



## Unaudited Annual Accounts for the Year Ended 31st March 2016

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20<sup>th</sup> June 2016

### 1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2016.

### 2 Main Report

- 2.1 The unaudited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014 which requires that the Annual Accounts for the year 2015/16 be presented to the Board no later than 30th June, 2016.
- 2.2 The unaudited Annual Accounts for 2015/16 have been prepared in accordance with the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS).
- 2.3 The unaudited Annual Accounts were authorised for issue on the 25<sup>th</sup> May 2016. The Statement of Responsibilities and Balance Sheet have been signed by the Treasurer.
- 2.4 The Statement of Responsibilities will be updated to reflect the Board's approval for signature of the Annual Accounts upon completion of the audit. Audit Scotland will present the *Report to those charged with governance on the 2015/16 audit* at the Board's meeting in September 2016. The Governance Statement and Remuneration Report included in the Annual Accounts will also require to be signed at this point.
- 2.5 The Annual Governance Statement includes details of the Governance Framework and a review of its effectiveness including the system of internal financial control. The Treasurer's opinion is that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal control system. This opinion is informed by the work of the Internal Audit, monitoring of controls by Board staff and External Audit. From this year's review there is evidence that the Code is operating effectively with overall compliance by the Board in all significant areas of its corporate governance arrangements.

- 2.6 The outturn for the year shows an underspending of £0.153m. The Management Commentary provides details and the main reasons for this under spend.
- 2.7 Upon completion of the audit of the Annual Accounts, the Board should consider whether it wishes to retain this under spend or add to the Board's general reserve. The general reserve balance at 31<sup>st</sup> March 2016 is £0.749m including the under spend of £0.153m for 2015/16.
- 2.8 The 2015/16 requisition due to be refunded to constituent councils based on the unaudited Annual Accounts is as follows:

	2015/16 Requisition due to constituent authorities  £'000
Edinburgh	94
Midlothian	14
East Lothian	16
West Lothian	29
<b>Total</b>	<b>153</b>

### 3 Recommendations

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Annual Accounts for 2015/16 will be re-presented to the Board on completion of the external audit and that a decision on the retention or refund of requisition will be required by the Board at this time.

**Hugh Dunn,  
Treasurer.**

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**Appendices:** Unaudited Annual Accounts for the Year Ended 31st March 2016

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

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

# Annual Accounts for the year to 31st March 2016

*Unaudited*



# LOTHIAN VALUATION JOINT BOARD

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# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

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### Members

Convener: Councillor Norman Work, City of Edinburgh Council

Vice-Convener: Councillor Barry Robertson, West Lothian Council

***Appointed by The City of Edinburgh Council :***  
Councillor Nigel Bagshaw  
Councillor Karen Doran  
Councillor Ricky Henderson  
Councillor Alex Lunn  
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 : Nick Smith

Monitoring Officer : Nick Smith

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### Strategic Report

#### 1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2016. 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 61.19% to The City of Edinburgh Council, 9.16% to Midlothian Council, 10.94% to East Lothian Council, and 18.71% 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 case law. 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 while providing 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 supported where required with detailed project management plans and associated risk analysis.

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

The principal risks and uncertainties faced by the Board fall into two categories. Firstly, there are uncertainties created by the lack of funding stability. 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, financial restraint and instability may result in a reduction in the quality of service provided and inhibit the improvement process.

The second category relates to changes in legislation that impact on the services to be delivered. This can create pressures from both a financial and organisational perspective. Electoral Registration has recently undergone major legislative overhaul resulting in entirely new methods of service requirement and delivery. The financial impact of these changes remains supported by external funding. Over the coming years the challenge shall be to maintain the new electoral delivery requirements within core budget allocation. Council Tax has recently undergone considerable scrutiny and while changes leave the Board's responsibilities unaltered, considerable uncertainties remain as regards the longer term position. The newly laid Land Reform Act which is due for implementation during 2016 may provide additional service burdens while the recently announced review of The Business Rating System creates uncertainties surrounding the future requirements of the Valuation Roll. This backdrop of uncertainty over future direction and service needs creates a risk environment for the development of longer term strategies and the budget requirement needed to support them.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2015/16

#### 5.1 Financial Performance

The Board's expenditure was under requisition income by £0.153m for 2015/16. This under spend was mainly due to savings in premises costs and supplies and services. One-off income was also received in respect of legislative electoral registration changes.

During 2015/16 the Board reached a high level of performance as defined by its Key Performance Indicators. The principal of these show that 96.46% of all new houses were entered onto the Council Tax List within 3 months following occupation and that 72.11% of all Valuation Roll amendments were made within 3 months following completion. 2015/16 was a major year in terms of commencing preparation for the 2017 Revaluation. This involved a considerable diversion of resources away from annual Valuation Roll activities which has reflected on the KPI outcomes. The Electoral Register is subject to performance monitoring by the Electoral Commission however due to the transition process to Individual Electoral Registration spanning 2014/15 and 2015/16 performance monitoring was temporarily halted. New indicators are now in place for 2016/17 and shall be reported upon in due course.

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
	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000
• Employees	4,566	4,573	7	0	228	228	4,566	4,801	235
• Property	624	543	(81)	0	0	0	624	543	(81)
• Transport and Plant	103	96	(7)	0	0	0	103	96	(7)
• Supplies and Services	711	1,002	291	0	205	205	711	1,207	496
• Third Party Payments	95	79	(16)	0	0	0	95	79	(16)
• Support services	65	61	(4)	0	0	0	65	61	(4)
<b>Total gross expenditure</b>	<b>6,164</b>	<b>6,354</b>	<b>190</b>	<b>0</b>	<b>433</b>	<b>433</b>	<b>6,164</b>	<b>6,787</b>	<b>623</b>
• Sales, fees & charges	(43)	(386)	(343)	0	0	0	(43)	(386)	(343)
• IER Grant	0	0	0	0	(433)	(433)	0	(433)	(433)
• IORB	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(389)</b>	<b>(343)</b>	<b>0</b>	<b>(433)</b>	<b>(433)</b>	<b>(46)</b>	<b>(822)</b>	<b>(776)</b>
<b>Total net expenditure</b>	<b>6,118</b>	<b>5,965</b>	<b>(153)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>5,965</b>	<b>(153)</b>

For the year ended 31st March 2016, the Board had an under spend against budget on its Comprehensive Income and Expenditure account of £0.153m (Note 16.1 refers). Actual is 97.5% of budget.

The Board recorded income totalling £0.701m in relation to Individual Electoral Registration at 31st March 2016, mainly in relation to specific grant provided by the Cabinet Office. Expenditure against this grant was £0.433m and therefore £0.268m was carried forward in to financial year 2016/17.

