

## Notice of Meeting and Agenda

---

**Monday 7 September 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 22 June 2015**

(circulated) – submitted for approval as a correct record

**4 Annual Audit Report to Members and the Controller of Audit – report by Audit Scotland (circulated)**

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

**6 Period 4 Financial Statement 2015-2016 – report by the Treasurer (circulated)**

**7 Assessor's September 2015 Progress Report to the Joint Board – report by the Assessor and Electoral Registration Officer (circulated)**

**Andrew Kerr**  
Chief Executive and Clerk

## **Membership**

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

Councillor Nigel Bagshaw  
SNP Vacancy  
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.



Please recycle this paper

# **Lothian Valuation Joint Board**

**Edinburgh, 22 June 2015**

**Present:**

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

**East Lothian Council** – Councillor McNeil.

**Midlothian Council** – Councillor Bryant.

**West Lothian Council** – Councillors McCarra and King.

## **1 Minute**

**Decision**

To approve the minute of the Lothian Valuation Joint Board of 16 March 2015 as a correct record.

## **2 Appointments**

Details were given on the new appointments to the Joint Board following resignation of a member from East Lothian Council and the City of Edinburgh Council.

**Decision**

- 1) To note the appointment of Councillor John McNeil (East Lothian Council) in place of Councillor Norman Hampshire who had resigned.
- 2) To note the appointment of Councillor Deidre Brock (City of Edinburgh Council) in place of Councillor Sandy Howat who had resigned.

(Reference – report by the Chief Executive, submitted)

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

The unaudited Annual Accounts for the year ended 31 March 2015 were presented. The accounts had been prepared in line with the Code of Practice on Local Authority Accounting and contained the signed statement of responsibilities and balance sheet, governance statement and remuneration report. The outturn for the year showed an underspend of £0.175m.

Lothian Valuation Joint Board  
22 June 2015

**Decision**

- 1) To note the report.
- 2) To note that the Annual Accounts for 2014/15 would be re-presented to the Board on completion of the external audit and that a decision on the retention or refund of requisition would be required by the Board at this time.

(Reference – report by the Treasurer, submitted)

**4 Internal Audit – Annual Report**

An update was given of the work undertaken by internal audit for the financial year 2014/15.

Internal Audit and the Lothian Valuation Joint Board management team had undertaken a review of the corporate governance arrangements within the Board against best practice and concluded that the arrangements were fully compliant. Action plans had been agreed with management on all recommendations made within the reports issued by the Internal Auditor and appropriate follow-up arrangements had been put in place.

A statement of assurance and annual governance statement had been issued.

**Decision**

- 1) To note the report.
- 2) To note the Draft Annual Governance Statement as set out in Appendix 2 of the report.

(Reference – report by the Principal Audit Manager, submitted)

**5 Treasury management Annual Report 2014-15**

The Treasurer presented the Annual Treasury Report for the financial year 2014/15. Included within the report was the Board's investment strategy and details of the interest accumulated over the year.

**Decision**

To note the Annual Report for 2014/15.

(Reference – report by the Treasurer, submitted)

**6 Performance Report 2014-15**

The Assessor and Electoral Registration Officer presented the annual performance report for 2014-15.

**Decision**

- 1) To note the Performance Report for 2014/15.

Lothian Valuation Joint Board  
22 June 2015

- 2) To record the Board's thanks and appreciation to the Assessor and her staff for their hard work and commitment in ensuring that the services continued to be delivered to an extremely high standard.

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

**Address:**

4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

**Telephone:**

0845 146 1010

**Email:**

[info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

**Website:**

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



Lothian Valuation Joint Board

27 August 2015

## Lothian Valuation Joint Board Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2014/15 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.
2. Our work on the financial statements is now complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report by 9 September 2015 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

## **APPENDIX A: Proposed Independent Auditor's Report**

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

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Treasurer and auditor**

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

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

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

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of Lothian Valuation Joint Board as at 31 March 2015 and of the income and expenditure of the Board for the year then ended;
  - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
  - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
-

## **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

I have nothing to report in respect of these matters.

Stephen O'Hagan  
Senior Audit Manager  
Audit Scotland  
4th Floor South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
GLASGOW  
G2 1BT

*September 2015*

---



## Appendix B: ISA 580 - Letter of Representation

Stephen O'Hagan  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Building  
Glasgow  
G2 1BT

Dear Stephen

### **Lothian Valuation Joint Board**

#### **Annual Accounts 2014/15**

1. This representation letter is provided in connection with your audit of the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Lothian Valuation Joint Board, as at 31 March 2015, and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Assessor and Senior Management Team, the following representations given to you in connection with your audit of Lothian Valuation Joint Board for the year ended 31 March 2015.

#### **General**

3. I acknowledge my responsibility and that of Lothian Valuation Joint Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Lothian Valuation Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the annual accounts, including the Management Commentary, Annual Governance Statement and Remuneration Report, presents a balanced picture of Lothian Valuation Joint Board and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

#### **Financial Reporting Framework**

6. The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the
-

Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Lothian Valuation Joint Board for the year ended 31 March 2015.

### **Accounting Policies & Estimates**

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

10. The Board has assessed Lothian Valuation Joint Board's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Events Subsequent to the Balance Sheet Date**

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

### **Corporate Governance**

14. I acknowledge as Treasurer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
-

15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2015, which require disclosure.

### **Fraud**

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

### **Assets**

17. The assets shown in the Balance Sheet at 31 March 2015 were owned by Lothian Valuation Joint Board, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities and Contingent Liabilities**

18. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2015.
19. There are no contingent liabilities arising either under formal agreements or through informal undertakings requiring disclosure in the financial statements.

### **Carrying Value of Assets and Liabilities**

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

### **Financial Instruments**

21. The information disclosed at note 9 of the financial statements (Financial Instruments) has been based on information provided by the City of Edinburgh Council Loans Fund. I have assessed the information provided and I am satisfied that the accounting, presentation and disclosure of this note are properly stated and are in accordance the Code requirements. I confirm that all transaction costs in respect of financial instruments were immaterial and were written off to the Comprehensive Income and Expenditure Statement as incurred.

### **Provisions**

22. There are no provisions that require to be made in the accounts for any material liabilities which have resulted, or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2015, and of which Lothian Valuation Joint Board could reasonably be expected to be aware.
-

## **Commitments**

- 23.** There are no commitments under capital contracts. There are no other significant commitments or obligations which might adversely affect the board which require to be disclosed.

Yours sincerely

Hugh Dunn  
Treasurer

# Lothian Valuation Joint Board

Annual audit report to  
Members and the  
Controller of Audit

August 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. ([www.audit-scotland.gov.uk/about/ac](http://www.audit-scotland.gov.uk/about/ac))

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk))

The Accounts Commission has appointed Stephen O'Hagan as the external auditor of Lothian Valuation Joint Board for the period 2011/12 to 2015/16.

