

## Notice of Meeting and Agenda

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**Monday 21 August 2017 at 10:00am**  
**in the City Chambers, High Street, Edinburgh**

**1 Order of Business**

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

**2 Declaration of Interests**

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

**3 Appointment of Convener**

**4 Appointment of Vice-Convener**

**Note:** In terms of the Valuation Joint Boards (Scotland) Order 1995, the Convener and Vice-Convener cannot be members of the same constituent authority.

**5 Minute of the Lothian Valuation Joint Board of 10 April 2017** (circulated) – submitted for approval as a correct record

**6 Appointments to Committees and the Joint Consultative Group** – report by the Chief Executive and Clerk (circulated)

**7 Internal Audit – Annual Report** – report by the Treasurer (to follow)

**8 Unaudited Annual Accounts for the Year Ended 31st March 2017** – report by the Treasurer (circulated)

**9 Performance Report 2016-2017** – report by the Interim Assessor and Electoral Registration Officer (circulated)

- 10 Period 3 Financial Statement 2017-2018** – report by the Treasurer (circulated)
- 11 Treasury Management Annual Report 2016-2017** – report by the Treasurer (circulated)
- 12 Transformation and Cultural Change Programme Update** - report by the Interim Assessor and Electoral Registration Officer (circulated)
- 13 Review of Arrangements for Corporate Governance** - report by the Interim Assessor and Electoral Registration Officer (circulated)
- 14 Role and Duties of the Assessor and Electoral Registration Officer** – report by the Interim Assessor and Electoral Registration Officer (circulated)
- 15 Recruitment of Assessor and Electoral Registration Officer** – report by the Chief Executive and Clerk (circulated)

**Andrew Kerr**  
Chief Executive and Clerk

## Membership

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

Councillor Chas Booth  
Councillor Phil Doggart  
Councillor Karen Doran  
Councillor David Key  
Councillor George Gordon  
Councillor Gillian Gloyer  
Councillor Ricky Henderson  
Councillor Jason Rust  
Councillor Norman Work

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

Councillor Jim Goodfellow  
Councillor Jane Henderson

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

Councillor Margot Russell  
Councillor Pauline Winchester

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

Councillor Dave King  
Councillor Andrew McGuire  
Councillor Damian Timson

## Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Committee Services | Strategy and Insight | Chief Executive | City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | tel 0131 529 4240 | email [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk)

- (2) A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception Office, City Chambers, High Street, Edinburgh.
- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings). Members and Officers of the City of Edinburgh Council can also view them by going to the Orb home page and clicking on Committee Business.



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# Lothian Valuation Joint Board

Edinburgh, 10 April 2017

**Present:**

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

**East Lothian Council** – Councillor McNeil.

**Midlothian Council** – Councillors Bryant and Russell (Vice-Convener).

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

## 1 Minute

**Decision**

- 1) To approve the minute of the Lothian Valuation Joint Board of 6 February 2017 as a correct record.
- 2) That an update on progress with recruitment for the post of Assessor and Electoral Registration Officer be circulated to Members.

## 2 External Audit Plan 2016-17

The Accounts Commission had appointed Scott-Moncrieff as external auditor to the Board.

The External Audit Plan for the Board for 2016-17 was presented. Karen Jones, External Auditor presented an overview of the Audit Plan and highlighted key audit issues and risks.

**Decision**

To note the key audit risks and the related assurances received to address these risks and the proposed audit work to be carried out.

(Reference – report by Scott-Moncrieff, External Auditors, submitted)

## 3 Interim Assessor's Report to the Joint Board

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

Key issues for the service included the Local Government elections on 4 May 2017, the 2017 Revaluation, maintenance activities in respect of both the Valuation Roll and Council Tax list and the annual household canvass for 2017.

**Decision**

To note the updates contained in the report.

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

**4 Convener's Remarks**

The Convener thanked the Joint Board members for their work and commitment over the past five years. He also thanked the Interim Assessor and his staff and all the Joint Board officers for their support in ensuring the Joint Board's business operated effectively.



## Appointments to Committees and the Joint Consultative Group

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21 August 2017

### Purpose of report

- 1 To invite the Board to re-establish its Committees and its Joint Consultative Group, approve their remits and appoint memberships and Conveners.

### Main report

- 2 The Board had previously established an Appointment Committee to undertake the recruitment and appointment of senior staff, an Appeal Committee to deal with disciplinary and grievance issues and a Joint Consultative Group (JCG) to provide a means of regular consultation between it and employees' representatives on a range of issues.
- 3 Each group has comprised five members from among each of the constituent Councils as follows:

City of Edinburgh	-	2
East Lothian	-	1
Midlothian	-	1
West Lothian	-	1
- 4 The remits of the Committees and the JCG are detailed in Appendices 1-3 of this report.
- 5 The Board is required to appoint members to these Committees and the JCG and is also asked to appoint their Conveners.

## Recommendations

- 6 The Joint Board is asked:
- 6.1 To re-establish the Appointment and Appeal Committees and the Joint Consultative Group.
  - 6.2 To approve the remits detailed in Appendices 1-3 of this report.
  - 6.3 To appoint the membership and the Conveners of the Appointment Committee, Appeal Committee and the Joint Consultative Group.

**Andrew Kerr**  
Chief Executive and Clerk

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<b>Appendices</b>	Appendix 1 - Remit of the Appointment Committee Appendix 2 - Remit of the Appeal Committee Appendix 3 - Remit of the Joint Consultative Group
<b>Contact/tel</b>	Lesley Birrell, Office of the Chief Executive and Clerk ☎ 529 4240 ✉ <a href="mailto:lesley.birrell@edinburgh.gov.uk">lesley.birrell@edinburgh.gov.uk</a>
<b>Background Papers</b>	None

**LOTHIAN VALUATION JOINT BOARD**

**APPOINTMENT COMMITTEE**

**REMIT**

**1** The Appointment Committee shall be authorised to act on behalf of the Board on all matters of selection and appointment of the Assessor and Electoral Registration Officer of the Lothian Valuation Joint Board.

**2** Membership of the Committee shall comprise 5 members as follows:

The City of Edinburgh Council - 2 Councillors

East Lothian Council - 1 Councillor

Midlothian Council - 1 Councillor

West Lothian Council - 1 Councillor

**Advisers (non-voting)**

Chief Executive and Clerk to the Board

HR Adviser to the Board

**3** The quorum for meetings of the Committee shall be 3 members.

**4** The Convener of the Committee shall be appointed by the Valuation Board. In the absence of the Convener at any meeting, the Committee will elect a Chair from its members.

**5** Members will be permitted to appoint a substitute to attend in their place, in accordance with the requirements of the Board's Standing Orders.

**6** All members (and any substitute member) will require to have attended an approved training course for the purpose of recruitment and selection of Chief Officers.

**7** All members (and any substitute members) will be subject to the general requirement to have attended all the stages of the selection process i.e. any short-listing (or long-listing) and interviews of all candidates when participating in the selection process.

**8** The Chief Executive and Clerk to the Valuation Board, in consultation with the Convener of the Committee, will be responsible for calling meetings of the Committee.

**9** The Chief Executive and Clerk shall report on any appointment made to a meeting of the Valuation Board.



### LOTHIAN VALUATION JOINT BOARD

#### APPEAL COMMITTEE

##### Remit

- 1 To decide appeals by staff in regard to disciplinary action, gradings, grievances and disputes or in other appropriate circumstances, in terms of the Joint Board's policies in these matters.

##### Membership

- 2 Membership of the Committee shall comprise 5 members as follows:

The City of Edinburgh Council	-	2 Councillors
East Lothian Council	-	1 Councillor
Midlothian Council	-	1 Councillor
West Lothian Council	-	1 Councillor

##### Advisers (non-voting)

Chief Executive and Clerk to the Board  
HR Adviser to the Board

**LOTHIAN VALUATION JOINT BOARD**

**JOINT CONSULTATIVE GROUP**

- 1 To provide a means of regular consultation between the Board and employees' representatives, on matters affecting the employment and conditions of service of Board employees, always provided that no question of an individual's pay, wage, grading, discipline, promotion or efficiency shall be within the scope of the Joint Group.
- 2 To consider and offer observations on any proposals made by the Board involving substantial administrative reorganisation to the extent to which it affects the pay and conditions of employment of the employees of the Board.
- 3 To consider and report on any matter which may be referred to the Joint Group by the Board or by any of the employee organisations.



## Unaudited Annual Accounts for the Year Ended 31st March 2017

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21<sup>st</sup> August 2017

### 1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2017.

### 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 2016/17 be presented to the Board no later than 31<sup>st</sup> August, 2017. The Annual Accounts require to be presented to external audit by 30<sup>th</sup> June, 2017.
- 2.2 The unaudited Annual Accounts for 2016/17 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 7<sup>th</sup> June 2017. 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. The Board's appointed auditors, Scott Moncrieff will present the *Report to those charged with governance on the 2016/17 audit* at the Board's meeting in September 2017. 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 £0.262m. 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 2017 is £1.011m including the under spend of £0.262m for 2016/17.
- 2.8 In February 2017 the Board approved a one-off refund to constituent councils of £0.184m relating to the level of general reserve held. This refund will be reflected in the 2017/18 annual accounts. If the under spend from 2016/17 is retained the general reserve balance at 30<sup>th</sup> September 2017 will be £0.827m. If it's not retained then the balance will drop to £0.565m.
- 2.9 The 2016/17 requisition due to be refunded to constituent councils based on the unaudited Annual Accounts is as follows:

	2016/17 Requisition due to constituent authorities £'000
Edinburgh	161
Midlothian	24
East Lothian	28
West Lothian	49
<b>Total</b>	<b>262</b>

### 3 Recommendations

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Annual Accounts for 2016/17 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.**

**Appendices:** Unaudited Annual Accounts for the Year Ended 31st March 2017

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

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

# Annual Accounts for the year to 31st March 2017

*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 Margot Russell, Midlothian 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 Margot Russell  
Councillor Jim Bryant

***Appointed by West Lothian Council :*** Councillor Dave King  
Councillor Greg McCarra  
Councillor David Dodds

### Officials

Chief Executive Officer (Assessor - interim) : Graeme Strachan

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 2017. The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code). 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 7.

As a result of the *Telling the Story* review of the presentation of local authority financial statements a new **Expenditure and Funding Analysis statement** has been included at Note 2 on Page 18. An explanation of the nature and purpose of the statement is also included.

#### 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 annual Corporate and Service Plans are created that indicate a detailed range of activities and objectives necessary to deliver services. These plans are supported where required with detailed project management plans, specific service delivery timetables, 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, in common with the wider local authority community, there are uncertainties created by the ongoing environment of fiscal constraint within which services must be delivered. The Board has a range of statutory duties to enact and services to deliver. The current focus is how to achieve a level of financial sustainability that supports service delivery in the medium and longer term. Failure to do so brings a risk in terms of the quality of service provided.

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. In recent years there have been government led investigations and consultations into aspects of all three of the statutory functions carried out by the Board. The most significant of these has been the introduction of Individual Electoral Registration (IER). While the main aims were improving the completeness and accuracy of the Electoral Register and at the same time reducing the opportunity for electoral fraud, the new processes have left a financial legacy amounting to circa £0.450m per annum. Currently this required funding is provided direct by government to the Board, however a risk exists should this support be withdrawn before there is time to properly reflect the requirements of IER within annual budget allocation. Council Tax has also very recently undergone investigation and while the outcome of this had made little difference to the service requirement provided by the Board, fundamental questions as regards the future direction of Council Tax remain outstanding and pose a potential risk to the Board. In terms of the Valuation Roll service an ongoing review under the auspices of the Barclay Commission is due to report in the summer of 2017. Again there is a risk that recommendations could impact significantly on various aspects of service delivery both from an organisational perspective and a financial one. While legislative changes are seldom sudden the time and finances required to implement any recommendations can be considerable and therefore such changes must be considered as risk areas.



# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2016/17

#### 5.1 Financial Performance

The Board's expenditure was under requisition income by £0.262m for 2016/17. The under spend was mainly due to savings within employee costs, premises and supplies and services within the core budget. The cost of Individual Electoral Registration was fully funded by Grant. The Board also received a one-off grant (allocated against the core budget) in respect of the EU Referendum which was under spent by £0.055m.

During 2016/17 the Board reached a good level of performance as defined by its Key Performance Indicators. The principal of these show that 93.86% of all new houses were entered onto the Council Tax List within 3 months following occupation and that 47.15% of all Valuation Roll amendments were made within 3 months following completion. 2016/17 was a major year in terms of delivery of the 2017 Revaluation and considerable resource was diverted from normal annual Valuation Roll duties to ensure the Revaluation was completed on time. The impact of this was that only a part year was available in which to undertake the entire normal Valuation Roll activity. Following the introduction of IER, Electoral Registration is subject to a new regime of performance monitoring by the Electoral Commission. This does not require the annual submission of statistical information to the Commission, rather an evidence based assessment of annual activity concerning various aspects of registration planning and delivery.

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 (incl. EU Ref Grant)			Individual Electoral Registration (IER)			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
• Employees	4,499	4,425	(74)	254	239	(15)	4,753	4,664	(89)
• Property	605	584	(21)	0	0	0	605	584	(21)
• Transport and Plant	101	84	(17)	13	3	(10)	114	87	(27)
• Supplies and Services	797	782	(15)	138	233	95	935	1,015	80
• Third Party Payments	95	88	(7)	0	0	0	95	88	(7)
• Support services	67	68	1	0	0	0	67	68	1
<b>Total gross expenditure</b>	<b>6,164</b>	<b>6,031</b>	<b>(133)</b>	<b>405</b>	<b>475</b>	<b>70</b>	<b>6,569</b>	<b>6,506</b>	<b>(63)</b>
• Sales, fees & charges	(43)	(45)	(2)	0	0	0	(43)	(45)	(2)
• EU Ref Grant	0	(127)	(127)	0	0	0	0	(127)	(127)
• IER Grant	0	0	0	(405)	(475)	(70)	(405)	(475)	(70)
• IORB	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(175)</b>	<b>(129)</b>	<b>(405)</b>	<b>(475)</b>	<b>(70)</b>	<b>(451)</b>	<b>(650)</b>	<b>(199)</b>
<b>Total net expenditure</b>	<b>6,118</b>	<b>5,856</b>	<b>(262)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>5,856</b>	<b>(262)</b>

For the year ended 31st March 2017, the Board had an under spend against budget on its Comprehensive Income and Expenditure account of £0.262m (Note 2 refers). Actual is 95.7% of budget.

The Board recorded income totalling £0.740m in relation to Individual Electoral Registration at 31st March 2017, mainly in relation to specific grant provided by the Cabinet Office. Expenditure against this grant was £0.475m and therefore £0.265m was carried forward in to financial year 2017/18 to leave a balanced IER position for 2016/17.

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

• <u>Employees</u> Staffing turnover savings partially off-set by increased overtime.	£'000 (74)
• <u>Property</u> Reduced cleaning and repairs and maintenance costs.	(21)

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2016/17 (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>Transport costs</u> General reduction in travel expenses caused by an ongoing policy of survey process review and the impact of undertaking preparatory work for the 2017 Revaluation.</li></ul>	(17)
<ul style="list-style-type: none"><li>• <u>Supplies and Services</u> Mainly reduced ICT costs relating to prepaid licence/maintenance costs transferred to 2017/18. There was also EU Referendum advertising costs included here which were funded by one-off grant within income.</li></ul>	(15)
<ul style="list-style-type: none"><li>• <u>Third Party Payments</u> Minor under spends on the Valuation Appeals Committee and general property maintenance costs.</li></ul>	(7)
<ul style="list-style-type: none"><li>• <u>Income</u> One-off grant associated with the EU Referendum of £0.127m was received during 2016/17. Overtime (£0.019m) and advertising costs (£0.053m) were incurred against this grant within employee costs and supplies and service respectively.</li></ul>	(129)

In accordance with paragraph 8 of the Valuation Joint Boards (Scotland) Order 1995, all under spending pertaining to the Board is retained in the form of a usable reserve. The audited usable reserve balance at 31st March 2016 was £0.749m. The £0.262m under spend for financial year 2016/17 has been transferred to the usable reserve pending a decision from the Board on whether or not this should be refunded to constituent councils. A decision will be required at the Boards meeting on the 4th September 2017 following approval of the audited annual accounts 2016/17.

#### 5.2 Overview of performance targets in 2016/17

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 2016/17, 93.86% (2015/16 – 96.46%) of notifications were made within 3 months set against a target of 95%.

For non-domestic properties, a similar indicator is used for notification of changes, with 47.15% of property owners notified within 3 months against a target of 50% (2015/16 : 72.11%). When considering the performance level achieved cognisance must be taken of the considerable additional pressures placed on the staff resource in respect of the delivery of the 2017 Revaluation. The timeframe within which to conduct normal Valuation Roll activity was much reduced during 2016/17.

The new process of registration under IER means that following the annual canvass many applications to register are still awaiting return and are not reflected in the electorate figures provided. The following electorate statistics therefore should be viewed as a snap shot, as at March 2017 657,858; 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 may inhibit the development of forward thinking strategies aimed at improving efficiency and performance. This uncertainty is amplified when placed within the current environment of fiscal constraint that all local authority bodies are currently facing. The introduction of IER exemplifies one of the outcomes of legislative change. A financial legacy currently funded by direct government intervention is required annually to support the service delivery of electoral registration requirements. The removal of this funding support or the failure to reduce the legacy costs by alteration or improvement to the required process presents a risk to the Board should it be unable to secure the required budget. While the Board holds a reserve fund that can be used to support the electoral service in the short term should the need arise, by the time government support is withdrawn and the direct funding is exhausted action must have been taken to either secure additional funding from constituent authorities and/or the additional funding has been consumed within existing core budget levels. To date the annual government funding has been sufficient to cover the additional costs associated with electoral registration and no recourse to the reserve has been necessary. This commentary has already indicated the risks that may affect service delivery associated with Council Tax and Valuation Roll. To establish a way forward the Board has commenced a Transformation and Cultural Change programme aimed at achieving a financially sustainable position within which services can be delivered in the medium and longer terms while providing the required flexibility that shall allow appropriate reaction to any significant changes in legislative requirement.

# 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 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.
- Recently the Board has dealt with multiple election and referendum events during a single year. 2016 saw the Scottish Parliamentary elections and a referendum on European membership. 2017 involves Scottish Local Authority elections closely followed by a snap Westminster Parliamentary election. Such activity places considerable pressure on resources and in particular costs associated with postage, printing and overtime can be affected. The future direction would imply that such activity is likely to continue with events such as a further independence referendum or possible elections arising from "Brexit" negotiations having to be considered.
- 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. In terms of the Valuation Roll and the Non-Domestic Rating, recommendations are expected during 2017 from the Barclay Commission investigation into the Business Rating System. These may have a profound impact on not only the nature of service requirement but also the manner in which these services are delivered. Both of these issues represent uncertainty and risk in terms of future direction and the funding requirement required to support service delivery.
- During March 2017 the 2017 Revaluation went live with revised rateable values effective from 1st April 2017 being notified to ratepayers. Ratepayers have until 30th September 2017 to lodge appeals against these revised assessments. Dependant on the number of appeals received considerable pressure may be placed upon existing levels of resource required to dispose of these appeals within the statutory timetable. In addition, while the level of recourse that may be made to higher courts such as the Lands Tribunal and the Lands Valuation Appeal Court to dispose of more complex appeals is at this stage unknown, should this occur in considerable volume additional pressure on both staff and financial resource shall be experienced.

The Board acknowledges the financial pressures, challenges and uncertainties it faces. There exists a need to meet these challenges and provide the required services within a framework of financial sustainability while also ensuring sufficient flexibility to react to changes brought about by legislative intervention. The Board therefore has commenced a programme of Transformation and Cultural Change aimed at meeting these challenges in the medium and longer term.

# 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 2017, and its income and expenditure for the year ended 31st March 2017.

**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.

2015/16 - Previous Year Comparative	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2015	(596)	11,337	10,741
Total Comprehensive Income and Expenditure	624	(6,357)	(5,733)
Adjustments between accounting basis & funding basis under regulations (Note 7.2)	(777)	777	0
Net (increase)/decrease before transfers to Other Statutory Reserves	(153)	(5,580)	(5,733)
(Increase)/Decrease in 2015/16	(153)	(5,580)	(5,733)
Balance at 31 March 2016 carried forward	(749)	5,757	5,008

2016/17 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2016	(749)	5,757	5,008
Total Comprehensive Income and Expenditure	145	5,787	5,932
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(407)	407	0
Net (increase)/decrease before transfers to Other Statutory Reserves	(262)	6,194	5,932
(Increase)/Decrease in 2016/17	(262)	6,194	5,932
Balance at 31 March 2017 carried forward	(1,011)	11,951	10,940

General Fund analysed over:	£'000
Amounts earmarked	0
Amounts uncommitted	(1,011)
<b>Total General Fund Balance at 31 March 2017</b>	<b>(1,011)</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.

2015/16				2016/17		
<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
6,716	(386)	6,330	Core budget	6,196	(172)	6,024
464	(434)	30	Individual electoral registration	496	(475)	21
<b>7,180</b>	<b>(820)</b>	<b>6,360</b>	<b>Cost Of Services</b>	<b>6,692</b>	<b>(647)</b>	<b>6,045</b>
<b>Financing and Investment Income:</b>						
0	(3)	(3)	Interest & Investment income (Note 10.2)	0	(3)	(3)
0	0	0	Pensions interest cost & expected return on pensions assets	0	0	0
1,705	0	1,705	Interest Cost on Defined Benefit Obligation (Note 23.5)	1,729	0	1,729
0	(1,320)	(1,320)	Interest Income on Plan Assets (Note 23.4)	0	(1,508)	(1,508)
<b>1,705</b>	<b>(1,323)</b>	<b>382</b>	<b>Total Financing and Investment Income</b>	<b>1,729</b>	<b>(1,511)</b>	<b>218</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	(6,118)	(6,118)	Constituent council requisitions (Note 27)	0	(6,118)	(6,118)
<b>0</b>	<b>(6,118)</b>	<b>(6,118)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>0</b>	<b>(6,118)</b>	<b>(6,118)</b>
<b>8,885</b>	<b>(8,261)</b>	<b>624</b>	<b>(Surplus) or Deficit on Provision of Services (Note 2)</b>	<b>8,421</b>	<b>(8,276)</b>	<b>145</b>
<b>Other Comprehensive Income and Expenditure:</b>						
0	0	0	Surplus or deficit on revaluation of non-current assets	0	0	0
(5,195)	0	(5,195)	Change in Financial Assumptions (Note 23.5)	13,969	0	13,969
0	0	0	Change in Demographic Assumptions (Note 23.5)	0	0	0
0	(446)	(446)	Other Experience (Note 23.5)	55	0	55
0	(716)	(716)	Return on pension assets excl. amounts included in net int. (Note 23.4)	0	(8,237)	(8,237)
		0	Actuarial gains / losses on pension assets / liabilities			0
<b>3,690</b>	<b>(9,423)</b>	<b>(5,733)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>22,445</b>	<b>(16,513)</b>	<b>5,932</b>

The Cost of Services presentation within the Comprehensive Income and Expenditure Statement has been changed to reflect the introduction of the new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of the Board's financial statements. This has no impact on the overall Cost of Services figures included for 2015/16 and 2016/17 above.

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

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

31 March 2016 £'000		Notes	31 March 2017 £'000
477	Property, plant and equipment	8.1	453
99	Intangible assets	9	86
90	Long-term debtors	25	85
666	<b>Long term assets</b>		624
0	Inventories	11	0
286	Short-term debtors	12	272
1,302	Cash and cash equivalents	13	1,513
1,588	<b>Current assets</b>		1,785
(463)	Short-term creditors	14	(429)
(463)	<b>Current liabilities</b>		(429)
(560)	Other long-term liabilities	26	(525)
(6,239)	Other long-term liabilities (Pensions)	23.3	(12,395)
(6,799)	<b>Long-term liabilities</b>		(12,920)
<b>(5,008)</b>	<b>Net liabilities</b>		<b>(10,940)</b>
(749)	Usable reserves	15	(1,011)
5,757	Unusable reserves	15	11,951
<b>5,008</b>	<b>Total reserves</b>		<b>10,940</b>

The unaudited Annual Accounts were authorised for issue on the 7th June 2017.