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

• <u>Employees</u>	£'000
Additional costs associated with staffing exit costs, overtime and adjusted hours for part-time staff, off-set by savings on staff turnover.	7
• <u>Property</u>	(81)
Primarily due to a reduction in the electricity forecast and expenditure on general maintenance. The electricity reduction follows de-energising of meters.	

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2015/16 (Contd.)

#### 5.1 Financial Performance (Contd.)

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

	£'000
<ul style="list-style-type: none"><li>• <u>Supplies and Services</u> £0.305m in costs has been reclaimed and is shown within income, specifically relating to electoral registration software development. The £0.014m under spend omitting this item is primarily increased telephone charges and postage costs, off-set by reduced legal fees and ICT expenditure.</li></ul>	291
<ul style="list-style-type: none"><li>• <u>Third Party Payments</u> Reduced activity of the Valuation Appeals Committee resulting in lower costs and lower than anticipated general property maintenance costs.</li></ul>	(16)
<ul style="list-style-type: none"><li>• <u>Income</u> Relates to income in respect of specific software development costs and other general costs associated with electoral registration legislative changes, specifically in respect of lowering the voting age.</li></ul>	(343)

During 2015/16 the Board changed its accounting policy in relation to unspent requisitions. In accordance with paragraph 8 of the Valuation Joint Boards (Scotland) Order 1995, all under spending pertaining to the Board is now retained in the form of a usable reserve. The unaudited usable reserve balance at 31st March 2016 is £0.749m. The £0.153m under spend for financial year 2015/16 has been transferred to the usable reserve pending a decision from the Board on whether or not this should be refunded to constituent councils.

#### 5.2 Overview of performance targets in 2015/16

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 2015/16, 96.46% (2014/15 – 95.73%) 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 72.11% of property owners notified within 3 months against a target of 75% (2014/15 : 75.78%). When considering the performance level achieved cognisance must be taken of the additional pressures placed on the staff resource in respect of the preparation requirements for the 2017 Revaluation and the expectation that statistical information on the outcome of the Revaluation shall need to be available to the Scottish Government during mid-term 2016/17.

The transition to Individual Electoral Registration (IER) created a period of fluctuation within Electoral Registers which was exacerbated by the considerable public interest in the Scottish Independence Referendum. The new process of registration under IER means that following the annual canvass many applications to register are still under process and not reflected in the initial electorate figures indicated at the point of Register publication. The following electorate statistics should be viewed with some caution, as at April 2016 650,531; February 2015 660,030; March 2014 639,401.

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

The main trends and factors likely to affect the development and performance of the Board are those that influence the future direction of service provision. This direction is driven by legislative changes enacted, new case law and following formal reviews. When future direction is subject to scrutiny and review, inevitably uncertainties and risks arise that inhibit the development of forward thinking strategies aimed at improving efficiency and performance. The introduction of IER exemplifies this position. Currently funding for IER is supported by grant funding from central government. This funding shall not be provided for an indefinite period and progress must be made over the coming years to ensure that the electoral service can be provided within core budget provision as allocated by the Board's constituent councils. This scenario of uncertainty is compounded by the budget restraints in place throughout local authorities. The lack of stable budget forecasting in conjunction with considerable financial restraint also impact on the service performance level that can be achieved. There is recognition that a sustainable budget position must be reached which allows for the effective discharge of the statutory requirements of the Boards service functions while acknowledging the considerable pressures that currently exist within the local authority arena.

At its meeting on the 8th February 2016, the Board approved a one year revenue budget for 2016/17. The budget approved for 2016/17 was £6.482m due to be funded through a flat-cash requisition of £6.118m and a maximum drawdown from the usable reserve of £0.364m.



# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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

The budget increased from that approved for 2015/16 (£6.118m) due to a known budgeted increase in expenditure arising from Individual Electoral Registration (IER). The ongoing financial pressure arising from IER has been reported previously to the Board. At the time the 2016/17 budget was approved the Cabinet Office had provided no confirmation that IER funding would be provided for 2016/17. The Cabinet Office has since confirmed an initial IER grant allocation of £0.291m for 2016/17, this is in addition to the £0.268m of IER grant carried forward from 2015/16 detailed in page 4. As a result there would be no requirement to drawdown from the usable reserve 2016/17 based on the level of additional IER spend included in the 2016/17 budget. The allocation provided by the Cabinet Office for 2016/17 does not have the previous caveat that budget provision for Registration must be maintained. This is welcomed and may assist the increasing pressures on other services. The Assessor and ERO and the Treasurer recognise the need to move towards a sustainable budget position for 2017/18, the Assessor and ERO will report to the Board on options to balance the 2017/18 budget in autumn 2016.

The Board faces a number of challenges looking ahead. Potential financial pressures include:

- The ongoing cost of Individual Electoral Registration (IER) - The Cabinet Office has indicated its intention to continue to provide funding in the light of ongoing additional costs created by the introduction of IER. This commitment is coupled with investigations and pilot schemes aimed at identifying amendments to the IER process that shall result in lower costs and eventually over a number of years bring IER into a cost neutral position. It is important the Board is suitably positioned to take advantage of these changes and be best placed to align electoral registration spending pre and post IER. Currently a number of key electoral activities, for example the Household Canvass Team and the Customer Support Group, are in part funded by Cabinet Office funding. The forthcoming challenge shall be to ensure the costs associated with these activities and services can be progressively consolidated within core budget allocations.
- The Scottish Government has recently announced changes to Council Tax which have minimal impact on the Boards Council Tax activities. However a degree of uncertainty remains as regards the longer term future of local domestic taxation in Scotland with a number of alternative proposals under consideration. This uncertainty inhibits the development of longer term service delivery plans and associated budget requirement. The Scottish Government's recent announcement of a Review of the Business Rating System also provides additional uncertainty to the future direction of the Boards service requirement.
- Preparations commenced during 2015/16 for the 2017 Revaluation and progress continues throughout 2016/17. While the 2017 Revaluation Roll takes effect from 1st April 2017 the vast majority of valuations require to be completed by October 2016. Recent case law (Woolway v Mazars) has placed this timetable under considerable pressure as a large number of valuations require to be reconsidered in the light of the decision. While progress continues to be monitored, resource and budget implications may arise during 2016/17 as a result. Looking forward, it can be anticipated that the Revaluation process shall give rise to a considerable level of appeal activity over the 2017/18 to 2019/20 period and again resources and financial implications may arise in order to meet the required legislative appeal disposal timetable.

Notwithstanding the financial pressures, challenges and uncertainties facing the Board in coming years efforts shall continue to be made to modernise and transform service delivery in order for current levels of performance to be maintained.

# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

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### The Board's Responsibilities

The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that 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.

### 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 2016, and its income and expenditure for the year ended 31st March 2016.

**Treasurer:**  
Hugh Dunn, CPFA

**Date:** \_\_\_\_\_

## LOTHIAN VALUATION JOINT BOARD

### MOVEMENT IN RESERVES STATEMENT

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

2014/15 - Previous Year Comparative	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2014 (restated)	(421)	7,586	7,165
<b>Movement in reserves during 2014/15</b>			
(Surplus) or deficit on provision of services (restated)	326	0	326
Other Comprehensive Expenditure and Income	0	3,250	3,250
<b>Total Comprehensive Expenditure and Income</b>	<b>326</b>	<b>3,250</b>	<b>3,576</b>
Adjustments between accounting basis & funding basis under regulations (Note 6.1)	(501)	501	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves (restated)</b>	<b>(175)</b>	<b>3,751</b>	<b>3,576</b>
Transfers to/from Other Statutory Reserves	0	0	0
<b>(Increase)/Decrease in 2014/15 (restated)</b>	<b>(175)</b>	<b>3,751</b>	<b>3,576</b>
<b>Balance at 31 March 2015 carried forward (restated)</b>	<b>(596)</b>	<b>11,337</b>	<b>10,741</b>

2015/16 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2015	(596)	11,337	10,741
<b>Movement in reserves during 2015/16</b>			
(Surplus) or deficit on provision of services	624	0	624
Other Comprehensive Expenditure and Income	0	(6,357)	(6,357)
<b>Total Comprehensive Expenditure and Income</b>	<b>624</b>	<b>(6,357)</b>	<b>(5,733)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6.1)	(777)	777	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>(153)</b>	<b>(5,580)</b>	<b>(5,733)</b>
Transfers to/from Other Statutory Reserves	0	0	0
<b>(Increase)/Decrease in 2015/16</b>	<b>(153)</b>	<b>(5,580)</b>	<b>(5,733)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(749)</b>	<b>5,757</b>	<b>5,008</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.

2014/15				2015/16		
<i>restated</i> Gross Expenditure £'000	<i>restated</i> Gross Income £'000	<i>restated</i> Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,713	(191)	1,522	Registration of Electors	1,795	(759)	1,036
5,140	(572)	4,568	Local Tax Collection	5,385	(61)	5,324
<b>6,853</b>	<b>(763)</b>	<b>6,090</b>	<b>Cost Of Services</b>	<b>7,180</b>	<b>(820)</b>	<b>6,360</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
1,868	0	1,868	Interest Cost on Defined Benefit Obligation (Note 23.5)	1,705	0	1,705
0	(1,517)	(1,517)	Interest Income on Plan Assets (Note 23.4)	0	(1,320)	(1,320)
<b>1,868</b>	<b>(1,520)</b>	<b>348</b>	<b>Total Financing and Investment Income</b>	<b>1,705</b>	<b>(1,323)</b>	<b>382</b>
<b>Other operating Expenditure:</b>						
0	0	0	(Gains) / Losses on disposal of Non-Current Assets	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Taxation and Non-Specific Grant Income:</b>						
0	(6,112)	(6,112)	Constituent council requisitions (Note 27)	0	(6,118)	(6,118)
<b>0</b>	<b>(6,112)</b>	<b>(6,112)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>0</b>	<b>(6,118)</b>	<b>(6,118)</b>
<b>8,721</b>	<b>(8,395)</b>	<b>326</b>	<b>(Surplus) or Deficit on Provision of Services (Note 16.1)</b>	<b>8,885</b>	<b>(8,261)</b>	<b>624</b>
<b>Other Comprehensive Income and Expenditure:</b>						
0	0	0	Surplus or deficit on revaluation of non-current assets	0	0	0
5,701	0	5,701	Change in Financial Assumptions (Note 23.5)	(5,195)	0	(5,195)
2,014	0	2,014	Change in Demographic Assumptions (Note 23.5)	0	0	0
0	(23)	(23)	Other Experience (Note 23.5)	0	(446)	(446)
0	(4,442)	(4,442)	Return on pension assets excl. amounts included in net int. (Note 23.4)	0	(716)	(716)
		0	Actuarial gains / losses on pension assets / liabilities			0
<b>16,436</b>	<b>(12,860)</b>	<b>3,576</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>3,690</b>	<b>(9,423)</b>	<b>(5,733)</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".

<i>restated</i> 31 March 2015 £'000		Notes	31 March 2016 £'000
564	Property, plant and equipment	7.1	477
65	Intangible assets	8	99
96	Long-term debtors	25	90
725	<b>Long term assets</b>		666
0	Inventories	10	0
164	Short-term debtors	11	286
1,233	Cash and cash equivalents	12	1,302
1,397	<b>Current assets</b>		1,588
(398)	Short-term creditors	13	(463)
(398)	<b>Current liabilities</b>		(463)
(595)	Other long-term liabilities	26	(560)
(11,870)	Other long-term liabilities (Pensions)	23.3	(6,239)
(12,465)	<b>Long-term liabilities</b>		(6,799)
(10,741)	<b>Net liabilities</b>		(5,008)
(596)	Usable reserves	14	(749)
11,337	Unusable reserves	14	5,757
10,741	<b>Total reserves</b>		5,008

The unaudited Annual Accounts were authorised for issue on the 25th May 2016.

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

**Date:** \_\_\_\_\_

## LOTHIAN VALUATION JOINT BOARD

### CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisitions and recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows.

<i>restated</i> 31 March 2015 £'000	<i>restated</i> 31 March 2015 £'000		31 March 2016 £'000	31 March 2016 £'000
<b>OPERATING ACTIVITIES</b>				
(646)		Cash received for goods and services	(604)	
(117)		Other local authorities	(48)	
(3)		Interest received	(3)	
(6,118)		Other operating cash receipts	(6,118)	
	<b>(6,884)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,773)</b>
4,643		Cash paid to and on behalf of employees	4,786	
1,795		Cash paid to suppliers of goods and services	1,872	
	<b>6,438</b>	<b>Cash outflows generated from operating activities</b>		<b>6,658</b>
	<b>(446)</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(115)</b>
<b>INVESTING ACTIVITIES</b>				
137		Purchase of property, plant and equipment and intangible assets.	46	
0		Proceeds from sales of property, plant and equipment and intangible assets.	0	
	<b>137</b>	<b>Net cash flows from investing activities</b>		<b>46</b>
	<b>0</b>	<b>Net cash flows from financing activities</b>		<b>0</b>
	<b>(309)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(69)</b>
<b>1st April</b> £'000	<b>1st April</b> £'000		<b>1st April</b> £'000	<b>1st April</b> £'000
924		Cash and cash equivalents	1,233	
	924			1,233
<b>31st March</b>			<b>31st March</b>	
1,233		Cash and cash equivalents	1,302	
	1,233			1,302
	<b>(309)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(69)</b>

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES

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### 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 2016.