This report has been prepared for the use of Lothian Valuation Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the Board. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

## Key contacts

Stephen O'Hagan, Senior Audit Manager  
[sohagan@audit-scotland.gov.uk](mailto:sohagan@audit-scotland.gov.uk)

Carol Foster, Senior Auditor  
[cfoster@audit-scotland.gov.uk](mailto:cfoster@audit-scotland.gov.uk)

Audit Scotland  
4<sup>th</sup> Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1 BT





Telephone: 0131 625 1500

Website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# Contents

Key messages .....	4	Best Value and performance .....	13
Introduction .....	5	Appendix 1 – Audit risks .....	14
Audit of the 2014/15 financial statements .....	6	Appendix 2 – Summary of local audit reports 2014/15 .....	16
Financial management and sustainability .....	9	Appendix 3 – Action Plan .....	17
Governance and transparency .....	11		

# Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none"><li>• Unqualified independent auditor's report on the 2014/15 financial statements.</li><li>• Working papers were of a good standard and officers provided good support which enabled the audit team to complete fieldwork by the planned target date.</li></ul>
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"><li>• The Board operated within budget, recording an underspend of £0.175 million against an approved budget of £6.118 million. The Board has yet to approve the use of the 2014/15 underspend.</li><li>• Balances due to local authorities have increased to £0.596 million at 31 March 2015, and are currently earmarked for use to fund future liabilities arising from early staff release measures.</li></ul>
 <p>Governance and transparency</p>	<ul style="list-style-type: none"><li>• Systems of internal control operated effectively.</li><li>• Overall, sound governance arrangements were in place during 2014/15.</li><li>• There is scope to strengthen current procedures in relation to a register of interests for officers.</li></ul>
 <p>Outlook</p>	<ul style="list-style-type: none"><li>• During 2015/16 the Board is implementing the next stages of Individual Electoral Registration (IER), including the first household canvas under IER. In addition, work is underway in preparation for the 2017 revaluation of non-domestic properties. Good financial management remains a priority as local authority requisition levels for 2015/16 remain the same for the fourth year in a row.</li></ul>



# Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Lothian Valuation Joint Board ("the Board").
2. The management of the Board is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
6. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"><li>• We have completed our audit and issued an unqualified independent auditor's report.</li></ul>
<b>Going concern</b>	<ul style="list-style-type: none"><li>• The financial statements of the Board have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Board's ability to continue as a going concern.</li></ul>
<b>Other information</b>	<ul style="list-style-type: none"><li>• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li></ul>

## Submission of financial statements for audit

7. We received the unaudited financial statements on 9 June 2015 in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team which assisted the delivery of the audit to deadline.

## Overview of the scope of the audit of the financial statements

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Board in March 2015.

9. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix 1** sets out the audit risks identified during the course of the audit and how we

addressed each risk in arriving at our opinion on the financial statements.

10. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

11. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
12. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
13. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of the Board, we set planning materiality for 2014/15 at £100,000 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £50,000 to reduce to

an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

14. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and set materiality for 2014/15 at £164,000. We report all misstatements greater than £1,600. Performance materiality was calculated at £82,000. The change in materiality levels is mainly due to changes in actuarial assumptions affecting the Board's financial statements.

## Evaluation of misstatements

15. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. We have no unadjusted misstatements to bring to your attention.

## Significant findings from the audit

16. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

- Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
17. There are no matters, others than those set out elsewhere in this report, to which we wish to draw your attention.

## Future accounting and auditing developments

### Revisions to the Code of Practice

18. The financial statements of the Board are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. There are no significant changes to accounting requirements introduced by the 2015/16 Code which are likely to impact on the financial statements of the Board.

# Financial management and sustainability

## Financial management

19. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
  - the officer responsible for finance has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - members provide a good level of challenge and question budget holders on significant variances.
20. The main financial management arrangements for the Board have been considered and based on our accumulated knowledge and our review of relevant papers we conclude that the Board has made appropriate financial management arrangements.

## Financial outcomes

21. The cost of services in 2014/15 was £6.090 million (£6.116 million in 2013/14). After accounting for income, mainly constituent

authorities' contributions and interest on pension plan assets of £7.457 million (£7.49 million in 2013/14) and interest costs on pension plan obligation of £1.868 million (£1.778 million in 2013/14) there is a deficit on the provision of services of £0.501 million (£0.411 million in 2013/14).

22. Within these figures, the Board made overall savings of £175,000 against budget. The savings include employee costs of £10,000; property costs of £16,000 and supplies and services of £36,000. Income from the Scottish Government in relation to the Scottish Independence Referendum exceeded budget by £110,000.
23. The Board has yet to approve the use of the 2014/15 underspend of £0.175 million. The brought forward balance of £0.421 million is approved for retention to cover early release costs.

## 2015/16 and beyond

24. In February 2015 the Board agreed a revenue budget of £6.118 million for the 2015/16 financial year. This amount was in line with the previous three financial years' budgets and was based on the continuation of a "flat cash" requisition for a further year.
25. In the absence of confirmed budget allocations 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.

26. In previous annual audit reports we have reported a risk that that the Board's performance may not be maintained, or it may be unable to fulfil all its statutory duties, in light of the resource challenges it faces and uncertainty over future legislative changes impacting on its operations. Further cost pressures are expected to arise as the Board progresses towards the 2017 revaluation of non-domestic properties, and individual electoral registration (IER) funding terminates at the end of 2015/16.

**Appendix 3 – action plan point 1**

# Governance and transparency

## Corporate governance

27. Members and management of the Board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
28. The Board comprises elected members from the four constituent authorities and is responsible for overseeing key aspects of governance. A cyclical review of policies and procedures is undertaken by the Board, with areas such as the Code of Conduct and Absence Management procedures considered during 2014/15.
29. From our work undertaken during the year, we have concluded that the Board has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

## Accounting and Internal control systems

30. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and

controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

31. A number of key financial systems of the Board are provided through City of Edinburgh Council (CEC), and our consideration of the internal control environment for the Board is informed by our CEC audit work. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Internal audit

32. Internal audit provides members and management of the Board with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
33. Our review established that the work of internal audit is of a good quality allowing us to place reliance on their work on the annual governance statement. We had planned to place reliance on internal audit's work in relation to accounts payable however, due to the scope of internal audit work carried out, we were unable to place

reliance on it for this area and we modified our procedures accordingly.

## Arrangements for the prevention and detection of fraud

- 34. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
- 35. There were no instances of fraud or corruption reported by the Board in 2014/15.
- 36. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit. The Board's anti-fraud, bribery and corruption policy provides a framework for deterring and preventing fraud and also dealing with any frauds which may occur.
- 37. We concluded that there are effective arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

- 38. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring

compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. In our 2014/15 Annual Audit Plan, we noted that the Board did not have a formal process in place for identifying and recording any external interests held by its senior officers. The Board is currently reviewing its Code of Conduct to strengthen its procedures in relation to a register of interests for officers.