**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.

31 March 2016 £'000	31 March 2016 £'000		31 March 2017 £'000	31 March 2017 £'000
<b>OPERATING ACTIVITIES</b>				
(604)		Cash received for goods and services	(692)	
(48)		Other local authorities	(6)	
(3)		Interest received	(3)	
(6,118)		Other operating cash receipts	(6,118)	
	<b>(6,773)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,819)</b>
4,786		Cash paid to and on behalf of employees	4,658	
1,872		Cash paid to suppliers of goods and services	1,887	
	<b>6,658</b>	<b>Cash outflows generated from operating activities</b>		<b>6,545</b>
	<b>(115)</b>	<b>Net cash flows from operating activities (Note 16.1)</b>		<b>(274)</b>
<b>INVESTING ACTIVITIES</b>				
46		Purchase of property, plant and equipment and intangible assets.	63	
0		Proceeds from sales of property, plant and equipment and intangible assets.	0	
	<b>46</b>	<b>Net cash flows from investing activities</b>		<b>63</b>
	<b>0</b>	<b>Net cash flows from financing activities</b>		<b>0</b>
	<b>(69)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 16.2)</b>		<b>(211)</b>
<b>1st April 2016</b>				
1,233		Cash and cash equivalents	1,302	
	1,233			1,302
<b>31st March 2017</b>				
1,302		Cash and cash equivalents	1,513	
	1,302			1,513
	<b>(69)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 16.2)</b>		<b>(211)</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). 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 2017.

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	15
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.

## 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.

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, 2017, 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. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions from local authorities) by the Lothian Valuation Joint Board in comparison with those resources consumed or earned by the Lothian Valuation Joint Board in accordance with general accounting practice. It also shows how this expenditure is allocated for decision making purposes between service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) (see page 8).

EXPENDITURE AND FUNDING ANALYSIS						
Net Expend. Chargeable to the General Fund	2015/16		Net Expenditure in the CIES	Net Expend. Chargeable to the General Fund	2016/17	
	Adjustments	Net Expenditure			Adjustments	Net Expenditure
£000	£000	£000	£000	£000	£000	£000
5,965	365	6,330	Core Budget	5,856	168	6,024
0	30	30	Individual Electoral Registration	0	21	21
<b>5,965</b>	<b>395</b>	<b>6,360</b>	<b>Net Cost of Services</b>	<b>5,856</b>	<b>189</b>	<b>6,045</b>
<b>Other Income and Expenditure</b>						
(6,118)	0	(6,118)	Constituent council requisitions	(6,118)	0	(6,118)
0	(3)	(3)	Interest and investment income	0	(3)	(3)
0	385	385	Net pension interest cost	0	221	221
<b>(153)</b>	<b>777</b>	<b>624</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>(262)</b>	<b>407</b>	<b>145</b>
(596)			Opening General Fund Balance	(749)		
(153)			Surplus on the provision of services	(262)		
<b>(749)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(1,011)</b>		

#### Notes to the Expenditure and Funding Analysis:

##### 2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17:

	Adjusts. For Capital Purposes	Net Change for Pensions Adjusts.	Other Differences	Total Statutory Adjusts.	Presentation Adjusts.	Total Adjusts.
	£000	£000	£000	£000	£000	£000
Core budget	37	130	(2)	165	3	168
Individual electoral registration	0	18	3	21	0	21
<b>Net Cost of Services</b>	<b>37</b>	<b>148</b>	<b>1</b>	<b>186</b>	<b>3</b>	<b>189</b>
<b>Other Income and Expenditure</b>						
Constituent council requisitions	0	0	0	0	0	0
Interest and investment income	0	0	0	0	(3)	(3)
Net pension interest cost	0	221	0	221	0	221
<b>(Surplus) or deficit on the provision of services</b>	<b>37</b>	<b>369</b>	<b>1</b>	<b>407</b>	<b>0</b>	<b>407</b>



## LOTHIAN VALUATION JOINT BOARD

### 2. EXPENDITURE AND FUNDING ANALYSIS (Contd.)

#### Notes to the Expenditure and Funding Analysis:

#### 2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

- Adjustments for capital purposes include the removal of depreciation and impairment costs, and the inclusion of capital funded from current revenue.
- Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.
- Other differences relate to the reversal of the value of entitlement to accrued leave.
- Presentational adjustments relate primarily to the presentation of interest on revenue balances.

#### 2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

Expenditure and Income received on a segmental basis is analysed below:

	Core Budget	Individual Electoral Registration	Total
	£000	£000	£000
<b>Expenditure</b>			
Employee expenses	4,424	239	4,663
Other service expenses	1,539	236	1,775
Support service recharges	68	0	68
<b>Total Expenditure</b>	<b>6,031</b>	<b>475</b>	<b>6,506</b>
<b>Income</b>			
Revenues from external customers	(172)	(475)	(647)
Income from recharges for services	0	0	0
Interest and investment income	(3)	0	(3)
<b>Total Income</b>	<b>(175)</b>	<b>(475)</b>	<b>(650)</b>
<b>Net Cost of Services per EFA</b>	<b>5,856</b>	<b>0</b>	<b>5,856</b>

#### 2.3 Expenditure and Income Analysed by Nature

The Board's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows:

	2015/16	2016/17
	£000	£000
<b>Expenditure</b>		
Employee expenses	5,138	4,812
Other service expenses	1,881	1,712
Support service recharges	61	68
Depreciation, amortisation and impairment	100	100
Interest payments	1,705	1,729
Gain on the disposal of assets	0	0
<b>Total Expenditure</b>	<b>8,885</b>	<b>8,421</b>
<b>Income</b>		
Fees, charges and other service income	(820)	(647)
Interest and investment income	(1,323)	(1,511)
Income from constituent Councils	(6,118)	(6,118)
Government grants and other contributions	0	0
<b>Total Income</b>	<b>(8,261)</b>	<b>(8,276)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>624</b>	<b>145</b>

## LOTHIAN VALUATION JOINT BOARD

### **3. 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 2017/18 Code. For 2016/17 the following accounting policy changes that need to be reported relate to:

- Amendment to the reporting of pension fund scheme transaction costs,
- Amendment to the reporting of investment concentration.

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

### **4. 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.

### **5. 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.

#### **5.1 Property, Plant and Equipment**

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

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

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

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

## LOTHIAN VALUATION JOINT BOARD

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

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#### 5.2 Pension Liabilities

##### *Uncertainties*

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

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

The Board's actuaries advised that the balance sheet position is likely to have worsened over 2016/17. This is as a result of a significant decrease in the net discount rate (much lower discount rate, net of slightly higher inflation) over this period. The effect of this will typically have been at least partially offset by much greater 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	12%	7,683
0.5% increase in the Salary Increase Rate	5%	3,027
0.5% increase in the Pension Increase Rate	7%	4,386

### 6. EVENTS AFTER THE REPORTING PERIOD

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There are no events after the reporting period.

## LOTHIAN VALUATION JOINT BOARD

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

7.1 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.

2016/17 - 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	(82)	82	0	0	82
Amortisation of intangible assets	(18)	18	0	0	18
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	63	(63)	0	0	(63)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,131)	0	1,131	0	1,131
Employer's pension contributions and direct payments to pensioners payable in the year	762	0	(762)	0	(762)
<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	(1)	0	0	1	1
<b>Total Adjustments</b>	<b>(407)</b>	<b>37</b>	<b>369</b>	<b>1</b>	<b>407</b>

## LOTHIAN VALUATION JOINT BOARD

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

7.2 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.

2015/16 - Previous Year Comparative	Usable Reserves	Unusable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	
	£'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
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
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

### 8. PROPERTY PLANT AND EQUIPMENT

#### Movements on balances:

8.1 <u>Current Year Movements in 2016/17</u>	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 2016	432	388	820
Impairment	0	0	0
Derecognised assets GBV reversal	0	0	0
Additions	0	58	58
At 31st March 2017	432	446	878
<b>Accumulated Depreciation</b>			
At 1st April 2016	(149)	(194)	(343)
Derecognised assets depreciation reversal	0	0	0
Depreciation charge	(18)	(64)	(82)
At 31st March 2017	(167)	(258)	(425)
<b>Net Book Value at 31st March 2017</b>	<b>265</b>	<b>188</b>	<b>453</b>

8.2 <u>Previous Year Movements in 2015/16</u>	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
Derecognised assets GBV reversal	0	(39)	(39)
Additions	0	5	5
At 31st March 2016	432	388	820
<b>Accumulated Depreciation</b>			
At 1st April 2015	(131)	(159)	(290)
Derecognised assets depreciation reversal	0	39	39
Depreciation charge	(18)	(74)	(92)
At 31st March 2016	(149)	(194)	(343)
<b>Net Book Value at 31st March 2016</b>	<b>283</b>	<b>194</b>	<b>477</b>

#### 8.3 Depreciation

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

- Leasehold improvements (buildings) - 15 years
- Vehicles, plant and equipment - 5 years

## LOTHIAN VALUATION JOINT BOARD

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

#### 8.4 Capital Commitments

At 31st March 2017, there were no capital commitments entered into by the Board.

#### 8.5 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	265	188	453
Valued at fair values as at:			
• 31st March 2017	0	0	0
• 31st March 2016	0	0	0
• 31st March 2015	0	0	0
• 31st March 2014	0	0	0
• 31st March 2013	0	0	0
Total Cost or Valuation	265	188	453

## LOTHIAN VALUATION JOINT BOARD

### 9. 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
  - Phoenix Software - GFI langard software
- 5 years:
- Civica UK Ltd - Software to increase robustness
  - Trustmarque Solutions Ltd - Sharepoint software
  - Zerion - Canvass operation software
  - Trustmarque Solutions Ltd - Visual Studio and SQL server licences
- 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 £0.018m was charged to the Comprehensive Income and Expenditure during 2016/17.

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

	2015/16	2016/17
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	89	131
• Accumulated amortisation	(24)	(32)
<b>Net carrying amount at start of year</b>	<b>65</b>	<b>99</b>
Additions	42	5
Impairment of assets	0	0
Derecognition - disposals	0	0
Derecognition - disposals (accum amort adjustment)	0	0
Amortisation for the period	(8)	(18)
<b>Net carrying amount at end of year</b>	<b>99</b>	<b>86</b>
Comprising:		
• Gross carrying amounts	131	136
• Accumulated amortisation	(32)	(50)
	99	86



## LOTHIAN VALUATION JOINT BOARD

### 10. FINANCIAL INSTRUMENTS

10.1 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 2016 £'000	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000
<b>Investments</b>				
Loans and receivables	0	0	1,302	1,513
<b>Creditors</b>				
Trade creditors	0	0	(10)	(12)

### 10.2 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 2016 £'000	Financial Liabilities measured at amortised cost 31st March 2017 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	3	3

### 10.3 Fair Values of Assets and Liabilities

The Fair Value of Financial Instruments have been calculated in accordance with IFRS 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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	(10)	(10)	(12)	(12)
Loans and receivables	1,302	1,302	1,513	1,513

## LOTHIAN VALUATION JOINT BOARD

### 11. INVENTORIES

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No inventories were held which were considered to be material.