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.

### 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.

# LOTHIAN VALUATION JOINT BOARD

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

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### 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.

### 1.9 Non-Current Assets

#### a) *Intangible Assets*

##### **Recognition:**

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

##### **Depreciation:**

- Software licences classified as intangible assets. In most cases intangible assets are depreciated over the period of the licence, however, where the period of the licence is deemed 'infinite' the software will be depreciated based on an assessment of expected useful life. Depreciation charges commence in the year after acquisition.

##### **Measurement:**

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

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

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

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

##### **Recognition:**

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

##### **Depreciation:**

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

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



# LOTHIAN VALUATION JOINT BOARD

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

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

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

##### Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property (Leasehold improvements) Depreciated over remaining life of asset	16
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.

### 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.

# LOTHIAN VALUATION JOINT BOARD

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

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### 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.

### 1.14 Contingent Liability

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

### 1.15 Contingent Assets

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

### 1.16 Employee Benefits

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

# LOTHIAN VALUATION JOINT BOARD

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

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### 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.

### 1.19 Pensions

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

The Annual Accounts have been prepared including pension costs, as determined under International Accounting standard 19 - Employee Benefits (IAS 19). The cost of service in the Comprehensive Income and Expenditure Statement includes expenditure equivalent to the amounts of retirement benefits the Board has committed to pay during the year. Interest Cost on Defined Pension Obligation and Interest Income on Plan Assets have been included in the "Surplus or Deficit on the Provision of Services" within the Comprehensive Income and Expenditure Statement. Other comprehensive income and expenditure within the statements also now shows the financial effect of changes in financial assumptions, other experience and return on pension assets excluding amounts included in net interest.

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

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

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

### 1.20 Revenue Contributions

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

## LOTHIAN VALUATION JOINT BOARD

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

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#### 1.21 Reserves

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

The Board operates the following usable reserves:

**a) General Fund**

This represents the balance of the surpluses or deficits arising from the Comprehensive Income and Expenditure Statement. The Board changed its accounting policy in relation to unspent requisitions during 2015/16. Further details of this change and the prior period adjustments made can be seen in Note 29.

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, 2016, 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.

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.

## **LOTHIAN VALUATION JOINT BOARD**

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

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#### **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 Annual 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**

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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 2016/17 Code. For 2015/16 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).
- Annual Improvements to IFRSs 2010 – 2012 Cycle .
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).
- Annual Improvements to IFRSs 2012 – 2014 Cycle.
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative).
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

The Code does not anticipate that the above amendments will have a material impact on the information provided in the Board's Annual Accounts.

However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

#### **4.1 Property, Plant and Equipment**

##### ***Uncertainties***

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

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £0.001m for every year that useful lives had to be reduced.

#### **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.

## LOTHIAN VALUATION JOINT BOARD

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

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#### 4.2 Pension Liabilities (Contd.)

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

During 2015/16, the Board's actuaries advised that the balance sheet position has improved since last year. This was principally due to an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

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%	5,665
1 year increase in member life expectancy	3%	1,483
0.5% increase in the Salary Increase Rate	5%	2,262
0.5% increase in the Pension Increase Rate	7%	3,264

### 5. EVENTS AFTER THE REPORTING PERIOD

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There are no events after the reporting period.

## LOTHIAN VALUATION JOINT BOARD

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

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

2015/16 - 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	(92)	92	0	0	92
(Gain) / Loss on disposal of non-current assets	0	0	0	0	0
Amortisation of intangible assets	(8)	8	0	0	8
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	46	(46)	0	0	(46)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,563)	0	1,563	0	1,563
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	837	0	(837)	0	(837)
<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	3	0	0	(3)	(3)
<b>Total Adjustments</b>	<b>(777)</b>	<b>54</b>	<b>726</b>	<b>(3)</b>	<b>777</b>



## LOTHIAN VALUATION JOINT BOARD

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

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

2014/15 - Previous Year Comparative (restated)	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(73)	73	0	0	73
(Gain) / Loss on disposal of non-current assets	0	0	0	0	0
Amortisation of intangible assets	(10)	10	0	0	10
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	137	(137)	0	0	(137)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,330)	0	1,330	0	1,330
Reversal of exceptional items relating to retirement benefits debited or credited to the CIES	0	0	0	0	0
Employer's pension contributions and direct payments to pensioners payable in the year	782	0	(782)	0	(782)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	0	0	7	7
<b>Total Adjustments</b>	<b>(501)</b>	<b>(54)</b>	<b>548</b>	<b>7</b>	<b>501</b>

## LOTHIAN VALUATION JOINT BOARD

### 7. PROPERTY PLANT AND EQUIPMENT

#### Movements on balances:

7.1 <b>Current Year Movements in 2015/16</b>	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<b>Cost or Valuation</b>			
At 1st April 2015	432	422	854
Impairment	0	0	0
Derecognition - disposals	0	0	0
Additions	0	5	5
At 31st March 2016	432	427	859
<b>Accumulated Depreciation</b>			
At 1st April 2015	(131)	(159)	(290)
Disposals/Impairment depreciation reversal	0	0	0
Depreciation charge	(18)	(74)	(92)
At 31st March 2016	(149)	(233)	(382)
<b>Net Book Value at 31st March 2016</b>	<b>283</b>	<b>194</b>	<b>477</b>

7.2 <b>Previous Year Movements in 2014/15</b>	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<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>

#### 7.3 Depreciation

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

- Leasehold improvements (buildings) - 16 years
- Vehicles, plant and equipment - 5 years

## LOTHIAN VALUATION JOINT BOARD

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

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#### 7.4 Capital Commitments

At 31st March 2016, 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. This does not comply with the Code, however, the difference is not considered material.

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	283	194	477
Valued at fair values as at:			
• 31st March 2015	0	0	0
• 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	283	194	477

## LOTHIAN VALUATION JOINT BOARD

### 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:
  - Dacoll Limited - Back-up software
- 5 years:
  - Civica UK Ltd - Software to increase robustness
  - Trustmarque Solutions Ltd - Sharepoint software
  - Zerion - Canvass operation software
- 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 £0.008m was charged to the Comprehensive Income and Expenditure during 2015/16.