### Appendix 3 – action plan point 2



# Best Value and performance

39. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The Board should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Performance management

40. Over the past three years the Board has been working on significant projects including individual electoral registration and working towards the independence referendum in 2014. Access to IER funding ends in 2015 and the Board will be required to integrate additional activities arising from IER into its existing operating plan and funding.
41. Each year the Assessor and Electoral Registration Officer prepares performance reports which are provided to members and available on the Board website. Examples of performance are included below.

## Overview of performance targets in 2014/15

42. The Board measures performance in council tax valuation through a number of indicators including the time taken to notify new

householders of valuation banding. In 2014/15, 95.73% (2013/14 – 94.9%) of notifications were made within 3 months, exceeding the target of 95%.

43. For non-domestic properties, a similar indicator is used for notification of changes, with 75.78% (2013/14 – 74.32%) of property owners notified within 3 months against a target of 78%. The failure to meet the target has been attributed to the number of self-catering property alterations which can be complex to assess. Targets for 2015/16 have been revised downwards to 75% to recognise the challenge in meeting these timescales within existing resources and pressures.
44. A key task for the Board is to encourage electoral participation. As at February 2015, the Electoral Registration Officer recorded an electorate of 660,030 (compared to 639,401 in March 2014 and 619,589 in December 2012).

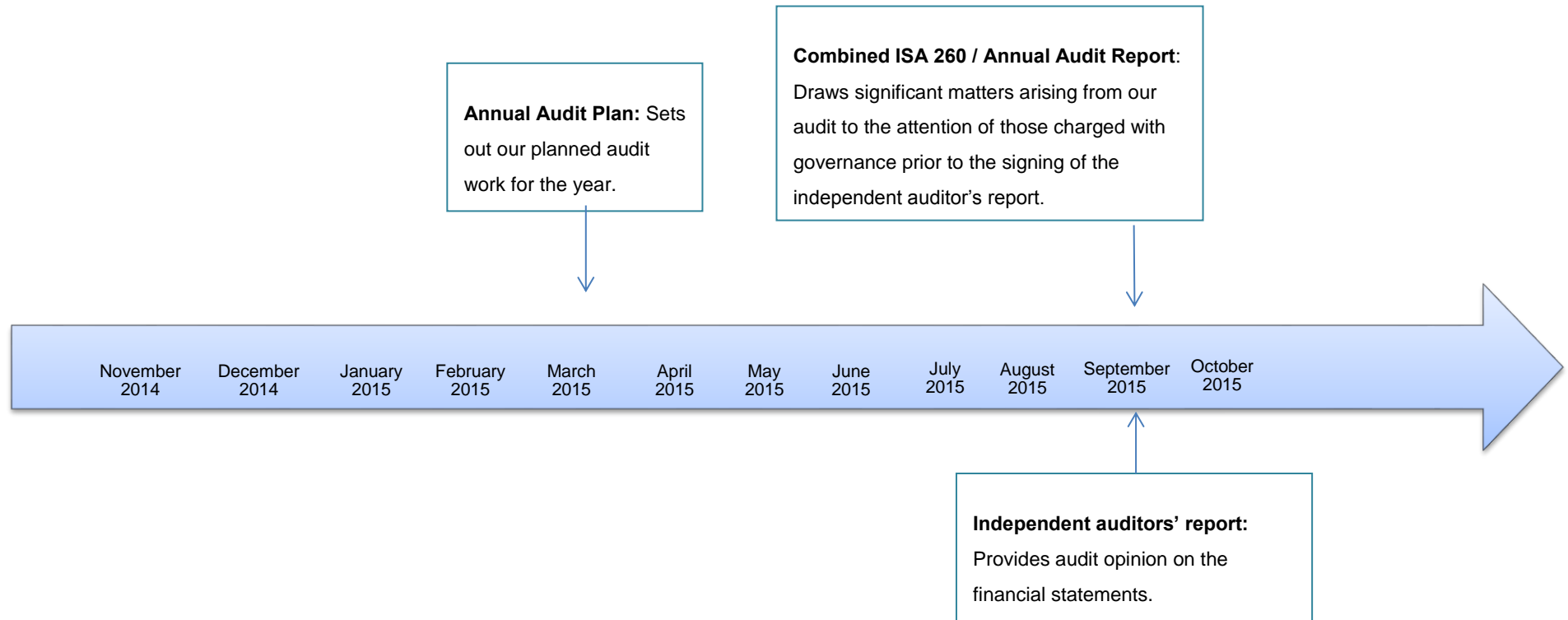
# Appendix 1 – Audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement</b>		
<p><b>Risk of management override of control</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p><b>Risk</b></p> <p>Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Review of accounting estimates</li> <li>• Evaluating significant transactions that are outside the normal course of business</li> </ul>	<ul style="list-style-type: none"> <li>• Testing completed with no issues identified</li> </ul>
<p><b>Accounts payable ledger</b></p> <p>A number of adjustments were made in the 2013/14 accounts in respect of debit balances that had been posted erroneously to the Board's accounts payable ledger. The Board agreed to process the appropriate entries within the accounts payable ledger during 2014/15 to correct the ledger position. There is a risk that these adjustments have not been processed properly and the accounts payable ledger is incorrectly stated.</p>	<ul style="list-style-type: none"> <li>• Review of processed amendments</li> <li>• Detailed testing of debit balances in accounts payable ledger</li> </ul>	<ul style="list-style-type: none"> <li>• Testing confirmed amendments processed in the Board's accounts payable ledger</li> <li>• Total debit balances below £1000 therefore no further testing required</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Related party transactions</b></p> <p>The Board does not have a formal process in place for identifying and recording any external interests held by its senior officers therefore there is a risk that it may not identify all relevant related party transactions.</p>	<ul style="list-style-type: none"> <li>Evaluation of changes to process</li> </ul>	<ul style="list-style-type: none"> <li>The Board has revised its Code of Conduct to strengthen the register of interests process. The revised version is currently in draft and we will consider this as part of our 2015/16 planning work</li> </ul>

## Appendix 2 – Summary of local audit reports 2014/15



# Appendix 3 – Action Plan

## Action plan

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 10/26	<p><b>Issue</b></p> <p>Further cost pressures are expected to arise as the Board progresses towards the 2017 revaluation of non-domestic properties, and individual electoral registration (IER) funding terminates at the end of 2015/16.</p> <p><b>Risk</b></p> <p>The Board's performance may not be maintained or it may be unable to fulfil all its statutory duties, within existing resources.</p> <p><b>Recommendation</b></p> <p>Financial and performance information continues to be scrutinised timeously to identify issues as they arise, and allow mitigating action to be taken timeously.</p>	Management accepts the recommendation provided. All major activities and statutory duties are subject to detailed project management within which risks are identified and possible mitigation outlined. Decisions taken reflect the need to provide an efficient delivery of statutory duties within available funding.	Joan Hewton, Assessor	Ongoing