### 12. SHORT TERM DEBTORS

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	31st March 2016 £'000	31st March 2017 £'000
Debtors:		
• HM Revenues and Customs - VAT	0	10
• Rent	57	57
• Car leasing	0	4
• Annual licenses, support or maintenance	33	51
• Insurances	17	16
• Other entities and individuals	179	134
	<hr/>	<hr/>
	286	272

### 13. CASH AND CASH EQUIVALENTS

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

	31st March 2016 £'000	31st March 2017 £'000
Cash held by the Board	1	1
Other local authorities	1,301	1,512
	<hr/>	<hr/>
	1,302	1,513

### 14. SHORT TERM CREDITORS

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	31st March 2016 £'000	31st March 2017 £'000
Employee costs	(93)	(105)
Valuation Appeals Panel - Secretary's fees	(11)	(10)
IER Grant	(268)	(265)
Other entities and individuals	(55)	(49)
HM Revenues and Customs - VAT	(36)	0
	<hr/>	<hr/>
<b>Total</b>	(463)	(429)

## LOTHIAN VALUATION JOINT BOARD

### 15. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		31st March	31st March
		2016	2017
		£'000	£'000
15.1	General Fund Balance	(749)	(1,011)
		<u>(749)</u>	<u>(1,011)</u>

<u>UNUSABLE</u>		31st March	31st March
		2016	2017
		£'000	£'000
15.2	Capital Adjustment Account	(575)	(538)
15.3	Pension Reserve	6,239	12,395
15.4	Accumulated Absence Account	93	94
		<u>5,757</u>	<u>11,951</u>

#### 15.1 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
	2016	2017
<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)	(153)
2016/17	-	(262)
	<u>(749)</u>	<u>(1,011) *</u>

\* On the 6th Feb 2017 the Board approved the refund to constituent council's of £0.184m. This amount was payable on or after 1st April 2017 so will be reflected in the Board's Annual Accounts for the year ended to 31st March 2018.

#### 15.2 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

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

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1st April</b>	(629)	(575)
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	92	82
• Revaluation losses on Property, Plant and Equipment	0	0
• Amortisation of intangible assets	8	18
• 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	(529)	(475)
Capital financing for the year:		
• Use of capital receipts to finance new capital expenditure	0	0
• Statutory provision for the financing of capital expenditure	(46)	(63)
<b>Balance at 31st March</b>	(575)	(538)

#### 15.3 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1st April</b>	11,870	6,239
Actuarial gains or losses on pension assets and liabilities	0	0
Remeasurements of the net defined benefit liability / (asset)	(6,357)	5,787
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.	1,563	1,131
Employer's pension contributions and direct payments to pensioners payable in the year.	(837)	(762)
<b>Balance at 31st March</b>	6,239	12,395

## LOTHIAN VALUATION JOINT BOARD

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

#### 15.4 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.

	2015/16 £'000	2015/16 £'000	2016/17 £'000	2016/17 £'000
<b>Balance at 1st April</b>		96		93
Settlement or cancellation of accrual made at the end of the preceding year	(96)		(93)	
Amounts accrued at the end of the current year	93		94	
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		(3)		1
<b>Balance at 31st March</b>		93		94

### 16. CASH FLOW STATEMENT

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

	2015/16 £'000	2016/17 £'000
Net (increase)/decrease in the General Fund Balance	(153)	(262)
Exclude accumulated absences	(2)	1
Exclude revenue contribution to capital	(46)	(63)
	(201)	(324)
(Decrease)/increase in revenue debtors	122	(14)
(Decrease)/increase in long term debtors	(6)	(5)
(Decrease)/increase in stocks	0	0
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	(65)	34
Revenue activities net cash flow	(115)	(274)

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

	2015/16 £'000	2016/17 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,233	1,302
Due by/(to) the City of Edinburgh Council at 1st April	1,302	1,513
(Increase)/decrease in cash	(69)	(211)

## LOTHIAN VALUATION JOINT BOARD

### 17. MEMBERS ALLOWANCES

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

	2015/16	2016/17
	£000's	£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:

	2015/16	2016/17
	£000's	£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 2016/17 (2015/16 £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.

#### 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 2016/17 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:

	2015/16	2016/17
	£000's	£000's
• <b>The City of Edinburgh Council:</b>		
Rates	188	195
Rent	305	305
Central support costs	61	68
Interest on revenue balances	(3)	(3)
Constituent council contribution	(3,744)	(3,744)
Council Tax hearings	(3)	0
Vehicle hires	3	3
Printing	4	3
Trade Waste/maintenance	1	11
Refund of EU Referendum costs	0	21
Due from City of Edinburgh Council	1,302	1,513
Long term debtor - lease of office	90	85
Convener remuneration	5	6

## LOTHIAN VALUATION JOINT BOARD

### 20. RELATED PARTIES (Contd.)

#### 20.3 Other Parties (Contd.)

	2015/16 £000's	2016/17 £000's
<ul style="list-style-type: none"> <li>• <b>The Scottish Government</b></li> </ul>		
Referendum costs recovered	0	0
Electoral registration costs recovered	(345)	0
<ul style="list-style-type: none"> <li>• <b>The Cabinet Office</b></li> </ul>		
IER grant received	(701)	(740)
<ul style="list-style-type: none"> <li>• <b>Midlothian Council</b></li> </ul>		
Constituent council contribution	(560)	(560)
<ul style="list-style-type: none"> <li>• <b>East Lothian Council</b></li> </ul>		
Constituent council contribution	(669)	(669)
<ul style="list-style-type: none"> <li>• <b>West Lothian Council</b></li> </ul>		
Constituent council contribution	(1,145)	(1,145)
Vice Convener remuneration	4	3
<ul style="list-style-type: none"> <li>• <b>Clackmannanshire Council</b></li> </ul>	15	15
<ul style="list-style-type: none"> <li>• <b>Fife Council</b></li> </ul>	2	1
<ul style="list-style-type: none"> <li>• <b>Glasgow City Council</b></li> </ul>	7	11
<ul style="list-style-type: none"> <li>• <b>Renfrewshire Council</b></li> </ul>	0	1

### 21. TERMINATION BENEFITS

There were a number of employees who left throughout 2016/17, however only one of the leavers incurred a severance payment. Details are provided in the Remuneration Report - Exit Packages (page 45).

### 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.

	2015/16 £000's	2016/17 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
• Property, Plant and Equipment	5	58
• Intangible assets	41	5
Sources of finance		
• Capital receipts	0	0
• Direct revenue contributions	(46)	(63)
<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.

The Local Government Pension Scheme (LGPS) changed from a final salary scheme to a career average scheme on the 1 April 2015. All benefits built up in the LGPS for membership after 31 March 2015 are worked out under the rules of the new career average scheme. Before 1 April 2015 benefits were built up based on a final salary scheme. A funded defined benefit 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:

	2015/16	2015/16	2016/17	2016/17
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	1,146		910	
Past service costs	<u>32</u>		<u>0</u>	
		1,178		910
<b>Financing and investment income:</b>				
Net interest expense		<u>385</u>		<u>221</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		1,563		1,131
<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.	(716)		(8,237)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(5,195)		13,969	
Other experience	<u>(446)</u>		<u>55</u>	
		<u>(6,357)</u>		<u>5,787</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(4,794)</u>		<u>6,918</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>5,631</u>		<u>(6,156)</u>
<b>Actual amount charged against the General Fund</b>				
<b>Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		757		682
Contributions in respect of unfunded benefits		<u>80</u>		<u>80</u>
		837		762



## 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:

	2015/16	2016/17
	£000	£000
Fair value of employer assets	43,186	52,793
Present value of funded liabilities	(47,721)	(63,253)
Present value of unfunded liabilities	(1,704)	(1,935)
Net liability arising from defined benefit obligation	<u>(6,239)</u>	<u>(12,395)</u>

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

	2015/16	2016/17
	£000	£000
Opening fair value of scheme assets	41,358	43,186
Interest income	1,320	1,508
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	716	8,237
Contributions from employer	757	682
Contributions from employees into the scheme	243	242
Contributions in respect of unfunded benefits	80	80
Benefits paid	(1,208)	(1,062)
Unfunded benefits paid	(80)	(80)
Closing fair value of scheme assets	<u>43,186</u>	<u>52,793</u>

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

	2015/16	2016/17
	£000	£000
Present value of funded liabilities	(51,352)	(47,721)
Present value of unfunded liabilities	(1,876)	(1,704)
Opening balance at 1 April	<u>(53,228)</u>	<u>(49,425)</u>
Current service cost	(1,146)	(910)
Interest cost	(1,705)	(1,729)
Contributions from employees into the scheme	(243)	(242)
Remeasurement gain / (loss):		
Change in financial assumptions	5,195	(13,969)
Change in demographic assumptions	0	0
Other experience	446	(55)
Past service cost	(32)	0
Benefits paid	1,208	1,062
Unfunded benefits paid	80	80
Closing balance at 31 March	<u>(49,425)</u>	<u>(65,188)</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.

	2015/16 £000	2015/16 %	2016/17 £000	2016/17 %
<b><u>Equity Securities</u></b>				
Consumer *	6,576.9	15	7,925.8	15
Manufacturing *	5,093.5	12	8,003.1	16
Energy and Utilities *	3,430.4	8	3,917.4	7
Financial Institutions *	3,657.8	8	3,686.4	7
Health and Care *	2,870.7	7	3,094.6	6
Information Technology *	2,587.4	6	2,612.8	5
Other *	2,471.9	6	3,637.9	7
<b>Sub-total Equity Securities</b>	<b>26,688.6</b>		<b>32,878.0</b>	
<b><u>Debt Securities:</u></b>				
Corporate Bonds (investment grade) *	0.0	0	0.0	0
UK Government *	2,779.1	6	109.7	0
Other *	1,092.5	3	5,301.1	10
<b>Sub-total Debt Securities</b>	<b>3,871.6</b>		<b>5,410.8</b>	
<b><u>Private Equity</u></b>				
All *	484.7	1	0.0	0
All	1,404.0	3	1,705.3	3
<b>Sub-total Private Equity</b>	<b>1,888.7</b>		<b>1,705.3</b>	
<b><u>Real Estate:</u></b>				
UK Property	3,694.0	9	3,562.0	7
Overseas Property	0.0	0	0.0	0
<b>Sub-total Real Estate</b>	<b>3,694.0</b>		<b>3,562.0</b>	
<b><u>Investment Funds and Unit Trusts:</u></b>				
Equities *	0.0	0	0.0	0
Equities	0.0	0	0.0	0
Bonds *	115.9	0	783.0	1
Bonds	234.0	1	0.0	0
Infrastructure *	240.3	1	0.0	0
Infrastructure	2,632.0	6	4,724.2	9
Commodities *	119.8	0	154.8	0
Other	1,034.7	2	1,126.2	2
Other *	0.0	0	0.0	0
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>4,376.7</b>		<b>6,788.2</b>	
<b><u>Derivatives:</u></b>				
Foreign Exchange *	(2.5)	0	0.0	0
<b>Sub-total Derivatives</b>	<b>(2.5)</b>		<b>0.0</b>	
<b><u>Cash and Cash Equivalents</u></b>				
All *	2,668.9	6	2,448.7	5
<b>Sub-total Cash and Cash Equivalents</b>	<b>2,668.9</b>		<b>2,448.7</b>	
<b>Total Fair Value of Employer Assets</b>	<b>43,186.0</b>	<b>100</b>	<b>52,793.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2016/17.

## 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 2017 were those from the beginning of the year (i.e. 31 March 2016) and have not been changed during the year. The main assumptions in the calculations are:

<u>Expected return on assets</u>		2015/16	2016/17
Equity investments		3.5%	2.6%
Bonds		3.5%	2.6%
Property		3.5%	2.6%
Cash		3.5%	2.6%
<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>			
		2015/16	2016/17
Pension increase rate		2.2%	2.4%
Salary increase rate		4.2%	4.4%
Discount rate		3.5%	2.6%

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.

To quantify the uncertainty around life expectancy, we have 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 (i.e. if improvements to survival rates predominately apply at younger or older ages).

<u>Change in assumptions at 31 March 2017</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	12.0%	7,683
0.5% increase in the Salary Increase Rate	5.0%	3,027
0.5% increase in the Pension Increase Rate	7.0%	4,386

#### 23.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2018

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(1,278)	(1,278)	-39.90%
Total Service Cost	0	(1,278)	(1,278)	-39.90%
Interest income on plan assets	1,368	0	1,368	42.70%
Interest cost on defined benefit obligation	0	(1,697)	(1,697)	-53.00%
Total Net Interest Cost	1,368	(1,697)	(329)	-10.30%
Total included in Profit or Loss	1,368	(2,975)	(1,607)	-50.20%

The Board's estimated contribution to Lothian Pension Fund for 2017/18 is £0.673m.