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

	2014/15	2015/16
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	77	89
• Accumulated amortisation	(14)	(24)
<b>Net carrying amount at start of year</b>	<b>63</b>	<b>65</b>
Additions	12	42
Impairment of assets	0	0
Derecognition - disposals	0	0
Derecognition - disposals (accum amort adjustment)	0	0
Amortisation for the period	(10)	(8)
<b>Net carrying amount at end of year</b>	<b>65</b>	<b>99</b>
Comprising:		
• Gross carrying amounts	89	131
• Accumulated amortisation	(24)	(32)
	<b>65</b>	<b>99</b>

## 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 2015 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000
<b>Investments</b>				
Loans and receivables	0	0	1,232	1,302
<b>Creditors</b>				
Trade creditors	0	0	(22)	(10)

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 2015 £'000	Financial Liabilities measured at amortised cost 31st March 2016 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	3	3

#### Fair Values of Assets and Liabilities

The Fair Value of Financial Instruments have been calculated in accordance with IFR 13.

- loans to and from the City of Edinburgh Council are variable rate and repayable on demand. The fair value of these loans has therefore been taken to be their carry 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 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade debtors	(22)	(22)	(10)	(10)
Loans and receivables	1,232	1,232	1,302	1,302

## LOTHIAN VALUATION JOINT BOARD

### 10. INVENTORIES

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

### 11. SHORT TERM DEBTORS

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	31st March 2015 £'000	31st March 2016 £'000
Debtors:		
• HM Revenues and Customs - VAT	50	0
• Rent	57	57
• Car leasing	10	0
• Car purchase advances	0	0
• Annual licenses, support or maintenance	25	33
• Insurances	17	17
• Other entities and individuals	5	179
	<hr/>	<hr/>
	164	286

### 12. CASH AND CASH EQUIVALENTS

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

	31st March 2015 £'000	31st March 2016 £'000
Cash held by the Board	1	1
Other local authorities	1,232	1,301
	<hr/>	<hr/>
	1,233	1,302

### 13. SHORT TERM CREDITORS

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	31st March 2015 £'000	31st March 2016 £'000
Other local authorities	0	0
Employee costs	(96)	(93)
Valuation Appeals Panel - Secretary's fees	(12)	(11)
IER Grant	(214)	(268)
Other entities and individuals	(76)	(55)
HM Revenues and Customs - VAT	0	(36)
	<hr/>	<hr/>
<b>Total</b>	(398)	(463)

## LOTHIAN VALUATION JOINT BOARD

### 14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		31st March	31st March
		2015	2016
		£'000	£'000
14.1	General Fund Balance	596	749
		<u>596</u>	<u>749</u>

<u>UNUSABLE</u>		31st March	31st March
		2015	2016
		£'000	£'000
14.2	Capital Adjustment Account	(629)	(575)
14.3	Pension Reserve	11,870	6,239
14.4	Accumulated Absence Account	96	93
		<u>11,337</u>	<u>5,757</u>

#### 14.1 General Fund Balance

Movements in the Authority's usable reserve are detailed in the Movement in Reserves Statement. The General Fund balance represents the balance of the surpluses or deficits arising from the Comprehensive Income and Expenditure Statement.

The table below details the surplus or deficits arising annually since 2010/11. Prior to 2010/11 all surplus balances were refunded to constituent councils.

	31st March	31st March
	2015	2016
<u>Year</u>	£'000	£'000
2010/11	228	228
2011/12	42	42
2012/13	127	127
2013/14	24	24
2014/15	175	175
2015/16	-	153
	<u>596</u>	<u>749</u>

#### 14.2 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.

## LOTHIAN VALUATION JOINT BOARD

### 14. USABLE AND UNUSABLE RESERVES (Contd.)

#### 14.2 Capital Adjustment Account (Contd.)

	2014/15 £'000	2015/16 £'000
<b>Balance at 1st April</b>	(574)	(629)
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	72	92
• Revaluation losses on Property, Plant and Equipment	0	0
• Amortisation of intangible assets	10	8
• Amounts of non-current assets written off on gain/loss on disposal to CIES	0	0
Net written out amount of the cost of non-current assets consumed in year	(492)	(529)
Capital financing for the year:		
• Use of capital receipts to finance new capital expenditure	0	0
• Statutory provision for the financing of capital expenditure	(137)	(46)
<b>Balance at 31st March</b>	(629)	(575)

#### 14.3 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.

	2014/15 £'000	2015/16 £'000
<b>Balance at 1st April</b>	8,072	11,870
Actuarial gains or losses on pension assets and liabilities	0	0
Remeasurements of the net defined benefit liability / (asset)	3,250	(6,357)
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.	1,330	1,563
Employer's pension contributions and direct payments to pensioners payable in the year.	(782)	(837)
<b>Balance at 31st March</b>	11,870	6,239



## LOTHIAN VALUATION JOINT BOARD

### 14. USABLE AND UNUSABLE RESERVES (Contd.)

#### 14.4 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.

	2014/15 £'000	2014/15 £'000	2015/16 £'000	2015/16 £'000
<b>Balance at 1st April</b>		88		96
Settlement or cancellation of accrual made at the end of the preceding year	(88)		(96)	
Amounts accrued at the end of the current year	96		93	
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		8		(3)
<b>Balance at 31st March</b>		96		93

### 15. CASH FLOW STATEMENT

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

	2014/15 £'000	2015/16 £'000
Net (increase)/decrease in the General Fund Balance	(175)	(153)
Exclude accumulated absences	7	(2)
Exclude revenue contribution to capital	(137)	(46)
	(305)	(201)
(Decrease)/increase in revenue debtors	(1)	122
(Decrease)/increase in long term debtors	(6)	(6)
(Decrease)/increase in stocks	0	0
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	(169)	(65)
Revenue activities net cash flow	(446)	(115)

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

	2014/15 £'000	2015/16 £'000
Due by/(to) the City of Edinburgh Council at 31st March	924	1,233
Due by/(to) the City of Edinburgh Council at 1st April	1,233	1,302
(Increase)/decrease in cash	(309)	(69)