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
<b>2</b> <b>12/38</b>	<p><b>Issue</b></p> <p>The Board is currently reviewing its Code of Conduct to strengthen its procedures in relation to a register of interests for officers, with a revised draft currently under consideration.</p> <p><b>Risk</b></p> <p>The strengthened Code of Conduct may not be finalised and applied, leading to potential conflicts of interest being unidentified.</p> <p><b>Recommendation</b></p> <p>The revised Code of Conduct is approved timeously, and a register of officer interests is maintained.</p>	Management accepts the recommendation provided. A draft amended Code of Conduct is currently under consultation. It is expected that a final version shall be presented to the Board for approval at its meeting on the 16th November 2015.	Graeme Strachan, Depute Assessor	November 2015



## **Audited Annual Accounts for the Year Ended 31st March 2015**

---

**7<sup>th</sup> September 2015**

### **1 Purpose of report**

The purpose of this report is to present to the Board the audited Annual Accounts for the year ended 31st March, 2015 and to recommend they are approved for signature.

### **2 Main Report**

- 2.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its' meeting in June 2015.
- 2.2 The Board's appointed Auditor will present the Annual Audit Report to Members separately on this agenda. This report highlights to the Board that there were no significant issues identified during the course of the audit, although some minor adjustments were made following the audit.
- 2.3 There were no qualifications to the auditor's opinion in the audit report and it was concluded that the financial statements give a true and fair view of the state of affairs of the Lothian Valuation Joint Board. The accounts have also been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014.
- 2.4 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 31st March 2014 was £0.421m.
- 2.5 As reported in June 2015 when the unaudited Annual Accounts 2014/15 were presented, the Board's expenditure for 2014/15 was under requisition income by £0.175m.
- 2.6 The Revenue Budget 2015/16 Report presented to the Board in February 2015 highlighted a number of significant budget pressures anticipated from 2016/17 onwards, mainly in relation to the ongoing cost of Individual Electoral Registration. Further work will be carried out as part of the development of the 2016/17 budget to quantify the financial pressures and any options available to the Assessor to manage these pressures. The budget will also take account of the overall financial position facing local authorities. At this stage the Board is

recommended to retain the under spend from 2014/15. The position will be reviewed following completion of the 2016/17 budget.

### **3 Recommendations**

- 3.1 That the Board note the Audited Annual Accounts for the year ended 31st March, 2015.
- 3.2 That the Board authorise the Annual Accounts for signature.
- 3.3 That the Board retain the £0.175m under spend from Financial Year 2014/15.

**Hugh Dunn,  
Treasurer.**



# Annual Accounts for the year to 31st March 2015

Audited



# LOTHIAN VALUATION JOINT BOARD

## CONTENTS

---

	Page
List of Members and Officials	1
Management Commentary	2 - 5
Statement of Responsibilities for the Annual Accounts	6
<u>Annual Accounts:</u>	
1. <i>Movement in Reserves for the year ended 31st March 2015</i>	7
2. <i>Comprehensive Income &amp; Expenditure Statement for the year ended 31st March 2015</i>	8
3. <i>Balance Sheet as at 31st March 2015</i>	9
4. <i>Cash Flow Statement for the year ended 31st March 2015</i>	10
Statement of Accounting Policies	11 - 19
Notes to the Annual Accounts	20 - 44
Annual Governance Statement	45 - 47
Remuneration Report	48 - 52
Independent Auditors Report	53 - 54

# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

---

### 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 Deidre Brock  
Councillor Karen Keil  
Councillor Mark McInnes  
Councillor Adam McVey  
Councillor Jason Rust  
Councillor Norman Work

***Appointed by East Lothian Council :***

Councillor Jim Gillies  
Councillor John McNeil

***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

Chief Executive Officer (Assessor) : Joan M. Hewton BSc, FRICS  
Chief Executive and Clerk : Andrew Kerr  
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

---

### 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

#### 5.1 Financial Performance

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	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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

---

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

#### 5.1 Financial Performance (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:

	£'000
• <b><u>Employees</u></b>	<b>(10)</b>
This is due to the ongoing review of vacant posts and staff turnover factor.	
• <b><u>Property</u></b>	<b>(16)</b>
This is mainly due to an under spend on utilities costs.	
• <b><u>Supplies and Services</u></b>	<b>(36)</b>
Mainly due to reduced ICT expenditure resulting from the requirement to deliver IER developments, which are subject to specific grant funding.	
• <b><u>Third Party Payments</u></b>	<b>13</b>
This is a result of a higher than anticipated activity of the Valuation Appeals Committee and additional property maintenance costs.	
• <b><u>Income</u></b>	<b>(117)</b>
£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.

#### 5.2 Overview of performance targets in 2014/15

The Board measures performance in council tax valuation through a number of indicators including the time taken to notify new householders of valuation banding. In 2014/15, 95.73% (2013/14 – 94.9%) of notifications were made within 3 months, exceeding the target of 95%.

For non-domestic properties, a similar indicator is used for notification of changes, with 75.78% of property owners notified within 3 months against a target of 78%. The main reason for not meeting the target has been attributed to the number of self-catering property alterations which can be complex to assess. Targets for 2015/16 have been revised downwards to 75% to recognise the challenge in meeting these timescales within existing resources and pressures.

A key task for the Board is to encourage electoral participation. As at February 2015, the Electoral Registration Officer recorded an electorate of 660,030 (compared to 639,401 in March 2014).

### 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.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

---

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

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.

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.

**Chief Executive Officer (Assessor) :**

Joan M. Hewton BSc, FRICS

**Date:** 7th September 2015

**Treasurer:**

Hugh Dunn, CPFA

**Date:** 7th September 2015

**Convener:**

Norman Work

**Date:** 7th September 2015

# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

---

### The Board's Responsibilities

The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs. 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.

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 7th September 2015.

**Convenor:**

Norman Work

**Date:** 7th September 2015

### 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.

**Treasurer:**

Hugh Dunn, CPFA

**Date:** 7th September 2015



**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".

31 March 2014 £'000		Notes	31 March 2015 £'000
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. The audited Annual Accounts were authorised for issue on the 7th September 2015.

**Treasurer:** \_\_\_\_\_  
Hugh Dunn, CPFA

**Date:** 7th September 2015

# 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.)

---

### 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.)

---

### 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.)

---

### 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.)

---

### 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.

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

---

### **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.

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

---

### 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.)

---

### 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.

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

---

### 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

---

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.)

---

### 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

---

There are no events after balance sheet date.

**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>



**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.)

---

### 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	301	263	564

## 8. INTANGIBLE ASSETS

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)
	63	65

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

# LOTHIAN VALUATION JOINT BOARD

## 10. INVENTORIES

---

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

---

	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/> 165	<hr/> 164

## 12. CASH AND CASH EQUIVALENTS

---

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/> 924	<hr/> 1,233

# LOTHIAN VALUATION JOINT BOARD

## 13. SHORT TERM CREDITORS

---

	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

---

	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.)

