treasurer's Statement on the system of internal financial control for the year to 31<sup>st</sup> March 2015;
  - assistance to the Authority in addressing any areas noted in the Treasurer's Statement;
  - advice and opinion as required.

## **7. Monitoring of performance**

- 7.1 Action plans are agreed with management on all recommendations made within reports issued and appropriate follow-up arrangements are put in place.



## **8. Recommendations**

8.1 The Board is requested to:

- Note the contents of this report.
- Note the Draft Annual Governance Statement contained in Appendix 2.

**Hugh Thomson**  
**Principal Audit Manager**

**June 2015**

<b>Appendices</b>	Appendix 1 – Annual Statement by Head of Internal Audit Appendix 2 – Draft Annual Governance Statement 2014/15
<b>Contact/Tel</b>	Hugh Thomson, Principal Audit Manager (0131) 469 3147
<b>Background Papers</b>	None

## **Appendix 1**

# **Annual Statement by the Head of Internal Audit**

Representing the Head of Internal Audit for the City of Edinburgh Council and provider of the internal audit service for the Lothian Valuation Joint Board, I am pleased to present my Annual Statement on the adequacy and effectiveness of the internal control system of LVJB for the year ended 31 March 2015.

### **Respective responsibilities of management and internal auditors in relation to internal control**

It is the responsibility of LVJB's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Internal Audit to provide an annual overall assessment of the robustness of the internal control system. The agreed Internal Audit Strategy ensures that I have in place a planning mechanism to enable me to deliver a formal opinion on the internal control environment within LVJB. The formal movement away from purely financial controls to a mixture of financial and non-financial risks ensures that audit opinion is available on the major controls LVJB has in place to meet the risks it faces in delivery of its aims and objectives.

### **Sound internal controls**

The main objectives of LVJB's internal control systems are to ensure:

- that its aims and objectives can be met
- adherence to management policies and directives
- assets are safeguarded
- the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records
- compliance with statutory requirements

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, LVJB is continually seeking to improve the effectiveness of its systems of internal control.

### **The work of Internal Audit**

Internal Audit is an independent appraisal and assurance function established by the Treasurer for the review of the Board's control environment, comprising risk management, control and governance. It objectively examines, evaluates and reports on the financial and operational controls within LVJB and provides an opinion on the effectiveness of the control environment in achieving the Board's objectives.

The Internal Audit Section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government and complies with the Public Sector Internal Audit Standards. The Section undertakes an annual programme of work which is reported to LVJB. The audit plan is based on a formal risk assessment process and audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within LVJB.

The Annual Audit Plan for LVJB is based upon the agreed strategy and is split between works that is required to:

- be carried out annually on the major financial systems to support the Head of Internal Audit's opinion on financial controls which is used to inform the Treasurer's Statement on control;

- support the Convener, Chief Executive and Clerk, the Assessor and Treasurer's Annual Governance Statement; and
- ensure the effectiveness of the controls that mitigate the risks that would prevent LVJB from achieving its aims and objectives set out in its Service Plan.

In addition, a rolling programme based upon risk is used to cover all other areas of internal control. This rolling programme together with the annual coverage helps to inform my opinion on the adequacy and effectiveness of the control environment.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. The Internal Auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters including non-compliance with audit recommendations arising from internal audit work are reported to the Board.

### **Basis of opinion**

My evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by internal audit during the year to 31 March 2015 including the ongoing assessment of the effectiveness of the Board's risk management arrangements;
- reports issued by the Board's external auditors, Audit Scotland, and other review agencies; and
- my knowledge of the Board's governance, risk management and performance monitoring arrangements.

### **Opinion**

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system in the year to 31 March 2015.

**Hugh Thomson, Principal Audit Manager**

**June 2015**

### 1. 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 the 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.

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.

### 2. 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.

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 enables the Board to manage its key risks efficiently, effectively, economically and ethically.

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

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.

### **3. 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 and 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.

### **4. 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 LVJB 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 Head of Internal Audit's Annual Statement on the adequacy and effectiveness of the Board's system of internal 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.
- **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.

## 5. Certification

In compliance with accounting practice, the Treasurer has provided the Chief Executive with a statement on the adequacy and effectiveness of the Board's internal financial control system for the year ended 31<sup>st</sup> March 2015. 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 Head of Internal Audit reviewed the currency of the corporate governance arrangements and systems of internal control and his findings are included in the Head of Internal Audit'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.