## LOTHIAN VALUATION JOINT BOARD

### 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,

16.1 2015/16 - Current Year	2015/16
Service Information	£'000
Fees, charges and other service income	(820)
Interest and investment income	(3)
Income from requisitions	(6,118)
Govt grants and other contributions	0
	<u>(6,941)</u>
Employee expenses	4,801
Other operating expenses	1,926
Support Services	61
	<u>6,788</u>
<b>Cost of Services</b>	<b>(153)</b>
<b>Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement</b>	
Cost of Service in Service Analysis	(153)
Add: amounts not reported to management	1,275
Remove: amounts reported to management not included in CIES	5,238
	<u>6,360</u>
<b>Net Cost of Services in CIES</b>	<b>6,360</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	(820)	0	0	0	(820)	0	(820)
Interest and investment income	(3)	0	3	0	0	(3)	(3)
Income from requisitions	(6,118)	0	6,118	0	0	(6,118)	(6,118)
Interest (receipts) / cost	0	0	0	0	0	385	385
Total Income	<u>(6,941)</u>	0	6,121	0	(820)	(5,736)	(6,556)
Employee expenses	4,801	1,175	(837)	24	5,163	0	5,163
Other operating expenses	1,926	0	(46)	37	1,917	0	1,917
Support Services	61	0	0	(61)	0	0	0
Depreciation, amort & impair	0	100	0	0	100	0	100
Interest payments	0	0	0	0	0	0	0
Gain/Loss on disposal of assets	0	0	0	0	0	0	0
Total Expenditure	<u>6,788</u>	1,275	(883)	0	7,180	0	7,180
<b>(Surplus) or Deficit on the Provision of Service</b>	<b>(153)</b>	<b>1,275</b>	<b>5,238</b>	<b>0</b>	<b>6,360</b>	<b>(5,736)</b>	<b>624</b>

## LOTHIAN VALUATION JOINT BOARD

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

16.2	<b>2014/15 - Comparative figures</b>	<b>2014/15</b>
	<b>Service Information</b>	<b>£'000</b>
	Fees, charges and other service income	(763)
	Interest and investment income	(3)
	Income from requisitions	(6,112)
	Govt grants and other contributions	0
		<u>(6,878)</u>
	Employee expenses	4,708
	Other operating expenses	1,930
	Support Services	65
		<u>6,703</u>
	<b>Cost of Services</b>	<b>(175)</b>
	<b>Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement</b>	
	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
		<u><u>6,090</u></u>

	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	(6,112)	0	6,112	0	0	(6,112)	(6,112)
Interest (receipts) / cost	0	0	0	0	0	351	351
<b>Total Income</b>	<b>(6,878)</b>	<b>0</b>	<b>6,115</b>	<b>0</b>	<b>(763)</b>	<b>(5,765)</b>	<b>(6,528)</b>
Employee expenses	4,708	986	(782)	26	4,938	0	4,938
Other operating expenses	1,930	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
<b>Total Expenditure</b>	<b>6,703</b>	<b>1,068</b>	<b>(919)</b>	<b>0</b>	<b>6,853</b>	<b>0</b>	<b>6,853</b>
<b>(Surplus) or Deficit on the Provision of Service</b>	<b>(175)</b>	<b>1,068</b>	<b>5,196</b>	<b>0</b>	<b>6,090</b>	<b>(5,765)</b>	<b>326</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.

	2014/15 £000's	2015/16 £000's
Salaries (incl. NI and Pensions)	9	9
Expenses	0	0
Total	9	9

### 18. EXTERNAL AUDIT COSTS

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

	2014/15 £000's	2015/16 £000's
External audit services carried out for the year	7	7

### 19. GRANT INCOME

There was no revenue grant credited to the Comprehensive Income and Expenditure Statement in 2015/16 (2014/15 £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.

#### 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 2015/16 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:

	2014/15 £000's	2015/16 £000's
• <b>The City of Edinburgh Council:</b>		
Rates	184	188
Rent *	305	305
Central support costs	65	61
Interest on revenue balances	(3)	(3)
Constituent council contribution	(3,740)	(3,744)
Council Tax hearings	0	(3)
Vehicle hires	0	3
Printing	0	4
Trade Waste	0	1
Due from City of Edinburgh Council	1,232	1,302
Long term debtor - lease of office	96	90
Convener remuneration	5	5

## LOTHIAN VALUATION JOINT BOARD

### 20. RELATED PARTIES (Contd.)

#### 20.3 Other Parties (Contd.)

<ul style="list-style-type: none"> <li>• <b>The Scottish Government</b></li> </ul>		
Referendum costs recovered	(110)	0
Electoral registration costs recovered	0	(345)
<ul style="list-style-type: none"> <li>• <b>The Cabinet Office</b></li> </ul>		
IER grant received	(806)	(701)
<ul style="list-style-type: none"> <li>• <b>Midlothian Council</b></li> </ul>		
Constituent council contribution	(556)	(560)
<ul style="list-style-type: none"> <li>• <b>East Lothian Council</b></li> </ul>		
Constituent council contribution	(674)	(669)
<ul style="list-style-type: none"> <li>• <b>West Lothian Council</b></li> </ul>		
Constituent council contribution	(1,143)	(1,145)
Vice Convener remuneration	4	4
<ul style="list-style-type: none"> <li>• <b>Clackmannanshire Council</b></li> </ul>	0	15
<ul style="list-style-type: none"> <li>• <b>Fife Council</b></li> </ul>	0	2
<ul style="list-style-type: none"> <li>• <b>Glasgow City Council</b></li> </ul>	0	7
* additional disclosure since audited annual accounts 2014/15.		

### 21. TERMINATION BENEFITS

There were four employee contracts terminated by the Board during 2015/16. These are shown in the Remuneration Report - Exit Packages (page 47).

### 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.

	2014/15 £000's	2015/16 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
• Property, Plant and Equipment	124	5
• Intangible assets	13	41
Sources of finance		
• Capital receipts	0	0
• Direct revenue contributions	(137)	(46)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

## LOTHIAN VALUATION JOINT BOARD

### 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.

#### 23.2 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:

	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	979		1,146	
Past service costs	<u>0</u>		<u>32</u>	
		979		1,178
<b>Financing and investment income:</b>				
Net interest expense		<u>351</u>		<u>385</u>
<b>Total post employee benefit charged to the</b>		<b>1,330</b>		<b>1,563</b>
<b>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</b>				
<b>Remeasurement of the net defined liability, comprising:</b>				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(4,442)		(716)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	7,715		(5,195)	
Other experience	<u>(23)</u>		<u>(446)</u>	
		<u>3,250</u>		<u>(6,357)</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<b><u>4,580</u></b>		<b><u>(4,794)</u></b>
<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>(3,798)</u>		<u>5,631</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		703		757
Contributions in respect of unfunded benefits		<u>79</u>		<u>80</u>
		<b>782</b>		<b>837</b>

## 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:

	2014/15	2015/16
	£000	£000
Fair value of employer assets	41,358	43,186
Present value of funded liabilities	(51,352)	(47,721)
Present value of unfunded liabilities	(1,876)	(1,704)
Net liability arising from defined benefit obligation	<u>(11,870)</u>	<u>(6,239)</u>

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

	2014/15	2015/16
	£000	£000
Opening fair value of scheme assets	35,206	41,358
Interest income	1,517	1,320
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	4,442	716
Contributions from employer	703	757
Contributions from employees into the scheme	239	243
Contributions in respect of unfunded benefits	79	80
Benefits paid	(749)	(1,208)
Unfunded benefits paid	(79)	(80)
Closing fair value of scheme assets	<u>41,358</u>	<u>43,186</u>

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

	2014/15	2015/16
	£000	£000
Present value of funded liabilities	(41,610)	(51,352)
Present value of unfunded liabilities	(1,668)	(1,876)
Opening balance at 1 April	<u>(43,278)</u>	<u>(53,228)</u>
Current service cost	(979)	(1,146)
Interest cost	(1,868)	(1,705)
Contributions from employees into the scheme	(239)	(243)
Remeasurement gain / (loss):		
Change in financial assumptions	(5,701)	5,195
Change in demographic assumptions	(2,014)	0
Other experience	23	446
Past service cost	0	(32)
Benefits paid	749	1,208
Unfunded benefits paid	79	80
Closing balance at 31 March	<u>(53,228)</u>	<u>(49,425)</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.