#### 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>		
	2015/16	2016/17
	£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	3,052	2,747
	<u>4,883</u>	<u>4,578</u>

#### Car Leases

The Board operates an employee car leasing scheme. There were thirteen leases in operation at 31st March 2017 and employees contributed £0.033m during 2016/17 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2015/16	2016/17
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	26	22
• Later than 1 year not later than 5 years	14	12
	<u>41</u>	<u>34</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 15 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2015/16	2016/17
	£000's	£000's
• Cash incentive:		
Balance at 1st April	96	90
Amortised to Comprehensive Income and Expenditure Statement	(6)	(5)
Balance at 31st March	<u>90</u>	<u>85</u>
• Car purchase advances (Balances due more than 12 months)	0	0
Total	<u>90</u>	<u>85</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.

	2015/16	2016/17
	£000's	£000's
Balance at 1st April	(595)	(560)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(560)</u>	<u>(525)</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 2016/17 £000's	Amount received 2016/17 £000's	Amount due (to)/from Constituent Councils 2016/17 £000's
City of Edinburgh Council	3,583	3,744	(161)
Midlothian Council	536	560	(24)
East Lothian Council	641	669	(28)
West Lothian Council	1,096	1,145	(49)
	<u>5,856</u>	<u>6,118</u>	<u>(262)</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 2017 amounted to £1.513m (2015/16 £1.302m). No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period, the Board held no collateral as security.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

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

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

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

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

This statement explains how the Lothian Valuation Joint Board delivers good governance and reviews the effectiveness of those arrangements. It also includes a statement on internal financial control in accordance with proper practice. The Board's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### The Board's Governance Framework

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

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

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives. These are outlined in the Board's annual Corporate & Service Plans. This enables the Board to manage its key risks efficiently, effectively, economically and ethically.

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

While the system of internal control is designed to manage risk at a reasonable level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

# 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 has provided the Chief Executive with a statement on the adequacy and effectiveness of the Board's internal financial control system for the year ended 31st March 2017. 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 2016/17;
- 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

Auditors are required by ISA 720A to read the remuneration report to identify any;

- material inconsistencies with the financial statements;
- information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by auditors in the course of performing the audit, or that is otherwise misleading.

### 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 2016/17 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 NI and pension contributions are:

Remuneration Band	Number of Employees	
	2015/16	2016/17
£50,000 - £54,999	1	4
£55,000 - £59,999	4	-
£60,000 - £64,999	-	3
£65,000 - £69,999	1	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
<b>Totals</b>	<b>8</b>	<b>10</b>

### 5. Remuneration paid to Senior Employees

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

Name and Post Title	Salary, Fees and Allowances 31 March 2016	Salary, Fees and Allowances 31 March 2017
	£	£
J.Hewton - Assessor and Electoral Reg Officer *	118,390	89,672
G. Strachan - Assessor and Electoral Reg Officer (Interim) **	95,266	102,046
N. Chapman - Depute Assessor (Interim) ***	0	76,993
<b>Total</b>	<b>213,656</b>	<b>268,711</b>

\* retired 01.01.17.  
 \*\* appointed interim Assessor and Electoral Registration Officer 01.01.17.  
 \*\*\* appointed interim Depute Assessor 01.01.17 (not a Senior Employee 2015/16).

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2016	For year to 31 March 2017
<b>Name and Post Title</b>		£	£
J.Hewton - Assessor and Electoral Reg Officer (Retired)		24,625	18,653
G. Strachan - Assessor and Electoral Reg Officer (Interim)		19,769	21,193
N. Chapman - Depute Assessor (Interim) *		0	15,931
<b>Accrued Pension Benefits</b>		As at 31 March 2017	Difference from 31 March 2016
<b>Name and Post Title</b>		£'000	£'000
J.Hewton - Assessor and Electoral Reg Officer (Retired)	Pension	60	2
	Lump sum	132	1
G. Strachan - Assessor and Electoral Reg Officer (Interim)	Pension	50	5
	Lump sum	108	7
N. Chapman - Depute Assessor (Interim) *	Pension	31	n/a
	Lump sum	61	n/a
* not a Senior Employee 2015/16.			

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.

<b>Name and Post Title</b>	Salary, fees and allowances	Taxable Expenses	Total Remun. 2016/17	Total Remun. 2015/16
	£	£	£	£
N.Work - Convener	4,225	0	4,225	4,183
B.Robertson - Vice-Convener *	2,237	0	2,237	3,106
M. Russell - Vice Convener **	469	0	469	0
	<u>6,931</u>	<u>0</u>	<u>6,931</u>	<u>7,289</u>
* resigned 13.12.16				
** appointed 06.02.17				

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

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

<b><u>In-year pension contributions</u></b>		For year to 31 March 2016	For year to 31 March 2017	
<b><u>Name and Post Title</u></b>		£	£	
N.Work - Convener		4,475	4,498	*
B.Robertson - Vice-Convener (resigned)		4,046	3,947	*
M. Russell - Vice Convener (not in Pension Fund)		0	0	*
<b><u>Accrued Pension Benefits</u></b>		As at 31 March 2017	Difference from 31 March 2016	
<b><u>Name and Post Title</u></b>				
N.Work - Convener	Pension	4	1	
	Lump sum	2	0	
B.Robertson - Vice-Convener (resigned)	Pension	2	0	
	Lump sum	0	0	
M. Russell - Vice Convener	Pension	0	0	
	Lump sum	0	0	

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

### 9. Exit Packages

The following information details the number, and total cost, of exit packages agreed, grouped in rising bands of £20,000 up to £100,000.

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

<b>Exit Packages Band</b>	<b>Number of Employees</b>		<b>Total Cost</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
£0 - £20,000	1	1	£ 15,638	£ 10,800
£20,001 - £40,000	3	0	86,552	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
<b>Totals</b>	<b>4</b>	<b>1</b>	<b>102,190</b>	<b>10,800</b>

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

# PERFORMANCE REPORT 2016/2017



## 1 INTRODUCTION

This report is provided to accompany the unaudited accounts in order for elected members to consider performance and budgetary outcomes together. Key Performance Indicators for Valuation Roll and Council tax activities were agreed with Scottish Government some time ago and returns are made annually by all Assessors in Scotland. The introduction of Individual Electoral Registration saw the Electoral Commission move away from its existing suite of statistical performance indicators for Electoral Registration Officers to a more modern regime that seeks evidence on aspects of preparation in advance of electoral activity.

## 2 ELECTORAL REGISTRATION

In summary, 2016/17 was a very busy year for Electoral Registration. During the year both a Scottish Parliamentary election and European Union referendum were held, in addition preparations commenced for the Scottish Local Government elections held on 4<sup>th</sup> May 2017. Such events give rise to a general increase in registration activity and this, in-conjunction with the annual household canvass saw the total net electorate within Lothian rise from 632,708 as at 1<sup>st</sup> April 2016 to 657,858 at 31<sup>st</sup> March 2017. This involved in excess of 65,000 additions and 40,000 removals from the register. In addition the total number of standing absent voters rose from 120,205 to 128,166 during this period.

### 2.1 Scottish Parliamentary Election 5<sup>th</sup> May 2016

There was considerable engagement by the electorate for this election. Not only was this reflected in the number of electors being added, some 25,504 during the relevant period, and 11,749 additional absent votes applications processed, but also by the level of direct contact from the public with 10,882 telephone calls received in addition to 4,912 emails.

On the day of the election the 650,892 electors were registered and held the qualifying franchise entitling them to take part. This included 11,116 16 and 17 year old electors.

At an election the Electoral Registration Officer works closely with Returning Officers in order to ensure that all necessary data that supports the production of poll cards and absent ballot packs is available for extraction and delivery to appointed printers in accordance with agreed timetables and in the required format. Data is also provided that supports the absent vote personal identifier checking procedure. The ERO is also responsible for the production of registers or part register to political parties and candidates, and also for the production of poll registers. This again is carried out in accordance with agreed timetables providing the Returning Officers with as much time as possible to prepare ballot box contents.

On the day of the election a direct line phone service was established between polling place staff and ERO staff in order for any queries to be dealt with quickly. This proved highly successful.

The Lothian and Borders Electoral Working Group comprising electoral registration and returning officer staff meets on a regular basis and is particularly effective as part of the preparatory work in advance of elections.

## **2.2 Referendum on Membership of the European Union 23<sup>rd</sup> June 2016**

The referendum on UK membership of the European Union created a high level of engagement. During the period from receipt of poll cards to last dates for registration and postal vote applications, 21,771 electors were added to the register and an additional 21,095 absent vote applications processed. Also, 13,582 telephone calls and 8,173 emails were answered during the same period.

On the day of the referendum 620,218 electors were registered and held the qualifying franchise entitling them to take part. 16 and 17 year olds and European electors were not entitled to vote in the referendum.

Arrangements, as previously outlined, with Returning Officers were in place and again proved successful.

The Referendum, outcome aside, is best remembered for the outage suffered by the government's on-line registration system hours before the deadline for registration was reached. This led to a national extension of the registration deadline which created additional pressures. The on-line system has since been enhanced in terms of capacity.

## **2.3 Local Authority Election 4<sup>th</sup> May 2017**

While not strictly falling within the 2016/17 performance year it is worth noting that preparations for elections commence many months in advance of the election date. In this particular case considerable work was undertaken to ensure that new polling

schemes reflecting changes to ward boundaries which were to be effective from this election were received from Returning Officers in sufficient time for changes to be made to the electoral management system.

## **2.4 Household Canvass 2016**

Annual canvass of all households remains part of the Individual Electoral Registration (IER) requirement. This took place between 1<sup>st</sup> August and 30<sup>th</sup> November 2016. The process involves the issue of a Household Enquiry Form (HEF) to every address on the electoral register in Lothian. Dependant on the information that is returned an additional form called an Invitation to Register (ITR) shall be issued. Registration as part of the annual canvass is a two-step process although every encouragement is given to new electors to use the on-line registration system. This system has been operational since IER was introduced in 2014 and is being increasingly adopted as the preferred method to register, with registration by paper or by telephone the alternatives.

During the 2016 Canvass a total of 686,443 HEF's, including reminders, were issued. During the canvass period 74,155 ITR's were issued. The HEF is accompanied by an insert that advises on and encourages the different methods that can be used to return information, such as on-line, text, and telephone. In addition information on the on-line registration system is also provided.

The overall return rate of HEF's for the 2016 Canvass was 70.28%. This is a lower level than in previous years and presents a challenge in terms of future engagement. There is no doubt that frequent electoral events are a major encouragement to registration, as the increasing electorate demonstrates, however it appears that such regular recourse to the ballot box has an impact on the effectiveness of the annual canvass.

The annual canvass and the system of IER is supported by ongoing door to door canvass activity. There is a legal requirement to follow up all non-returned HEF's and ITR's with reminders and a door visit. To achieve this a dedicated team of canvassers is used throughout the year. These canvassers also provide valuable support to the telephone call and mail centre facility during election periods. During 2016/17 a total of 167,170 door visits were made.

The Canvass Team are supported by the use of hand held devices which make the requirement to carry paper unnecessary, and through this ICT enabled approach are able to chase multiple form types and be supplied with canvass address information on a constant streaming basis. The canvasser is also able to facilitate on-line registrations applications at the door, and record any other information that may be of assistance.

## **2.5 Engagement and Publicity**

Engagement and publicity are key activities that support the registration activity and the drive to achieve high levels of completeness and accuracy.

There is no doubt that the periods prior to elections and referendums are prime in terms of engagement. At this time during 2016/17 a range of activities were undertaken ranging from external advertising on buses, at bus stops, and phone boxes to selected publicity in the Services magazine and other publications. Posters and additional information were supplied to elected members, housing associations, sheltered housing, carers associations and similar. Through the Edinburgh and Lothians Regional Equality Council information was disseminated and useful contacts have been established that have allowed targeted material to be created, in particular for the Polish community. Wherever possible collaborative work is undertaken with partner councils and use is made of their web sites and messaging facilities and in particular support was provided to the lamppost wraparound campaign within Edinburgh for the EU referendum.