Convenor of Lothian Valuation Joint Board:	NORMAN WORK	Date
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Chief Executive and Clerk:	SUE BRUCE	Date
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Assessor:	JOAN HEWTON	Date
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Treasurer:	HUGH DUNN	Date
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## Treasury Management Annual Report 2014/15

22nd June 2015

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### 1 Purpose of report

The purpose of this report is to provide an Annual Treasury Report for the financial year 2014/15.

### 2 Summary

The Board has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management has to be submitted to the Board after the end of each financial year.

### 3. Investment Out-turn for 2014/15

3.1 The Board's Investment Strategy has been to maintain its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given on month end net indebtedness balances between the Council and the Board in accordance with the Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). In line with recent short term interest rates, the investment return continues to be small, but the Board gains security from its counterparty exposure being to the City of Edinburgh Council. Net end of month balances for the financial year were:

Opening	
Balance	£924,238.57
April	£953,052.28
May	£890,077.08
June	£843,539.25
July	£898,357.34
August	£670,423.52
September	£665,113.88
October	£1,044,708.08
November	£1,062,170.23
December	£1,000,218.31
January	£1,152,671.10
February	£1,053,491.73
March	£1,232,534.02

3.2 Interest is calculated from the average monthly balance over the opening balance and 11 months. The interest rate applied was 0.353%, giving an interest amount of £3,278.75.

#### **4. Recommendations**

It is recommended that the Board notes the Annual Report for 2014/15.

**HUGH DUNN,**  
Treasurer.

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#### **Appendix**

None

#### **Contact/tel**

Innes Edwards, Tel: 0131 469 6291  
([innes.edwards@edinburgh.gov.uk](mailto:innes.edwards@edinburgh.gov.uk))



# PERFORMANCE REPORT 2014/2015

## 1 INTRODUCTION

This report is provided to accompany the unaudited accounts to allow members of the Board to consider performance and budgetary achievements together. Key Performance Indicators for the work of Assessors in Scotland are in place for Valuation Roll and Council Tax and are submitted annually to the Scottish Government. Internal performance standards are also set for staff to ensure the organisation meets appropriate standards in all work undertaken. Due to the transition to Individual Electoral Registration performance standards for the work of EROs were revised to a nominal level by the Electoral Commission and merely sought to establish that the transition had taken place and appropriate actions had been carried out. It is anticipated that once a “business as usual” position is reached under IER that the Electoral Commission shall re-established a suite of appropriate performance standards.

## 2 ELECTORAL REGISTRATION

During 2014/15 Electoral Registration dominated much of the workload within the organisation. In conjunction with major elections, an Independence Referendum was held and the transition to Individual Electoral Registration (IER) commenced.

The transition to IER has created period of major change with every element of the electoral process including internal procedures subject to review and revision. This transition remains ongoing however following completion of the 2015 Household Canvass, the first under IER legislation, a position of stability is expected.

### 2.1 European Parliamentary Election 22<sup>nd</sup> May 2014

The registration process associated with this election along with the necessary interaction with our Returning Officers ran smoothly. By the closing date for applications for the election 7,576 electors had been added to the register. The number of eligible electors who could take part in the election was 613,445 with 122,044 opting for postal votes.

### 2.2 Scottish Independence Referendum 18<sup>th</sup> September 2014

The Scottish Independence Referendum was not only a momentous event in Scottish history but also a huge event in terms of participation in the electoral process.

As a result of careful project management, an effective deployment of resources, the creation of a callcentre, and most importantly total commitment by all staff involved, we were able to provide the Lothian electorate with a first class service during the referendum period.

The impact on the register was significant with 31,066 electors being added to the register and an additional 23,344 postal vote applications being processed.

In addition to this the Referendum saw for the first time the franchise being amended to include young voters, 16/17 year olds. This involved extra work for the organisation but 15,319 young voters were added to the register and able to participate in the Referendum.

### **2.3 Individual Electoral Registration 19<sup>th</sup> September 2014**

The transition to Individual Electoral Registration commenced on the 19<sup>th</sup> September 2014. The work and preparation required to undertake this transition commenced some two years prior to that date. The introduction of IER has brought with it a degree of modernisation to the registration process. This has enabled on line and telephone registration both of which have assisted with a relatively smooth transition process so far.

Our call centre has continued to provide an excellent service throughout the transition process with the vast majority of enquiries being dealt with at the first point of contact.