### 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>	(574)	(629)

### 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>	<b>8,072</b>	<b>11,870</b>

### 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	88		96	
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>		<b>88</b>		<b>96</b>

## 15. CASH FLOW STATEMENT

### 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)
	<u>(80)</u>	<u>(130)</u>
(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)
	<u>(156)</u>	<u>(446)</u>
Revenue activities net cash flow		

### 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
	<u>(58)</u>	<u>(309)</u>
(Increase)/decrease in cash		

## 16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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.)

16.1 2014/15 - Current Year	2014/15
Service Information	£'000
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/> 6,090 <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
Total Income	<hr/> (6,879) <hr/>	0	6,116	0	(763)	(5,590)	(6,353)
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
Total Expenditure	<hr/> 6,704 <hr/>	1,068	(919)	0	6,853	0	6,853
<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.)

16.2 2013/14 - Comparative figures	2013/14
Service Information	£'000
Fees, charges and other service income	(105)
Interest and investment income	(3)
Income from requisitions	(6,113)
Govt grants and other contributions	0
	<hr/> (6,221) <hr/>
Employee expenses	4,358
Other operating expenses	1,683
Support Services	62
	<hr/> 6,103 <hr/>
<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
	<hr/> 6,116 <hr/>
<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
Total Income	<hr/> (6,221) <hr/>	0	6,116	0	(105)	(5,712)	(5,817)
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
Total Expenditure	<hr/> 6,103 <hr/>	983	(865)	0	6,221	7	6,228
<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

---

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

---

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

	2013/14 £000's	2014/15 £000's
Fees payable in respect of:		
• external audit services carried out by the appointed auditor for the year	<u>7</u>	<u>7</u>

## 19. GRANT INCOME

---

There was no revenue grant credited to the Comprehensive Income and Expenditure Statement in 2014/15 (2013/14 £0).

## 20. RELATED PARTIES

---

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

### 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.)

---

### 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
• The Scottish Government - referendum costs recovered	(45)	(110)
• The Cabinet Office - IER grant received	(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

\* additional disclosure since audited annual accounts 2013/14.

## 21. TERMINATION BENEFITS

---

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

## 22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

---

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

---

### 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.

## 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	15	5,800.6	14
Manufacturing *	4,805.7	14	4,864.8	12
Energy and Utilities *	3,917.6	11	4,132.4	10
Financial Institutions *	2,452.3	7	3,407.5	8
Health and Care *	2,401.9	7	2,818.2	7
Information technology *	2,290.2	7	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	11	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	7	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	6	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>100</b>	<b>41,358.0</b>	<b>100</b>

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

## 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%	3.2%
Bonds	6.0%	3.2%
Property	6.0%	3.2%
Cash	6.0%	3.2%

#### 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)	(1,152)	33.30%
Total Service Cost	0	(1,152)	(1,152)	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.)

### 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

### 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

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

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

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)
	<u>5,938</u>	<u>6,113</u>	<u>(175)</u>

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

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 it's 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.)**

---

- 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

---

### 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.)

---

### 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.)

---

### 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.

**Chief Executive Officer (Assessor) :**

**Date:** 7th September 2015

---

Joan M. Hewton BSc, FRICS

**Convener of Lothian Valuation Joint Board:**

**Date:** 7th September 2015

---

Norman Work

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

---

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.)

---

### 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.)

### 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	2014/15
£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	116,657
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
		31 March	31 March
Name and Post Title		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
		31 March	from
Name and Post Title		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.

**Chief Executive Officer (Assessor) :**

Joan M. Hewton BSc, FRICS

**Date:** 7th September 2015

**Convener:**

Norman Work

**Date:** 7th September 2015

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT

---

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

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Treasurer and auditor**

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

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

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

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of Lothian Valuation Joint Board as at 31 March 2015 and of the income and expenditure of the board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT (Contd.)

---

### Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

I have nothing to report in respect of these matters.

**Senior Audit Manager:**

Stephen O'Hagan

**Date:**

Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT



## Period 4 Financial Statement 2015/16

7<sup>th</sup> September 2015

### 1 Purpose of report

This report summarises the projected revenue budget outturn position to 31<sup>st</sup> March 2016, based on the position at period ending 31<sup>st</sup> July 2015. The report has been prepared in consultation with the Assessor.

### 2 Main Report

#### Projected Revenue Outturn 2015/16

- 2.1 The table below compares projected revenue outturn 2015/16 with the budget. The forecast variance, based on the position at 31<sup>st</sup> July, is an under spend of £0.062m. The table below details forecasts against the Core Budget and Individual Electoral Registration (IER) income/expenditure that is subject to specific grant funding.

	Core Budget			IER Budget			Total		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	P10 Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Expenditure</u></b>									
Employee costs	4,566	4,504	(62)	128	216	88	4,694	4,720	26
Premises costs	624	615	(9)	0	0	0	624	615	(9)
Transport costs	103	99	(4)	5	0	(5)	108	99	(9)
Supplies & Services	711	725	14	191	40	(151)	902	765	(137)
Third Party Payments	95	94	(1)	0	301	301	95	395	300
Support Services	65	65	0	0	0	0	65	65	0
<b>Gross Expenditure</b>	<b>6,164</b>	<b>6,102</b>	<b>(62)</b>	<b>324</b>	<b>557</b>	<b>233</b>	<b>6,488</b>	<b>6,659</b>	<b>171</b>
<b><u>Income</u></b>									
Sales, Fees & Chgs	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(324)	(557)	(233)	(324)	(557)	(233)
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(46)</b>	<b>0</b>	<b>(324)</b>	<b>(557)</b>	<b>(233)</b>	<b>(370)</b>	<b>(603)</b>	<b>(233)</b>
<b>Net Expenditure</b>	<b>6,118</b>	<b>6,056</b>	<b>(62)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>6,056</b>	<b>(62)</b>

#### Forecasts to 31<sup>st</sup> March 2016

- 2.2 At this stage, the projected outturn against the core budget indicates a forecast spend of £6.056m which would result in a net under spend of £0.062m. The principal reasons for the variance are as follows:

#### (a) Employee cost - under spend £0.062m

This is principally due to an ongoing policy of review and control of vacant posts. In light of current uncertainty surrounding 2016/17 funding levels, staff within the Board have been approached under terms of the Board's Voluntary Early Release Arrangements (VERA) policy. In the event of VERA being exercised the year end forecast may be subject to future revision. The Board has previously approved the retention of unspent requisition to meet any costs associated with early release measures.

(b) **Premises costs - under spend £0.009m**

Primarily due to reduced grounds maintenance and building repairs charges. The cost of utilities is currently under review so future forecasts in respect of these may change.