The Canvass Team also support the engagement process ensuring that at every door visited where no answer is forthcoming material advising and promoting the registration process is left.

Specific engagement was undertaken with care homes where regular visits ensure elector information is up to date. In addition direct contact with university students was achieved by email following the supply of email addresses by university administrations.

During the EU Referendum overseas electors were positively encouraged to engage and considerable effort was taken to ensure that all overseas electors renewed their registration applications and had absent votes in place in sufficient time for postal ballot packs to be delivered and returned.

Particular attention also was paid to 16 and 17 year olds who now hold the franchise to vote at particular elections in Scotland. Throughout 2016/17 and specifically in the periods before the election on 5<sup>th</sup> May 2016 direct contact with schools was made that allowed staff access to schools to encourage registration. This resulted in the percentage of 16 and 17 year olds appearing on the register as set against the supplied school pupil lists rising from 80% to nearly 88%.

## **3 VALUATION ROLL**

The Valuation Roll exists for a five year life cycle at the end of which a new Valuation Roll is made up and maintained for the next five. It is possible for this period to be

extended by government intervention and the expected 2015 Revaluation was so extended until 1<sup>st</sup> April 2017.

### **3.1 Revaluation 2017**

On the 1<sup>st</sup> April 2017 the Revaluation Roll went live. During March all proprietors, tenants, and occupiers of property appearing in the Roll were issued with Valuation Notices indicating the new rateable values. This amounted to in excess of 70,000 issued Notices.

The process of delivering the 2017 Revaluation started during 2015/2016 with the gathering of information relating to rents, costs, turnover etc., this in itself being a considerable logistical process. Following this stage, during 2016, a period of analysis and further investigation commenced which culminates in the creation of schemes of valuation for different categories of properties. These schemes of value in the majority of instances are created as part of a collaborative approach within the Scottish Assessors Association thereby ensuring a high level of consistency throughout Scotland in terms of the valuation approach to be adopted for differing property types. The final stage is the creation of levels of value and the application of these to property details to create the final value.

An added complexity for this Revaluation was the need to give effect to a Supreme Court ruling (*Woolway v Mazars*). This led to circa 3,000 additional entries being added to the 2017 Revaluation Roll and involved a considerable additional effort within a pressurised timetable.

In order to give sufficient time to the Scottish Government to consider various aspects such as poundage rates and relief schemes, all the new values were required to be completed by the end of September 2016 and draft values were made available to the public via the SAA Web Portal during December 2016.

The process of Revaluation is highly resource hungry and at times during 2016 all available resource was diverted to support the process and ensure delivery of the Revaluation on time. This had an impact on other annual tasks surrounding the Valuation Roll.

Considerable ratepayer reaction to the proposed values took place during January to March 2017. This reaction escalated to involve elected members at all levels and considerable time was taken by senior staff to provide information on various aspects of the Revaluation and its outcomes. This aspect has been documented in previous reports to the Board.



Ratepayers have until 30<sup>th</sup> September 2017 to lodge appeals against the rateable values shown in the new Roll and work has commenced to determine a disposal timetable.

### 3.2 Alterations to the Valuation Roll

The key performance indicator for the Valuation Roll relates to the length of time taken to amend the Roll to reflect changes, inserts and deletes. In addition the number of amendments and change to total annual value is shown in the table below.

While the statutory requirement is to make alterations to the Roll within the financial year in which changes affecting value take place, it is preferable that the time taken to make amendments is kept to as limited a period as possible. This is reflected in the target periods noted on the table below. It can be seen that for 2016/17 the level of performance set against these targets has fallen considerable from previous years. This is a result of the impact of carrying out and concluding a Revaluation in the same year. The effect is that normal annual activity for the Roll is carried out in a much restricted time frame with the bulk of the annual workload carried out within half the normal time available.

Taking this into account and the number of changes made, I am satisfied with the performance achieved.

Valuation Roll	No Changes	Rateable Value 1 /4	Rateable Value 31/3	0 – 3 %		3 – 6 %		> 6 months %	
				Target	Actual	Target	Actual	Target	Actual
2010/11	3,476	1,259,913,732	1,274,347,293	82	78.02	14	13.55	4.	8.43
2011/12	3,114	1,274,347,293	1,227,889,313	80	71.77	15	15.35	5	12.88
2012/13	3,188	1,277,889,313	1,275,905,939	75	74.09	13	12.30	12	13.61
2013/14	3,275	1,275,905,939	1,269,386,086	75	74.32	15	13.07	10	12.61
2014/15	3,489	1,269,386,086	1,274,141,333	78	75.78	12	13.44	10	10.78
2015/16	2,234	1,274,141,333	1,269,773,514	75	72.11	13	15.36	12	12.52
2016/17	3,510	1,269,773,514	1,271,629,649	50	47.15	25	21.05	25	31.79

## 4 COUNCIL TAX

Council Tax is an ongoing activity where the Council Tax List is maintained on a continuous basis. There has been no Council Tax revaluation since its inception in 1993.

The principal activities are the inspection and banding of new dwellings entering onto the List, consideration of point of sale re-bandings, and the maintenance of domestic property details following physical alteration.

In terms of a key indicator, performance in Council Tax, in a similar vein as the Valuation Roll, is measured in terms of the time taken to add new dwellings to the list. The table below indicates the performance achieved for 2016/17. This should be set against the principal target of 95% in 3 months. Given the numbers of entries made and the use of Council Tax resource to assist with Revaluation 2017 tasks, I am satisfied with this outcome.

The table also provides information on the number of Council Tax entries on the List, the number of dwellings added and the number of point of sale re-bandings carried out.

A point of sale re-banding is considered when at the point of sale of a dwelling alterations have been carried out by the previous occupier that are deemed to have a material impact on the value of the property sufficient to alter its banding. The re-banding is effective from the date of sale.

Valuation List	No of CT Entries @ 1 <sup>st</sup> April in each year	New houses added	0-3 months	3-6 months	Over 6 months	Point of Sale Band Changes
2011/12	410,440	3,410	96.72	2.35	0.93	180
2012/13	412,859	3,171	95.52	3.09	1.39	172
2013/14	415,450	4,315	94.9	3.01	2.09	203
2014/15	419,652	4,049	95.73	2.77	1.50	257
2015/16	422,492	4,688	96.46	2.98	0.56	270
2016/17	426,756	4,868	93.86	4.25	1.89	254

## 5 OFFICE MANAGEMENT

We have continued to monitor vacancy levels throughout the year and this led to the Assessor at the Board meeting of 28<sup>th</sup> November 2016 intimating the intention to undertake recruitment to various entry level posts. The subsequent recruitment process was only partially successful and it is anticipated that the Transformation and Cultural Change Programme outlined to the Board at its meeting on 6<sup>th</sup> February 2017 shall fully address the matter of required future staffing resource levels as one of its outcomes.

During 2016/17, 17 requests under Freedom of Information legislation were received, and 10 complaints were dealt with under the Boards Complaint Procedure.

Sickness Absence levels within the organisation are monitored on an ongoing basis. During 2015/16, 772 days were lost to sickness absence, equating to 2.54%. In 2016/17 this lowered to 476 days lost from a total number of 30,420 working days, equating to 1.56%.

During 2016 the ICT Network that drives all the organisational systems was subject to a ransomware virus attack. This had entered our system via an innocuous email opened inadvertently by a member of staff. Quick action by ICT staff led to the virus being isolated and remedial steps taken. A complete restore of the affected servers from clean back-up files was carried out. Following this incident improved security awareness training for staff was carried out, and enhanced anti-virus and security software installed.

Regular Joint Consultative Committee meetings between the Trade Union and senior management took place during 2016/17 with all issues being resolved. Management acknowledges the supportive approach taken by the Trade Union during early discussions in respect of the Transformation Programme.

## **6 CONCLUSION**

The office dealt with a number of workload challenges during 2016/17 particularly with regard to Revaluation 2017, the General Election and EU Referendum. I am in no doubt that the successful outcomes achieved were in no small way due to the hard work and dedication shown by all the staff.

## **7 RECOMMENDATION**

I would ask that the Board note the content of this report.

**Graeme Strachan**  
**Interim Assessor and Electoral Registration Officer**

August 2017

## Period 3 Financial Statement 2017/18

21<sup>st</sup> August 2017

### 1 Purpose of report

This report summarises the projected revenue budget outturn position to 31<sup>st</sup> March 2018, based on the position at period ending 30<sup>th</sup> June 2017. The report has been prepared in consultation with the Assessor.

### 2 Main Report

#### Projected Revenue Outturn 2017/18 – Core Budget

2.1 The table below compares projected revenue outturn 2017/18 with the budget. The forecast variance, based on the position at 30<sup>th</sup> June, is an under spend of £0.062m.

	Core Budget £'000	Forecast £'000	Variance £'000
<b>Expenditure</b>			
Employee costs	4,570	4,408	(162)
Premises costs	599	515	(84)
Transport costs	96	96	0
Supplies & Services	750	750	0
Third Party Payments	82	82	0
Support Services	67	67	0
<b>Gross Expenditure</b>	<b>6,164</b>	<b>5,918</b>	<b>(246)</b>
<b>Income</b>			
Sales, Fees & Charges	(43)	(43)	0
Interest	(3)	(3)	0
Requisition	(6,118)	(5,934)	184
<b>Total income</b>	<b>(6,164)</b>	<b>(5,980)</b>	<b>184</b>
<b>Net Expenditure</b>	<b>0</b>	<b>(62)</b>	<b>(62)</b>

#### Forecasts to 31<sup>st</sup> March 2018 – Core Budget

2.2 At this stage, the projected outturn indicates a forecast under spend of £0.062m. With the exception of employee costs, premises costs and Constituent Council Requisition, all other budget headings have been forecast on budget as it is relatively early in the year to predict otherwise and there are no known material budget variances at this stage. A further 2017/18 budget update will be provided to the Board in November.

2.3 The principal reason for the budget under spends reported is as follows:

- Employee costs - £0.162m under spend - the interim acting arrangements for the Assessor and Depute Assessor has resulted in the non-recruitment to the post of Head of Valuation Services. This position has been forecast for the full year and would result in a saving of £0.093m. The forecast may change following a Board decision to review the current acting arrangements. The balance relates mainly to savings on staff who have reduced their working hours.

- Premises costs - £0.084m under spend - following the 2017 Revaluation, the rateable value of the Board's premises was reduced downwards in common with many other office properties throughout the Lothians.
- Constituent Council Requisition - £0.184m refund - in February 2017 the Board approved the refund of £0.184m from the Board's General Reserve. A reduced level of requisition from the £6.118m approved budget has therefore been forecast.

### **Individual Electoral Registration (IER)**

- 2.4 The 2017/18 budget assumes that all costs will be met by grant from the Cabinet Office. Grant of £0.354m has been received for 2017/18 from the Cabinet Office and unspent grant of £0.265m was carried over from 2016/17. Total grant of £0.619m is therefore currently available to fund IER costs 2017/18. It should be noted that further grant awards are possible during 2017/18, the Board will be updated in future reports. It is not anticipated that costs will exceed grant, the Board will be updated on this in due course. For reporting purposes the current forecast assumes that all IER funds will either be fully spent during 2017/18 or any balance carried forward to 2018/19.
- 2.5 As reported to the Board previously, the introduction of the IER process has resulted in additional costs to the Board of approximately £0.400-£0.500m annually. These costs have so far been fully funded by Cabinet Office grant. The IER process remains under review and a funding commitment until 2019/20 was agreed by the previous UK Parliament. Following the recent general election an update is anticipated from the Cabinet Office on any change to the annual grant funding arrangements until 2019/20 as well as any improvements to the process that would enable the Board to reduce the current annual cost of IER.
- 2.6 The Board noted in February 2017 that the Assessor would report during the year on a service review geared around delivering both financial and service efficiencies. A separate Transformation Programme Update Report will be presented by the Assessor separately on this agenda.