At the outset 93,390 electors within Lothian failed the matching process and were not automatically registered under IER. These electors however have not been removed from the electoral register and if eligible were able to participate in the recent General Election. We continue to focus on this group and as a result of our direct actions and the election, the number of electors not IER registered is currently 35,097.

Due to the IER timetable the publication of the 2014 Electoral Register was delayed until 27 February 2015. Contrary to fears, the size of the Lothian electorate held steady over the first phase of the transition and at register publication in February 2015 the electorate number stood at 660,030 as compared with 639,401 as at publication on 10 March 2014.

IER has also introduced the need to carry out increased canvass activity. Every form that is issued throughout the year, if not returned, is subject to a canvass call as part of the reminder process. To enable this we have created a permanent canvass team who undertake canvass duties on a constant basis. In order to minimise the use of paper and maximise the opportunities for registration, our canvass team utilises tablet style field devices. These allow the registration process to be conducted at the doorstep as well as offering an efficient manner to collect other canvass information.

The processing of a registration application under IER is considerably more complex than was previously the case. This has resulted in staff receiving extensive training and re-training to ensure they are able to carry out the necessary actions. We are currently implementing a number of IT based solutions to assist with this process.

In August 2015 we shall commence the next phase of the IER transition with the 2015 Household Enquiry Canvass. This is the first household canvass under IER requirements. This activity shall have additional complexity due to the intended change to the voting franchise for certain elections that shall see 16/17 year olds eligible to vote.

### **2.4/..**

## **2.4 Household Notification Letter**

At the end of February 2015 we issued for the first time a Household Notification Letter (HNL) to every household in Lothian. This gave details of the current electors residing at the address. If the elector details were accurate and correct there was no requirement for any contact with the office. If however there was some inaccuracy, or changes were required, or new electors were present, the letter invited electors to get in touch with us so any necessary action could be taken.

The intention of the HNL firstly as a check against the activity on the register following the introduction of IER, and secondly providing an opportunity to make changes ahead of the issue of poll cards for the general election. This initiative was well received and there was considerable recourse to our call centre following the issue. Although it is hard to quantify it is also likely that the HNL reduced some of the impact of the public recourse to the office in the days leading up to the General Election. While costs is a major factor, consideration shall be given as whether any similar issues shall be made in the future.

## **2.5 General Election 7<sup>th</sup> May 2015**

The turnout at the General Election in May showed that in Scotland there was considerable engagement by the electorate. This was reflected not just at the ballot box but also through electoral registration and associated processes.

For ERO's throughout the country this election held additional pressures as it was the first major election event conducted after the recent introduction of Individual Electoral Registration. IER has resulted in major changes to the electoral management system used within the organisation and many of the internal procedures and processes that support the electoral activity have required to be re-engineered. Such recent changes place considerable additional pressure upon resources when coupled with a major election event.

IER also saw the introduction of on-line and telephone registration. This has proved to be very successful with many electors and resulted in reduced numbers of paper applications being received. In many instances however the elector misunderstood the role of the on-line application system and thought it enabled an existing elector to check their registration status. This led to numerous duplicate registration applications being received. This was resolved by the introduction of various checking procedures.

From the 3<sup>rd</sup> April to Election Day we dealt with 13,158 telephone calls and 4,722 emails. Since the Call Centre went live on the 5<sup>th</sup> August 2014 we have dealt with 108,623 electoral registration telephone and email enquiries.

The impact on the register during this election period was significant with 10,068 electors being added during the period 27 February to 29 April. During the period 1<sup>st</sup> April to 21 April 11,382 additional postal vote applications were processed and applied. In the days leading up to the election 2,206 proxies were applied and 104 emergency proxies were approved. On Election Day itself 55 clerical errors were identified and the electors affected were able to cast their vote.

Following discussions with Returning Officers a new procedure was put in place on Election Day that enabled polling staff direct contact with senior staff within the ERO's office. 250 calls were

received. This ensured that any registration enquiries encountered by polling staff could be quickly resolved.

### 3 VALUATION ROLL

The Valuation Roll is legislated to operate under a five year rolling programme with the last revaluation being effective from 1 April 2010. During the quinquennium the Roll is constantly updated to take account of internal and external changes to properties which affect value and this consequently generates an additional appeals workload. To maintain comparability with England the Scottish Government legislated to delay the 2015 revaluation to 2017.

The statistics provided in this report give sufficient history to allow comparison with similar or corresponding years' pressure points.