(c) **Supplies and Services – over spend £0.014m**

Primarily due to higher telephone charges resulting from increased usage during election periods, the impact of the introduction of IER, and the use of mobile technology for electoral canvass.

**Individual Electoral Registration (IER) – funding available 2015/16; £0.557m**

- 2.3 The table below details the one-off funding available for IER. The current forecast assumes that IER grant will either be fully spent during 2015/16 or any balance carried forward in to 2016/17. A review of costs will also be carried out as part of the development of the 2016/17 revenue budget. This will seek to identify one-off costs and costs of a recurring nature that will impact on the 2016/17 budget.

Income	£'000
IER core grant funding 2015/16	324
IER additional funding 2015/16	19
IER grant funding carried from 2014/15	214
<b>Total</b>	<b>557</b>

- 2.4 As the first household canvass under IER legislation is about to be carried it is difficult at this stage to estimate final costs that may emerge from this exercise. Any under spend for the year will be carried forward in to 2016/17.

**Lowering the voting age to 16**

- 2.5 The Scottish Elections (Reduction of Voting Age) Bill was passed in June 2015 in relation to the reduction of voting age to 16. The Board are acting as lead for five Valuation Joint Boards and one Local Authority in relation to associated key electoral registration ICT developments.
- 2.6 As a result of the funding mechanisms put in place by the Scottish Government, the Board will initially incur the costs associated with this exercise which they then require to reclaim from the Board's Constituent Council's. The draft Local Government Finance Settlement for 2016/17 will be announced in December 2015 and should include a re-determination of funding for this to councils. The Treasurer will notify constituent councils of the draft settlement received in December 2015 and request requisition in Feb 2016 when the costs/settlement is confirmed. Funds require to be transferred from Constituent Council's to the Board prior to 31<sup>st</sup> March 2016.

**Budget 2016/17**

- 2.7 The budget for the past four years for the Lothian Valuation Joint Board has been held at £6.118m. However, as advised in February 2015, the Board's ability to continue to operate at a 'flat cash' position will come under significant pressure from 2016/17 onwards. This is mainly a result of Individual Electoral Registration which becomes 'business as usual' from 2016/17 and Cabinet Office funding ceases. There are also other financial risks associated with the 2017 revaluation, review of council tax and potential changes to the Valuation Roll appeals process which may arise through the Scottish Governments "Supporting Business-Promoting Growth" consultation.

- 2.8 It is difficult to predict at this stage accurately what the ongoing financial impact of IER will be, however an early estimate of costs is around £0.350m-£0.450m per annum. Further work will be carried out as part of the 2016/17 budget process. In addition to this there is also considerable uncertainty facing Local Authorities. Funding projections point to a tightening of the overall fiscal position and potential cash-reductions provided through the Scottish Block grant.
- 2.9 The Assessor and Treasurer will work together to develop a sustainable 2016/17 budget that demonstrates best value and will ensure that the Board continues to provide an equitable, customer focused, high quality, professional valuation and electoral registration services for all its stakeholders. This budget will take in to account the overall financial position facing local authorities and seek to identify options to manage financial pressures arising from this as well from IER and other areas.
- 2.10 Voluntary Early Release (VERA) and Redundancy Schemes were approved by the Board at its meeting on 4th February 2011.
- 2.11 In terms of Section 58 of the Local Government (Scotland) Act 1973, the Board has no specific power to retain reserves. Audit Scotland are currently reviewing this and an update will be provided at a future meeting of the Board. The Board has previously approved the retention of unspent funding contributions from constituent councils to meet future costs associated with early release measures, and, subject to further Board approval, any future unforeseen costs. The balance available to the Board is currently £0.421m at 31<sup>st</sup> March 2014.
- 2.12 In addition to this the Board were also under budget by £0.175m for Financial Year 2014/15 ending 31<sup>st</sup> March 2015.

### **3 Conclusions**

- 3.1 At this stage, there is a projected net under spend of £0.062m relating to Financial Year 2015/16.
- 3.2 The Board has no current power to establish a general reserve; however a creditor has been set-aside to cover the cost of staffing early release measures. The balance available to the Board at 31<sup>st</sup> July 2015 is £0.421m which will rise to £0.596m if the under spend from 2014/15 is retained.

### **4 Recommendations**

- 4.1 The Board is recommended to note the projected outturn position for 2015/16.

**Hugh Dunn,  
Treasurer.**

# ASSESSOR'S SEPTEMBER 2015 PROGRESS REPORT TO THE JOINT BOARD



---

7 September 2015

## 1.0 PURPOSE OF REPORT

To advise and update members as to the service overview and priorities, current issues and the future direction of the Joint Board.

## 2.0 ELECTORAL REGISTRATION SERVICE OVERVIEW AND PRIORITIES

### 2.1 Electoral Registration – Service Overview 1<sup>st</sup> April 2015 – 28<sup>th</sup> August 2015

#### 2.1.1 Absent Voters List

As at the publication of the Registers on 27<sup>th</sup> February 2015 the number of postal voters on the list was 120,206 compared to the current number which stands at 123,896. The current number of postal voters across the 4 constituent councils are approximately;-

- East Lothian 15,329
- Edinburgh 72,349
- Midlothian 12,613
- West Lothian 23,605

#### 2.1.2 Rolling Registration

Since the register publication date to end August, during the rolling registration update periods, staff processed a total of 35,025 additions to the register, 38,555 removals and 4,547 amendments. To allow comparison to normal registration activity the number processed during the same period in 2014 was 24,202 additions to the register, 19,205 removals and 3,814 amendments.

#### 2.1.3 UK Parliamentary General Election

The administration of the registers for the election progressed well with all tasks completed on time. The number of eligible electors on the Lothian registers for the election was 638,947 including 125,614 who opted for postal votes. A total of 17,574 electors were added to the register for the election by the closing date for applications.

The results of 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 the electoral registration and associated processes.

For ERO's throughout the country this election held additional pressures as it was the first conducted after the recent introduction of Individual Electoral Registration (IER). 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 system. 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 118,000 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.

#### **2.1.4 Scottish Elections (Reduction of Voting Age) Act**

Following the Scottish Independence Referendum, legislation was passed that shall allow 16 and 17 year olds to vote in Scottish Parliamentary elections from the 5<sup>th</sup> April 2016 and local government elections and referendums from 5<sup>th</sup> May 2016.

As a result, changes have been made to the 2015 canvass process that allows and encourages the provision of young person's information. The recently issued Household Enquiry Form provides information and guidance on who should provide information and the way in which this should be done. In addition the recently introduced online registration system has been altered in order that young persons can provide information through this mechanism.

Major changes have been required to electoral management IT systems in order to allow young person' registrations to be properly reflected on the electoral registers. At the request of the Scottish Government, LVJB has played a leading role in this process, offering advice on the technical requirements, providing project management, and scrutinising the costs that have arisen. All costs that relate to the alteration of electoral management systems resulting from this change to the electoral franchise are being met, through Lothain VJB, by the Scottish Government.