	2014/15 £000	2014/15 %	2015/16 £000	2015/16 %
<b><u>Equity Securities</u></b>				
Consumer *	5,800.6	14	6,576.9	15
Manufacturing *	4,864.8	12	5,093.5	12
Energy and Utilities *	4,132.4	10	3,430.4	8
Financial Institutions *	3,407.5	8	3,657.8	8
Health and Care *	2,818.2	7	2,870.7	7
Information Technology *	2,586.5	6	2,587.4	6
Other *	1,852.3	4	2,471.9	6
<b>Sub-total Equity Securities</b>	<b>25,462.3</b>		<b>26,688.6</b>	
<b><u>Debt Securities:</u></b>				
UK Government *	2,394.8	6	2,779.1	6
Other *	1,019.9	2	1,092.5	3
<b>Sub-total Debt Securities</b>	<b>3,414.7</b>		<b>3,871.6</b>	
<b><u>Private Equity</u></b>				
All *	0.0	0	484.7	1
All	4,795.7	12	1,404.0	3
<b>Sub-total Private Equity</b>	<b>4,795.7</b>		<b>1,888.7</b>	
<b><u>Real Estate:</u></b>				
UK Property	2,705.2	7	3,694.0	9
Overseas Property	419.4	1	0.0	0
<b>Sub-total Real Estate</b>	<b>3,124.6</b>		<b>3,694.0</b>	
<b><u>Investment Funds and Unit Trusts:</u></b>				
Equities *	448.7	2	0.0	0
Equities	0.0	0	0.0	0
Bonds *	118.8	0	115.9	0
Bonds	0.0	0	234.0	1
Infrastructure *	248.7	1	240.3	1
Infrastructure	0.0	0	2,632.0	6
Commodities *	132.2	0	119.8	0
Other	147.7	0	1,034.7	2
Other *	133.7	0	0.0	0
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>1,229.8</b>		<b>4,376.7</b>	
<b><u>Derivatives:</u></b>				
Foreign Exchange *	63.4	0	(2.5)	0
<b>Sub-total Derivatives</b>	<b>63.4</b>		<b>(2.5)</b>	
<b><u>Cash and Cash Equivalents</u></b>				
All *	3,267.5	8	2,668.9	6
<b>Sub-total Cash and Cash Equivalents</b>	<b>3,267.5</b>		<b>2,668.9</b>	
<b>Total Fair Value of Employer Assets</b>	<b>41,358.0</b>	<b>100</b>	<b>43,186.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2014/15.



## LOTHIAN VALUATION JOINT BOARD

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

#### 23.7 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2016 were those from the beginning of the year (i.e. 31 March 2015) and have not been changed during the year. The main assumptions in the calculations are:

<u>Expected return on assets</u>		2014/15	2014/15
Equity investments		3.2%	3.5%
Bonds		3.2%	3.5%
Property		3.2%	3.5%
Cash		3.2%	3.5%
<u>Average future life expectancies at age 65:</u>			
Current pensioners	male	22.1 years	22.1 years
Current pensioners	female	23.7 years	23.7 years
Future pensioners	male	24.2 years	24.2 years
Future pensioners	female	26.3 years	26.3 years
<u>Financial assumptions:</u>		2014/15	2015/16
Pension increase rate		2.4%	2.2%
Salary increase rate		4.3%	4.2%
Discount rate		3.2%	3.5%

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 2016 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 2016</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	11.0%	5,665
1 year increase in member life expectancy	3.0%	1,483
0.5% increase in the Salary Increase Rate	5.0%	2,262
0.5% increase in the Pension Increase Rate	7.0%	3,264

#### 23.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2017

	Assets £000	Obligations £000	Net (liability) / asset	
			£000	% of pay
Current service cost	0	(978)	(978)	-28.40%
Total Service Cost	0	(978)	(978)	-28.40%
Interest income on plan assets	1,510	0	1,510	43.90%
Interest cost on defined benefit obligation	0	(1,731)	(1,731)	-50.30%
Total Net Interest Cost	1,510	(1,731)	(221)	-6.40%
Total included in Profit or Loss	1,510	(2,709)	(1,199)	-34.80%

The Board's estimated contribution to Lothian Pension Fund for 2016/17 is £0.722m.

#### 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.

## LOTHIAN VALUATION JOINT BOARD

### 24. LEASES

#### Operating Leases

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

<b>17a South Gyle Crescent - offices</b>		
	2014/15	2015/16
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,526	1,526
• Later than 5 years	3,358	3,052
	<u>5,189</u>	<u>4,883</u>

The Board has no finance lease obligations.

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

	2014/15	2015/16
	£000's	£000's
• Cash incentive:		
Balance at 1st April	102	96
Amortised to Comprehensive Income and Expenditure Statement	(6)	(6)
Balance at 31st March	<u>96</u>	<u>90</u>
• Car purchase advances (Balances due more than 12 months)	0	0
Total	<u>96</u>	<u>90</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.

	2014/15	2015/16
	£000's	£000's
Balance at 1st April	(630)	(595)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(595)</u>	<u>(560)</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 2015/16 £000's	Amount received 2015/16 £000's	Amount due (to)/from Constituent Councils 2015/16 £000's
City of Edinburgh Council	3,650	3,744	(94)
Midlothian Council	546	560	(14)
East Lothian Council	653	669	(16)
West Lothian Council	1,116	1,145	(29)
	<u>5,965</u>	<u>6,118</u>	<u>(153)</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 its commitments to make payments is considered immaterial given the statutory responsibility that the Board has to have a balanced budget and that constituent authorities have to fund the activities of the Board.
- Price risk - the possibility that fluctuations in equity prices has a significant impact on the value of financial instruments held by the Board is considered immaterial because the Board does not generally invest in equity shares.
- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Board is considered immaterial because there are no financial assets or liabilities held at the year end denominated in foreign currencies.