### **General Reserve**

- 2.7 The Board's general reserve balance currently stands at £1.011m. This includes the £0.262m under spend from 2016/17 reported previously on this agenda. The Board will require to take a decision on retention or refund of this under spend following the presentation and approval of the Audited Annual Accounts for the Year Ended 31st March 2017 at the next Board meeting. An update on financial risks will be presented to the Board at this time.

	<b>£'000</b>
General Reserve at 31.03.16	749
Requisition under spend 16/17	262
<b>General Reserve at 31.03.17</b>	<b>1,011</b>

## **3 Conclusions**

- 3.1 At this stage, there is a projected net under spend of £0.062m relating to Financial Year 2017/18.

#### **4 Recommendations**

4.1 The Board is recommended to:

4.1.1 note the projected outturn position for 2017/18;

4.1.2 note that a further 2017/18 budget update will be presented in November.

**Hugh Dunn,  
Treasurer.**

## Treasury Management Annual Report 2016/17

21 August 2017

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### 1 Purpose of report

The purpose of this report is to provide an Annual Treasury Report for the financial year 2016/17.

### 2 Summary

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

### 3 Investment Out-turn for 2016/17

3.1 The Board's Investment Strategy has been to maintain its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given on month end net indebtedness balances between the Council and the Board and for financial year 2016/17 is calculated in accordance with the recently withdrawn Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). In line with recent short term interest rates, the investment return continues to be small, but the Board gains security from its counterparty exposure being to the City of Edinburgh Council. Net end of month balances for the financial year were:

Opening	
Balance	£1,301,955.25
April	£1,273,323.07
May	£1,199,290.65
June	£1,175,096.97
July	£1,316,268.83
August	£1,165,594.12
September	£1,489,107.13
October	£1,349,645.37
November	£1,367,830.23
December	£1,507,421.63
January	£1,569,869.88
February	£1,555,369.25
March	£1,511,661.61

3.2 Interest is calculated from the average monthly balance over the opening balance and 11 months. The interest rate applied was 0.189%, giving an interest amount of £2,568.63, being payable to the board.

## **4 Recommendations**

4.1 It is recommended that the Board notes the Annual Report for 2016/17.

**HUGH DUNN,**  
Treasurer.

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**Appendix**

None

**Contact/tel**

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# TRANSFORMATION AND CULTURAL CHANGE PROGRAMME



## Update Report 21<sup>st</sup> August 2017

### 1 INTRODUCTION

At its meeting on the 6<sup>th</sup> February 2017 the Board were asked to note a report by the Interim Assessor which highlighted the requirement for, and intention to commence, a programme of investigation within the organisation aimed at establishing a financially sustainable position for the medium and longer term while maintaining service performance standards. The report also stated that the investigation would commence following the 4<sup>th</sup> May Local Authority elections and subsequent to consultation on formal Terms of Reference.

This report provides the Board with an update on the Transformation and Cultural Change Programme which was commenced on the 8<sup>th</sup> May 2017.

### 2 TRANSFORMATION AND CULTURAL CHANGE PROGRAMME

To ensure services can continue to be delivered effectively in the medium to longer term while reflecting the current environment of fiscal control within local authority funding, and also providing sufficient flexibility that allows the service delivery to meet any challenges that amended legislative requirement provide, a Transformation and Cultural Change Programme (the Programme) has commenced.

The Programme aims to test the current business model seeking realignment as necessary in order to meet the overall objectives.

Attached as Appendix 1 is a copy of the Foundation Document, copied to all staff, which sets out in some detail the vision for the future, drivers for change, how the Programme shall be carried out, and the anticipated outcomes.

### 3 TERMS OF REFERENCE

In terms of the Board's Policy on the Conduct of Reviews formal Terms of Reference require to be consulted upon and agreed with the Trade Union prior to the commencement of a review programme.

In connection with the Programme consultation has taken place with the Trade Union and agreed Terms of Reference are attached to this report as Appendix 2.

Consultation with the Trade Union shall take place throughout the life cycle of the Programme.

#### **4 PROCESS INVESTIGATION**

Following agreement over the Terms of Reference the first phase of the Programme formally commenced on the 8<sup>th</sup> May 2017. The first phase of the Programme concentrates on an investigation into a number of key processes that underpin delivery of certain functional activities.

In total seven key process areas are under investigation. These reflect the following headline activities, survey, appeals, revaluation, valuation, IER, canvass, and support activities. The principal aim is to challenge current thinking, re-establish priorities, and seek efficiencies and improvement.

These investigations are subject to individual project management under the control of a Project Board and progress is monitored against an established timetable. A version of this timetable is attached as Appendix 3.

#### **5 STAFF COMMUNICATION AND PARTICIPATION**

An important element to the overall success of the Programme is the level and quality of the communication with, and participation by staff.

During February and March the Interim Assessor held a number of meetings with staff outlining the issues that are faced by the organisation and how it was intended to tackle them. Subsequent to these meetings the Interim Assessor spent some time with the senior executive team during which further detail was added to the Programme and in particular the process investigation phase.

Many staff at all levels are currently involved with the investigations into the various key organisational processes and their willing participation is both welcome and vital.

A special area on the office intranet has been created to which staff are directed to receive update information on the Programme and view associated documentation

## 6 STAFF SURVEY QUESTIONNAIRE

As a precursor to initiating the Programme staff were issued with a questionnaire seeking their response to a number of questions focusing on various aspects of their employment. The results arising from the questionnaire provide valuable information concerning attitudes and perceptions and assist to underpin the Programme's aspirations in terms of cultural change.

Specifically the analysis of the returns indicates that the following headline areas require my attention and in which I intend to make improvements as part of the Programme outcomes; communication, interaction, training, leadership and performance review.

The full analysis is attached as Appendix 4.

## 7 SUMMARY/RECOMMENDATION

This is an exciting and ambitious Programme. However initial meetings with staff and managers, and the progress made so far, indicate that there is an appetite for investigation and change and a ready willingness to participate.

The Board is asked to note the content of this update and attached appendices and is informed that further update reports shall be provided throughout the programme life cycle.

**Graeme Strachan**  
**Interim Assessor and ERO**

August 2017

## **TRANSFORMATION AND CULTURAL CHANGE PROGRAMME: A FOUNDATION DOCUMENT**



### **1 INTRODUCTION**

Lothian Valuation Joint Board (LVJB) provides a range of statutory functions that support the process of local taxation and democratic engagement.

These functions are represented by the creation and maintenance of the Valuation Roll, Council Tax List and Electoral Register.

The activities that are required to be carried out in respect of these functions are in the main defined by legislative provision and where necessary legal case law.

In terms of service delivery the duties of the Assessor and Electoral Registration Officer, operating on behalf of the LVJB, are driven by defined statutory requirement with limited ability to reflect on the specific nature and level of service provision.

### **2 THE VISION**

As a public service provider it is essential that the Board is able to reflect, adapt and modernise to meet current stakeholder demands and the challenges that lie ahead. In a constantly changing and dynamic environment services must be delivered in an effective and efficient manner being aware at all times of the need to balance service delivery with best value.

Through effective and imaginative leadership the Transformation and Cultural Change Programme shall frame the Board in a forward focused position, ready to deliver quality services within, and part of, the wider local authority context.

### **3 DRIVERS FOR CHANGE**

External pressures invariably provide the impetus and drive to seek change in organisations. These in turn assist with the identification of internal drivers that support the change process.

Such external pressures currently exist and combined with the vision outlined above provide an environment for change that shall be led by the Transformation and Cultural Change Programme. (The Programme).

### **3.1 Future Financial Sustainability**

The Board is funded by way of annual provision from the four constituent authorities to whom it provides the services outlined. The current fiscal environment surrounding funding of local authorities and the services they provide is well documented and in many cases has led to considerable financial savings being achieved in-conjunction with significant re-engineering of councils business models.

The Board has for a number of years operated a year on year “standstill” budget provision primarily achieved via the short term policy of vacancy control. This approach has resulted in real savings being passed on to the Board’s funding authorities. Without reviewing the underlying business model that drives the organisation severe limitations exist in terms of further savings being achieved. The need to establish a financially sustainable position that shall support the delivery of the Board’s functions in the medium to longer term while at the same time acknowledging the overarching fiscal environment that local government now operates within is of real and pressing importance.

To achieve this the Board is required to examine closely how it provides its services, seeking significant improvements and efficiencies through a redesigned business model that shall continue to provide, and seek improvements in, an effective, customer focused, and best value driven service.

The need to establish a forward focused strategy that aims to deliver a financially sustainable position has been identified by Audit Scotland, the Board’s Treasurer and the constituent authorities.

### **3.2 Changes to Functional Requirement**

Across all three functional areas either significant change has been introduced as a result of new legislation, or a high degree of uncertainty in terms of future service provision has arisen due to government reviews and consultations.

Electoral Registration changed significantly in September 2014 when Individual Electoral Registration (IER) was introduced and this necessitated a significant redesign of the way in which electoral services are provided within the Board. This process is in fact ongoing as further legislative changes are anticipated as the programme of transformation to IER finally comes to a close in coming years.

Council Tax has recently been subject to review and investigation by Scottish Government with many aspects that would impact on the Board being considered. However significant change was only reflected in the payment ratios between the higher Council Tax bands and the Government declined from committing to a revaluation or re-banding exercise which many considered essential to retain Council Tax as a feasible local taxation base.

The Valuation Roll, or Non Domestic Rating, is currently under review with many fundamental aspects under investigation. The outcome of the Barclay Commission is expected later in the year.

Clearly a level of uncertainty exists but the change to IER shows that the organisation is capable of adapting to meet the demands placed on it.

The Transformation and Cultural Change Programme shall endeavour, as far as is reasonably practicable, to provide the necessary flexibility that shall enable any required changes arising from a fundamental review of service delivery to be supported.

### 3.3 **Modernisation**

Modernisation is an over-arching driver which can encompass a range of issues. The nature of the Boards activities can easily lead to a stifling of ideas but this programme aims to encourage ideas for improvement to come forward, be assessed and implemented.

Modernisation however goes beyond the “how” and also provides a challenge to the “why” and the “who”. Established work priorities shall be challenged to ensure that the required service delivery is underpinned by focused and benefit assured activities. This also provides the platform to look closely at the resources available within the Board and how they are deployed ensuring that these are being used in an effective manner, providing sufficient flexibility, and supportive to the overall aims of the organisation.

Three further drivers, which in themselves are linked, can be identified flowing from the over-arching need to modernise the organisation. These shall underpin that requirement but in particular shall drive forward the detail of the Transformation Programme.

### 3.3.1 Process Improvement

Almost all primary and secondary tasks and activities within the organisation are delivered by the use of established processes.

The Programme shall seek to challenge the need for these processes, establish where improvements and efficiencies can be made, and identify the appropriate resource necessary to carry them out.

In so doing the Programme shall,

- Identify the primary activities and prioritise accordingly
- Challenge existing processes
- Examine and identify areas for change
- Seek out inefficiencies and waste
- Make improvements and efficiencies providing leaner processes
- Identify areas where ICT can provide benefit
- Challenge existing resource allocation to processes or parts of processes
- Establish the required resource requirement to support revised processes
- Review all areas of budget expenditure

### 3.3.2 Cultural Change

The requirement to modernise combined with a drive for process improvement must be supported by elements of cultural change within the organisation. Increased flexibility in the approach taken to workload management, a positive attitude to change and improvement, forward planning and visionary leadership are some of aspects of cultural change that shall support the Programme outcomes.

The Board has an excellent record of being able to adapt to changing requirements in service delivery, allowing the process of review and change to be undertaken. This positive attitude shall be utilised to help drive the Programme forward.

The Programme shall seek to provide,

- Effective and visionary leadership
- A positive atmosphere within which an empowered workforce can operate
- Increased levels of accountability and transparency for actions taken
- A strengthening of staff skills and developing a skilled and talented workforce
- An increasingly agile and flexible resource focused on a shared vision

- Create and maintain an effective and inclusive performance framework
- A culture that seeks beneficial improvement on an ongoing basis
- Short, medium and long term planning and associated project management across all activities
- Effective risk identification and mitigation

### 3.3.3 Customer Focus

Local Taxation and Electoral Registration appear to stand at different ends of the spectrum in terms of customer satisfaction. One function acts as an enabler, securing an electors right to vote, while the other functions of Council Tax and Valuation Roll are a means upon which tax is levied on the individual, commercial company, or organisation. Taxation by its very nature is generally not well received.