As we progress towards publication of the register in December 2015 and the Scottish Parliamentary election in May 2016 we shall be engaging with education authorities and schools directly to ensure every opportunity is made available for young persons to register. The Electoral Commission in Scotland is focusing registration publicity and events on young person registration and where possible we shall be participating in this process.

#### **2.1.5 2015 Canvass**

On the 3<sup>rd</sup> August we commenced the issue of 360,000 Household Enquiry Forms (HEF). This is the annual canvass process as required under the regime of Individual Electoral Registration (IER). Following its completion we shall publish the revised register on 1st December 2015.

While this process is very much ongoing, with the issue of first reminders due on the 2<sup>nd</sup> September, early assessments are that the return rate of information is slightly down on the levels reached under the pre-IER canvass process. This could be for a number of reasons ranging from difficulties with understanding and completing the Household Enquiry Form to elector apathy following a very intense period of election activity. Unfortunately the percentage of the electorate engaging electronically which is more efficient and cost effective has also reduced

The form itself is in most parts prescribed by legislation and little scope exists to make alterations. However, for the reminder issue we have created an insert leaflet that explains clearly to the elector how and by what methods a return can be made. Although the insert is an additional cost it is hoped that a higher return rate by electronic means will justify the additional expense. In addition our canvass team has recently commenced doorstep activity in areas of high non-return seeking a completion of the HEF and where appropriate the registration of those persons eligible.

The Board shall be kept apprised of the final canvass outcome in future reports.

#### **2.1.6 End Date for the Transition to Individual Electoral Registration (IER)**

On 16<sup>th</sup> July 2015 the Parliamentary Secretary, John Penrose MP, wrote to all Electoral Registration Officers announcing that he would bring forward the end date for the transition to IER to December 2015. As a result it is likely that legislation shall shortly come into force that requires the removal of all unconfirmed electors from the electoral register prior to its publication on the 1<sup>st</sup> December 2015.

Unconfirmed electors are those electors that were unable to be matched with DWP records during the transition phase of IER. These electors are required to complete an Invitation to Register application and thereby ensure that they remain on the register. During 2014 canvass each unconfirmed elector would have received up to three invitations to register. Each unconfirmed elector was similarly written to prior to the UK Parliamentary General Election and a further three invitations to register during the 2015 canvass.

Prior to the commencement of the 2015 Household canvass there were 34,000 unconfirmed electors within Lothian. While it is anticipated that the canvass process shall impact on this number either through removal of electors no longer resident or by their successful registration under IER it is intended to undertake specific activity to approach these electors. A small amount of additional funding has been made available by the Cabinet Office that shall allow the following activities;- specific targeted evening and weekend doorstep canvass, evening contact via telephone where contact details exist, and the issue of letters providing detailed and specific information that indicates clearly the outcome for non-completion of an application.

The Board shall receive further information at future meetings in respect of final unconfirmed elector numbers.

#### **2.1.7 Lothian By-Elections**

Following the UK Parliamentary General Election on 7<sup>th</sup> May 2014 3 by-elections have been called in Lothian. Key dates associated with these are noted below.

	<b>Polling Day</b>	<b>Last Date to Register</b>
City of Edinburgh Council, Ward 12, Leith Walk	10 September	25 August
Midlothian Council, Ward 4, Midlothian West	10 September	25 August
West Lothian Council, Ward 1, Linlithgow	1 October	15 September

#### **2.1.8 Electoral Commission Performance Monitoring**

I was one of four Scottish Electoral Registration Officers randomly chosen to submit performance standards for the City of Edinburgh Council Area. The following response has been received;-

*'It was a pleasure to read through your documents which demonstrate a high level of attention to detail in your planning. We are very happy that you have appropriate processes and documentation in place to deliver the annual canvass.*

*The plan talks about undertaking partnership work to reach the target groups, i.e. with community groups, housing associations and so forth. However at the time of submitting the plans, contact were still to be made with some of the potential partners. Once the partnership work have been formalised it would be great if you could provide us with some examples of who you will be working with to reach your target groups'.*

## **2.2 Electoral Registration – Service Priorities September 2015 – December 2015**

### **2.2.1 The service priorities over the next 3 months**

- Conclude the household canvass, processing all applications received
- Publish the Electoral Register on 1st December 2015
- Continue processing all received applications such as registration applications, postal vote requests, change's to opt out status, change of name etc.
- Continue all doorstep canvass requirements as required under IER
- Undertake all preparations, providing information and data as necessary to the Returning Officers for the purposes of forthcoming by-elections
- Continue engagement activities to encourage registration by 16/17year olds

## **3.0 COUNCIL TAX OVERVIEW AND PRIORITIES**

### **3.1 Council Tax – Service Overview 1<sup>st</sup> April 2015 – 28<sup>th</sup> August 2015**

#### **3.1.1 Council Tax – New Dwellings**

As at 1<sup>st</sup> April 2015 there were 402,725 chargeable dwellings in Lothian which has risen slightly to 403,975 as at 28<sup>th</sup> August 2015, an increase of 1,250 dwellings in 5 months. This figure can be compared to the same period in 2014 where 1,307 dwellings were added.

#### **3.1.2 Council Tax – Altered Bands**

During the period, as a result of alterations carried out prior to the date of sale and re-appraisal of bandings, the bandings of 90 dwellings have been altered which compares to 77 altered bands during the same period in 2014.

#### **3.1.3 Council Tax – Altered Houses with no sales**

During the period, the records of 1,114 dwellings have been updated, as a result of alteration work being carried out to existing dwellings compared to 1,136 dwellings during the same period in 2014. As previously reported the updated information should improve the time taken to alter the bands of any altered dwellings which are subsequently sold and also ensure preparation for any future revaluation or property tax.

#### **3.1.4 Council Tax – Proposals and Appeals**

The numbers of Council Tax proposals/appeals outstanding continues to stand at reasonable levels. As at 1<sup>st</sup> April 2015 there were 47 cases outstanding. As at 28<sup>th</sup> August 2015 there



were 51 cases outstanding. Appeal hearings continue to be arranged regularly to ensure the disposal of cases at least equates to the number received thus maintaining low numbers outstanding.

### **3.1.5 Local Tax Commission**

The Scottish Government has set up a Commission to consider options for a Council Tax replacement. Lothian has played a role in providing oral evidence, preparing and submitting responses to consultations, informal meetings and data requests for research purposes.

The Commission is due to publish their report which will provide information on the various options available but not give recommendations. A replacement tax is unlikely to be decided prior to the Scottish Parliamentary elections in May 2016.

It is hoped that the future of Council Tax and the implications for my organisation will be clearer by summer 2016 thus ending many years of uncertainty.

## **3.2 Council Tax – Service Priorities September 2015 – December 2015**

The main service priorities in Council Tax are as normal:-

- Update my records by carrying out the survey of Council Tax subjects which have been altered and not sold and
- Continue to resolve proposals and appeals against Council Tax banding.