#### 3.2 Alterations to the Valuation Roll

The principal indicator in this area relates to the length of time taken to amend the Valuation Roll to reflect changes which have taken place. The number of amendments is shown and also the change in the total annual value of the Valuation Roll in each year.

In general terms, stakeholders prefer the Valuation Roll to be amended as quickly as possible after a change has taken place in order to facilitate stable financial planning and improving the cash flow to the rating pool. The KPIs show actual performance against estimated performance for 2006/7 to 2014/15 and targets we aim to achieve for 2015/16.

Valuation Roll	No changes	Rateable Value 1/4	Rateable Value 31/3	0 – 3 months %		3 – 6 months %		> 6 months %	
				Target	Actual	Target	Actual	Target	Actual
2006/7	3314	1,042,428,524	1,050,213,188	57	74.9	28	13.9	15	11.2
2007/8	4206	1,050,213,188	1,058,508,620	65	83.26	25	11.63	10	5.11
2008/9	4258	1,058,508,620	1,056,910,140	70	80.77	20	11.53	10	7.7
2009/10	3792	1,056,910,140	1,068,384,758	80	78.1	15	11.1	5	10.8
2010/11	3,476	1,259,913,732	1,274,347,293	82	78.02	14	13.55	4	8.43
2011/12	3,114	1,274,347,293	1,277,889,313	80	71.77	15	15.35	5	12.88
2012/13	3,188	1,277,889,313	1,275,905,939	75	74.09	13	12.30	12	13.61
2013/14	3,275	1,275,905,939	1,269,386,086	75	74.32	15	13.07	10	12.61
2014/15	3,489	1,269,386,086	1,274,141,333	78	75.78	12	13.44	10	10.78
2015/16		1,274,141,333		75		13		12	

The organisation did not achieve the performance target for 2014/15. This has been principally due to the increase in Self Catering subjects and properties being combined or sub-divided; such changes are very difficult to monitor and, in my view, reflect changes to achieve a favourable rating liability. For the forthcoming year, I have reduced the target recognising these challenges

and that my resources will be focused on the 2017 Revaluation. I hope that through hard work and sound management that target can be met.

### 3.3.1 Appeal Settlements

For each of the relevant years the Assessor provides figures for the total amount of adjustment to net annual value arising from appeal settlements. This figure is expressed as a percentage of the total net annual value of the Valuation Roll as at 1 April in the relevant year. This indicator allows the Scottish Government to estimate the financial implications arising from the settlement of rating appeals.

Disposed between 1/4/10 and 31/03/15					
	No subjects dealt with	Original RV of subjects	Revised RV of subjects	RV %age loss	Subjects Outstanding
East Lothian	1020	£42,997,610	£40,941,265	4.78%	20
West Lothian	1690	£145,675,175	£140,625,300	3.47%	36
Midlothian	878	£48,276,915	£46,205,490	4.29%	29
Edinburgh City	6635	£682,938,214	£659,511,885	3.43%	78
<b>Total</b>	<b>10223</b>	<b>£919,887,914</b>	<b>£887,283,940</b>	<b>3.54%</b>	<b>163</b>

The 163 revaluation appeals that are outstanding are deemed complex appeals and have been referred to the Lands Tribunal for Scotland for hearing. The timetable for disposal is out with my control. I should add that my team are close to resolving a large number of Health Centres and Clinic appeals which will significantly reduce the outstanding total.

Valuation Year	No. of Appeals Dealt With
2006/7	3,938
2007/8	3,641
2008/9	1,625
2009/10	1,224
2010/11	1,700
2011/12	6,655
2012/13	11,757
2013/14	6,152
<b>2014/15</b>	<b>962</b>
2015/16	500

The target number of revaluation and running roll appeals to be disposed of during 2014/15 was 1,000. The resolution of 962 appeals was in line with my expectations.

The target disposal number set for the 2015/16 year has been set at 500 appeals as I do not expect a large volume of appeals to be lodged in the forthcoming year. You may wish to note that 365 appeals have recently been received following the introduction of the reduced drink drive limit and I anticipate litigation in respect of some these appeals in the future.

## 4 COUNCIL TAX

Council Tax continues in a rolling programme with no revaluation allowed for within the legislation.

The main work involves updating details of alterations carried out to properties, inspection and banding of all new dwellings, consideration of all domestic sales evidence and re-banding when a property which has been previously altered has been sold.

### 4.1 Council Tax – New Dwellings

The number of new dwellings entering the Council Tax List is important to local taxation as this is a potential source for additional revenue.