The Board holds its surplus funds with the City of Edinburgh Council and does not place external deposits in its own name. The balance held by and due from the City of Edinburgh Council at 31st March 2016 amounted to £1.302m (2014/15 £1.232m). 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

### 29. PRIOR PERIOD ADJUSTMENTS

The Board previously carried unspent requisitions in the form of a creditor balance. Following completion of the audited accounts for 2014/15 it was agreed that, in accordance with paragraph 8 of the The Valuation Joint Boards (Scotland) Order 1995, all under spending pertaining to the Board be instead retained in the form of a usable reserve. This change has been adopted retrospectively in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The changes to the core statements and disclosure notes have been summarised in Notes 29.1 to 29.5.

The Board previously carried the following under spends as a creditor since 31st March 2011.

Year	Under spend £'000	Drawdown to fund VR * £'000	Net Under Spend £'000	Running total in creditors £'000
2010/11	-£228		-£228	-£228
2011/12	-£42		-£42	-£270
2012/13	-£127		-£127	-£397
2013/14	-£117	£93	-£24	-£421
2014/15	-£175		-£175	-£596

\* Voluntary early release.

#### 29.1 Movement in Reserves Statement

2014/15 - Previous Year Comparative	Usable Reserves		Movement £'000
	2014/15 audited accounts £'000	2014/15 restated £'000	
- Opening Balances at 1 April 2014	0	(421)	(421)
- (Surplus) or deficit on provision of services	501	326	(175)
- Net (increase)/decrease before transfers to Other Statutory Reserves	0	(175)	(175)
- (Increase)/Decrease in 2014/15	0	(175)	(175)
- Balance at 31 March 2015 carried forward	0	(596)	(596)

#### 29.2 Comprehensive Income and Expenditure Statement

2014/15 restatements	2014/15 audited accounts £'000	2014/15 restated £'000	Movement £'000
Constituent Council requisitions	(5,937)	(6,112)	(175)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>501</b>	<b>326</b>	<b>(175)</b>

#### 29.3 Balance Sheet

2014/15 restatements	2014/15 audited accounts £'000	2014/15 restated £'000	Movement £'000
Short-term creditors	(994)	(398)	596
Usable reserves	0	596	596

#### 29.4 Cash Flow Statement (Direct method)

2014/15 restatements	2014/15 audited accounts £'000	2014/15 restated £'000	Movement £'000
Operating Cash Receipts	(6,001)	(6,118)	(117)
Cash paid to and on behalf of employees	4,526	4,643	117

## LOTHIAN VALUATION JOINT BOARD

### 29 PRIOR PERIOD ADJUSTMENTS (Contd.)

29.5 <u>Other disclosure note restatements</u>		2014/15	2014/15	Movement
<u>2014/15 restatements</u>		audited	restated	
		accounts		
		£'000	£'000	£'000
13	Short term creditors - other local authorities	(596)	0	596
14	Usable General Reserve	0	596	596
15	<u>Cash Flow Statement (indirect method)</u>			
	Net (increase)/decrease in the General Fund Balance	0	(175)	(175)
	Decrease/(increase) in revenue creditors	(344)	(169)	175
16	<u>Amounts reported for resource allocation decisions</u>			
	Income from requisitions	(5,937)	(6,112)	(175)

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

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

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

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

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

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

### The Board's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled, and its activities through which it accounts to, engages with and influences the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance.

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

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.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### 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.
- **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 2016. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

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

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

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2015/16;
- 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 Resources, City of Edinburgh Council.

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.

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 2015/16 are as follows:

On earnings up to and including £20,500 (5.5%), on earnings above £20,500 and up to £25,000 (7.25%), on earnings above £25,000 and up to £34,400 (8.5%), on earnings above £34,400 and up to £45,800 (9.5%) and on earnings above £45,800 (12%).



## LOTHIAN VALUATION JOINT BOARD

### REMUNERATION REPORT (Contd.)

#### 3. Pension Entitlement of Senior Employees (Contd.)

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.

#### 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:

<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2014/15</b>	<b>2015/16</b>
£50,000 - £54,999	-	1
£55,000 - £59,999	3	3
£60,000 - £64,999	-	-
£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	-
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
<b>Totals</b>	<b>6</b>	<b>7</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.

<b>Name and Post Title</b>	<b>Salary, Fees and Allowances 31 March 2015</b>	<b>Salary, Fees and Allowances 31 March 2016</b>
	<b>£</b>	<b>£</b>
J.Hewton - Assessor and Electoral Reg Officer	116,657	118,390
G. Strachan - Depute Assessor	94,875	95,266
<b>Total</b>	<b>211,532</b>	<b>213,656</b>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<b><u>In-year pension contributions</u></b>		For year to 31 March 2015	For year to 31 March 2016
Name and Post Title		£	£
J.Hewton - Assessor and Electoral Reg Officer		24,261	24,625
G. Strachan - Depute Assessor		19,476	19,769
			Difference
<b><u>Accrued Pension Benefits</u></b>		As at 31 March 2016	from 31 March 2015
<b>Name and Post Title</b>		£'000	£'000
J.Hewton - Assessor and Electoral Reg Officer	Pension	58	4
	Lump sum	131	4
G. Strachan - Depute Assessor	Pension	45	3
	Lump sum	101	2

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	4,183	0	4,183	4,101
B.Robertson - Vice-Convener	3,106	0	3,106	3,075
	<u>7,289</u>	<u>0</u>	<u>7,289</u>	<u>7,176</u>

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

<b><u>In-year pension contributions</u></b>		For year to 31 March 2015	For year to 31 March 2016
Name and Post Title		£	£
N.Work - Convener		4,410 *	4,475 *
B.Robertson - Vice-Convener		4,006 *	4,046 *
			Difference
<b><u>Accrued Pension Benefits</u></b>		As at 31 March 2016	from 31 March 2015
<b>Name and Post Title</b>			
N.Work - Convener	Pension	3	0
	Lump sum	2	0
B.Robertson - Vice-Convener	Pension	2	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.

## LOTHIAN VALUATION JOINT BOARD

### REMUNERATION REPORT (Contd.)

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#### 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.

Exit Packages Band	Number of Employees		Total Cost	
	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	1	£ -	£ 15,638
£20,001 - £40,000	-	3	-	86,552
£40,001 - £60,000	-	0	-	0
£60,001 - £80,000	-	0	-	0
£80,001 - £100,000	-	0	-	0
<b>Totals</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>102,190</b>

Costs are in respect of voluntary retirements which were approved on the basis of Regulation 30 (Rule of 85) of the Pension Fund Regulations.