## **4.0 NON DOMESTIC RATING OVERVIEW AND PRIORITIES**

### **4.1 Non-Domestic Rating – Service Overview 1<sup>st</sup> April 2015 – 28<sup>th</sup> August 2015**

#### **4.1.1 2010 Revaluation Appeals**

The number of 2010 Revaluation appeals outstanding at Lands Tribunal has reduced significantly as a result of reaching agreement on value levels for Health Centres, Clinics and Surgeries, the Shinetsu Wafer Fabrication Factory and Edinburgh Airport. The remaining appeals listed at Lands Tribunal for Scotland include, David Lloyd Tennis Centres, Ikea, Telecommunication subjects and an Oil Pipeline.

#### **4.1.2 Running Roll**

Professional and technical staff have continued to survey and value subjects that have been newly constructed, altered or demolished. From 1<sup>st</sup> April 2015 to 22<sup>nd</sup> August 2015, there have been 620 additions, 649 valuation alterations and 338 deletions. This can be compared to the previous period in 2014 where there was 644 additions, 642 valuation alterations and 332 deletions.

#### **4.1.3 Running Roll Appeals**

During the period 1<sup>st</sup> April to 28<sup>th</sup> August 2015, 250 appeals have been resolved. As at 28<sup>th</sup> August the number of outstanding running roll appeals stood at 636 of which majority refer to appeals lodged following the reduced drink drive alcohol limit. Courts to deal with this type of appeal are scheduled to continue through the rest of the calendar year.

#### **4.1.4 2017 Revaluation**

Work towards publishing the 2017 revaluation roll has commenced in earnest. Questionnaires issue has commenced with self-catering accommodation and independent petrol filling stations. Cost questionnaires continue to be issued on a regular basis to principally allow contractors valuations to be carried out. Similarly the main issue of rent questionnaires has been issued. Return rates are very poor and we continue to strive to improve the data we hold to facilitate continued analyses for all types of subject categories.

In Lothian we aim to have up to 50% of our subjects with draft valuations by end January 2016, 75% by end June and 100% by end September 2016.

#### **4.1.5 Scottish Government Consultations and Bills Affecting Non-Domestic Rates**

The Scottish Government has just launched a 'consultation on non-domestic rates: setting decapitalisation rates for the 2017 revaluation' to which a response will be submitted. The conclusion of the consultation and resultant prescription of decapitalisation rates is an essential element required in the valuation of contractors based valuations. Lothian continues to take an active part in this consultation.

On 22<sup>nd</sup> June the Scottish Parliament introduced the Land Reform (Scotland) Bill to make provision for non-domestic rates to be levied on shootings and deer forests. If enacted this could potentially require Lothian to value some 350 new subjects in the valuation roll from 1<sup>st</sup> April 2017. Lothian has continued to take an active part in this consultation.

The responses to the 'Supporting Business – Promoting Growth consultation' are still being analysed by the Scottish Government. Changes in legislation are unlikely come in to effect before 1<sup>st</sup> April 2017 but will almost certainly require work by assessors prior to that date. Similar to the above 2 consultations Lothian has taken an active part.

#### **4.2 Non-Domestic Rating – Service Priorities September – December 2015**

The service priorities in Non-Domestic Rating are:-

- Prepare cases as may be required by the Valuation Appeal Committee;
- Schedule and action the disposal of running roll appeals;

- Survey and value new property or alterations to existing properties to ensure the Valuation Roll is as complete and accurate as possible;
- Continue to update databases with rent, cost, turnover and throughput information to ensure analysis is as complete and accurate as possible;
- Continue to analyse rents and costs in preparation for the 2017 Revaluation and
- Continue to derive rates and carry out valuations in preparation for the 2017 Revaluation.

## **5.0 HUMAN RESOURCES AND OFFICE MANAGEMENT**

### **5.1 UNISON**

Regular JCC meetings continue to be held and no substantive issues have been raised by Unison.

Policies are timetabled for review to ensure that all policies meet current legislative, management and staff requirements. I anticipate having the updated Code of Conduct for Employees Policy and Absence Management Procedure agreed with Unison in September and submitted to the Board for approval at the next meeting.

The Information Management and Security Policy has been updated ready for submission with the Records Management Plan to the Keeper of the Records.

### **5.2 Staffing**

As stated previously, in July 2014 we recruited 12 temporary canvass staff, 10 temporary call centre staff and 2 temporary mail support staff. To cope with the intense canvass period from August through to December 2014 we advertised and employed an additional 4 canvassers. Because of the temporary nature of the job the numbers continue to fluctuate and recruitment is becoming more difficult. At the present time the numbers have reduced to 12 canvassers, 1 mail support and 3 call centre staff.

1 member of staff has retired on ill-health grounds effective from 11 June 2015.

Cover arrangements are in place for 2 members of staff currently on maternity leave.

### **5.3 Equalities**

The Equalities Mainstream Report was compiled and submitted in line with legislative requirements.

### **5.4 Records Management**

The Keeper of the Records of Scotland wrote to me on 3<sup>rd</sup> June 2015 requesting that I submit my Records Management Plan no later than 30<sup>th</sup> October 2015, this requirement is set out in section 1(1) of the Public Records (Scotland) Act 2011. The Records Management Group has continued to develop a policy, plan, retention and disposal schedules and associated documentation.

The required documentation is almost finalised and I will submit by the due date as required.

## **6.0 RISK MANAGEMENT**

### **6.1 Risk Registers**

The job specific risk registers continue to be updated at each service meeting ensuring that all risks are considered and mitigated as soon as practicable. The strategic risk register continues to be reviewed and updated on a regular basis.

### **6.2 Information Technology**

My IT team have been heavily involved in developing a mobile tablet solution for use by canvassers carrying out door to door activity. The mobile devices have continued to be updated providing greater functionality thereby increasing productivity and efficiency.

The IT team have also been heavily involved in developing new and improved systems to make the function of analyses and valuation more efficient and effective for the 2017 Revaluation.

As the organisation builds on its IT usage the team are required to remain up to date with modern technology and seek ways to improve and assist in our service delivery. Training has been provided to ensure the appropriate skill sets are available, to this end My IT Support manager has agreed to improve his knowledge by taking an MSC Advanced Security and Cybercrime at Napier which will assist with maintaining PSN/IER requirements.

## **7.0 BUILDING ISSUES**

### **7.1 Building Maintenance**

I have continued to have problems with my office building but I am now pleased to report that I have had a very positive meeting with the landlord and steps are now being made to rectify many outstanding issues. I hope to have all repairs carried out before the winter months arrive.

## **8.0 FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

## **8.0 RECOMMENDATIONS**

As there are no financial implications, nor approvals sought, the Joint Board is requested to note the contents of this report.

**Joan M Hewton**  
**ASSESSOR & ERO**

**7 September 2015**