The table below shows that the number of new houses added in the year 2014/15 was around 6% lower than the previous year. However, the new houses added continue to indicate a general increase in comparison to the post recession years. This is the change we have all hoped for and suggests that the Lothian housing market continues to strengthen.

Valuation List	No. of CT Entries @ 1 <sup>st</sup> April in each year	New houses added
2006/7	392,370	5,515
2007/8	398,886	5,323
2008/9	401,471	4,345
2009/10	405,017	3,984
2010/11	407,710	3,768
2011/12	410,440	3,410
2012/13	412,859	3,171
2013/14	415,450	4,315
2014/15	419,652	4,049
2015/16	422,492	

### 4.2 Council Tax Performance

The criteria used in establishing Council Tax indicators are derived in a similar way to those for the Valuation Roll.

Council Tax payers require notification of their banded valuation, and hence their financial liability, as soon as possible after they have taken occupation of the new property. Cash flow to the authority, arising from insertions of new entries is also affected by how quickly entries are made on the Valuation List.

The KPIs show actual performance for 2005/6 to 2014/15 and the performance targets for 2015/16.

Valuation List	0-3 months	3-6 months	Over 6 months
2005/6	81.2	12.4	6.4
2006/7	84.8	11.3	3.9
2007/8	93.22	5.17	1.62
2008/9	94.13	4.53	1.33
2009/10	95.36	2.46	2.18
2010/11	94.98	4.06	0.96
2011/12	96.72	2.35	0.93
2012/13	95.52	3.09	1.39
2013/14	94.9	3.01	2.09
2014/15	95.73	2.77	1.50
2015/16	(95)	(3)	(2)

The time taken to add new dwellings to the Council Tax List continues at a high level and my aim is to continue to maintain this high standard.

#### 4.3 Council Tax – Altered Bands

Council Tax Bands are altered for properties where the property has been extended and subsequently sold, i.e. the new tax payer will pay tax on the altered Band. Council Tax Bands are not altered when a dwelling is extended or improved, it is only when the property is subsequently sold that the new Band takes effect.

Valuation List	Point of Sale Band Changes	Sales Added
2005/6	329	29,903
2006/7	189	31,998
2007/8	240	31,264
2008/9	374	16,841
2009/10	105	14,402
2010/11	163	14,537
2011/12	180	15,492
2012/13	172	15,863
2013/14	203	19,397
2014/15	257	21,077

The above table shows that the number of Council Tax Bands altered as a result of dwellings having been altered and subsequently sold are 25% higher than the previous year although continue to be lower than the high in 2007/08. The number of house sales taking place has increased by over 8% again indicating that the market is strengthening.

## **5 MANAGEMENT, STAFFING & BEST VALUE**

### **5.1 Policies & Procedures**

The organisation reviews policies, procedures and procedures on a continuous basis to ensure it complies with any legislative employment changes and we operate within a Best Value framework at all times.

A major policy reviewed in 2014/2015 was the Absence Management Procedure which is currently at the consultation stage with Unison.

In line with legislative requirements we published the equalities mainstreaming update report for 2014.

### **5.2 Staffing**

I consider we have continued to review requirements to meet the demands of the organisation but maintain efficiencies for the Board.

There has been additional staff employed during 2014 to provide resources to support the implementation of IER and the referendum. In the year 2014/2015 I employed 12 temporary customer support assistants, 12 temporary canvassers. There remains 6 customer support assistants on fixed term contracts to November 2015 and 11 canvassers on fixed term contracts to June 2016. The 24 temporary staff have been employed to assist in the duties required under the transition to Individual Electoral Registration and the salaries are met within the budget allocation provided by the cabinet Office.

As at 31 March 2015 the LVJB headcount stood at (127.30) FTE's, this compares to 99.45 FTE's in the preceding year

## **6.0 CONCLUSION**

I am very pleased with the performance achieved during this year and particularly with the ability to attain that performance level within budget.

The constant threats caused by budget cuts, possible changes to local taxation and the indecisions about electoral registration could have been detrimental to a workforce but I am pleased that staff have continued to work positively in delivery of their statutory duties.

Reviews of structure are now carried out regularly and I am pleased to say that all changes have moved seamlessly into operation this due in no small way to my dedicated senior management team who work together with a view to attaining best practice and an efficient and effective organisation.

**Joan Hewton**  
**Assessor & Electoral Registration Officer**

**22 June 2015**