Notwithstanding this, it is essential that service delivery across all three functions is focused on meeting the requirements and expectations of the customer.

Importantly is the need to identify the different categories of customer and stakeholder and ensure that the expectations of each of these groups is defined and met.

The Programme shall aim to,

- Identify and define all relevant customer and stakeholder groups
- Ensure that services as defined by statutory requirement are delivered in an efficient and effective fashion acknowledging the increasing expectations of the customers
- Provide relevant information at the appropriate time in respect of services and service accessibility
- Engage and promote the services and profile of the organisation
- Where possible, engage in partnership working that aims to provide a better overall customer and stakeholder experience
- Where possible provide a one stop shop experience for the customer

## 4 OUTCOMES

A range of anticipated key outcomes from the Programme can be identified at this stage,



- Placing the organisation on a financially sustainable platform for the medium to longer term, recognising that future legislative changes could result in further review.
- A high quality better value service
- A motivated, empowered, agile and flexible workforce supported by an organisational structure focused on effective service delivery and best value
- A forward focused planning model underpinned by project management and risk assessment
- Improved, efficient and lean processes
- Increased customer and partner awareness

## **5 PROGRAMME TIMETABLE**

The Programme aims to provide deliverables over the 2018/19 to 2019/20 timeframe with first outcomes of the Transformation Programme being reported during November/December 2017.

To assist with these deliverable dates a Programme Timetable has been created that aims to drive the change process forward. This is supported by specific and detailed project managed investigations.

## **6 PARTICIPATION AND COMMUNICATION**

Crucial to the success of the Programme is the participation of, and communication to, key stakeholders.

These are identified as the LVJB staff, the Trade Union, the Board, and the constituent authorities. Each of these groups has a participatory role to play, and engagement has already commenced in that regard. Meetings have taken place with staff, the Trade Union, through the Joint Consultative Committee, the Board was advised at its meeting on the 6<sup>th</sup> February 2017 of the intention to undertake the Programme, there has been contact with the LVJB Treasurer and staff, and following further reports to the Board the constituent authorities shall be updated.

As the investigation into processes commences participation by staff shall be critical and every effort shall be made to encourage and provide opportunities for involvement, and that an open dialogue with staff is maintained throughout the Programme.

A timetable of Programme consultation shall be established with the Trade Union following the creation of Terms of Reference.

## **7 SUMMARY**

This is an exciting and ambitious Programme. Initial meetings and conversations with staff and managers indicate that there is an appetite for investigation and change and a readiness and willingness to participate.

The Board and its staff are rightly proud of the quality services currently delivered but are ready for the challenge of continuing to deliver and improve services in a changing and more demanding environment.

**Graeme Strachan**  
**Interim Assessor & ERO**

**April 2017**

## TERMS OF REFERENCE

### Notification

I hereby give formal notification of my intention as Assessor and Electoral Registration Officer for Lothian Valuation Joint Board to undertake a major review within the organisation. The review is to be known formally as the Transformation and Cultural Change Programme.

It is essential that the Board is able to continue to deliver its services within the fiscal environment that surrounds local authorities and is able to do so in the medium and longer term.

This requirement for future financial sustainability must be measured against the statutory nature of the services provided and recognise possible future changes to key areas of service delivery.

There remains however a requirement to ensure best value is being achieved throughout the organisation and that improvements and efficiencies are being identified and actioned.

### Terms of Reference

There is an overarching need to seek modernisation throughout the organisation, in particular, focus shall fall on three principle areas, these being,

- **Process Improvement**

This shall involve investigations into current priorities that challenges why they are undertaken, how they are carried out, and by whom, and seeks to establish improvements and efficiencies, whilst ensuring resources are best placed to meet service demands and customer expectations.

- **Cultural Change**

Cultural change shall seek to introduce effective and visionary leadership, a positive atmosphere within which an empowered workforce can operate making use of a

strengthened skill set, and a culture of striving for beneficial improvement on an ongoing basis.

This shall be supported by a strategy of short, medium and long term planning, project management and risk identification.

- **Customer Focus**

Customer and stakeholder focus must aim to ensure that expectations and service delivery are properly aligned and that services are accessible.

The provision of information and engagement with the customer and stakeholder must be effective and provide the necessary customer experience.

The Programme shall aim to meet these expectations as an outcome of the other elements outlined above.

### **Anticipated Programme Outcomes**

At this stage anticipated outcomes arising from the review are,

- Placing the organisation on a financially sustainable platform for the future delivery of services
- The identification of a high quality best value service driven by efficient and lean processes
- A motivated and empowered workforce
- The adoption of a forward focused planning model underpinned by effective project management and risk identification
- Increased customer and stakeholder awareness
- An amended staffing structure that supports the overall outcomes of the Programme

### **Service Areas Affected**

At this stage I anticipate all work areas shall be considered under the Programme. As a result current staffing structures, job descriptions and associated grades, and staff numbers may be affected. The extent to which an area or staff post may be affected shall be revealed as a result of the investigations to be carried out.

### **Duration**

Detailed investigations shall commence soon after agreement of the Terms of Reference and shall be conducted throughout the year.

The Board shall receive update reports on the Programme throughout 2017/18. At this stage, it is hoped that at the Board meeting of 13<sup>th</sup> November 2017 the update report shall provide an indication of the conclusions being reached.

**Lead Officer**

The Assessor shall be nominated as Lead Officer for the purposes of the review but all members of the Senior Management Group shall be available for consultation with the Trade Union.

**Existing Structures and Job Descriptions**

Current Job Descriptions are available on the office intranet and information regarding organisational staff structures are available for viewing by reference to reports submitted to Board meetings held on of 30<sup>th</sup> August 2004, 28<sup>th</sup> June 2013, 16<sup>th</sup> November 2015 and 26<sup>th</sup> November 2016..

**Graeme Strachan**  
**ASSESSOR & ERO**

27 April 2017

## TRANSFORMATION AND CULTURAL CHANGE PROGRAMME PROCESS INVESTIGATION TIMETABLE

- 1 Agreement of Terms of Reference by 4<sup>th</sup> May 2017
- 2 Preliminary investigation refined for IER processes, Support processes and canvass activity by 5<sup>th</sup> May 2017
- 3 Preliminary investigation refined for IER processes, Support processes and canvass activity by 5<sup>th</sup> May 2017
- 4 Staff update 8<sup>th</sup> May 2017
- 5 Publish investigation proposals and project management framework 8<sup>th</sup> May 2017
- 6 Initial investigation phase for source & survey, appeals, revaluation and valuation complete by 9<sup>th</sup> June 2017
- 7 Initial investigation for IER processes, Support processes and canvass activity complete by 9<sup>th</sup> June 2017
- 8 Staff update 19<sup>th</sup> June 2017
- 9 External validation of proposed approach with City of Edinburgh Council LEAN team by the end of June 2017
- 10 Detailed investigation phase for source & survey, appeals, revaluation and valuation complete by 29<sup>th</sup> September 2017
- 11 Detailed investigation for IER processes, Support processes and canvass activity complete by 29<sup>th</sup> September 2017
- 12 External validation of investigation process with City of Edinburgh Council LEAN team by the end of September 2017
- 13 Commence develop and test phase for prioritised processes 2<sup>nd</sup> October 2017
- 14 Staff update 2<sup>nd</sup> October 2017
- 15 Milestone 23<sup>rd</sup> Feb 2018 – develop and test phase complete for prioritised processes
- 16 Prioritised process rollout 2<sup>nd</sup> April 2018

## Appendix 4 - Staff Questionnaire

No	Question	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	No response	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	No response
1	My work gives me a feeling of personal satisfaction	4	2	20	21	34	0	5%	2%	25%	26%	42%	0%
2	I understand how my work contributes to shared success	0	1	7	52	21	0	0%	1%	9%	64%	26%	0%
3	Communication in the office is effective	3	25	24	26	3	0	4%	31%	30%	32%	4%	0%
4	I understand the need for change	0	0	9	44	28	0	0%	0%	11%	54%	35%	0%
5	I support the need for change	0	0	14	37	30	0	0%	0%	17%	46%	37%	0%
6	My colleagues in the team work well together	0	2	8	40	31	0	0%	2%	10%	49%	38%	0%
7	Different teams work well together across the organisation	4	13	32	30	2	0	5%	16%	40%	37%	2%	0%
8	I am satisfied with my physical working conditions	1	6	13	45	16	0	1%	7%	16%	56%	20%	0%
9	My line manager clearly explains what they want me to do	0	8	7	42	24	0	0%	10%	9%	52%	30%	0%
10	I have the appropriate amount of information to make correct decisions about my work	1	7	11	51	11	0	1%	9%	14%	63%	14%	0%
11	My line manager listens to me and considers my suggestions	1	4	18	38	20	0	1%	5%	22%	47%	25%	0%
12	My line manager gives thanks and praise where it is due	2	9	9	34	26	1	2%	11%	11%	42%	32%	1%
13	I am kept well informed about changes that affect me	5	10	23	33	9	1	6%	12%	28%	41%	11%	1%
14	I feel comfortable speaking up and challenging the way things are undertaken	4	10	17	35	15	0	5%	12%	21%	43%	19%	0%
15	Reasons for change are well communicated to me	1	12	23	40	5	0	1%	15%	28%	49%	6%	0%
16	I have the tools and resources to do my job well	2	5	15	48	9	2	2%	6%	19%	59%	11%	2%
17	I am provided with the training I require to undertake my job effectively	2	5	15	48	9	2	2%	6%	19%	59%	11%	2%
18	I am given opportunities to improve my skills	5	19	22	27	7	1	6%	23%	27%	33%	9%	1%
19	My job makes good use of my skills and abilities	1	10	19	42	8	1	1%	12%	23%	52%	10%	1%
20	I consider that my performance is reviewed fairly	2	12	22	35	7	3	2%	15%	27%	43%	9%	4%
21	I consider that as an organisation LVJB are committed to customer service	0	1	8	49	21	2	0%	1%	10%	60%	26%	2%
22	The senior managers are open and honest with staff	4	12	24	34	5	2	5%	15%	30%	42%	6%	2%
23	I believe the senior management team have a clear direction for the future	2	8	32	33	5	1	2%	10%	40%	41%	6%	1%
24	I understand the Vision and Values of LVJB	1	3	22	42	11	2	1%	4%	27%	52%	14%	2%
25	I am treated with fairness and respect at work	2	3	11	46	17	2	2%	4%	14%	57%	21%	2%
	<b>Average</b>	<b>2</b>	<b>7</b>	<b>17</b>	<b>39</b>	<b>15</b>	<b>1</b>	<b>2%</b>	<b>9%</b>	<b>21%</b>	<b>48%</b>	<b>18%</b>	<b>1%</b>





## REPORT ON THE REVIEW OF ARRANGEMENTS FOR CORPORATE GOVERNANCE

### 1 INTRODUCTION

As part of their report to the Board on 5<sup>th</sup> September 2016 Audit Scotland indicated that the Board's Local Code of Corporate Governance should be reviewed.

### 2 LOCAL CODE OF CORPORATE GOVERNANCE

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, 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 effectiveness of its functions, including arrangements for management of risk.

The Local Code of Corporate Governance reflects the key principles of sound governance and assists with the embodiment of these into an organisation by way of a Governance Framework.

#### 2.1 Principles of Corporate Governance

Corporate Governance is underpinned by the following broad principles;

- **Openness and inclusivity** is essential to ensure that all stakeholders have confidence in the decision making process, management processes and individuals within the Board. In addition, openness involves an inclusive approach to all stakeholders by the Board and engaging with them in an effective manner.

- **Integrity** is based on honesty, selflessness and objectivity and involves high standards of propriety and probity in the stewardship of public funds and management of the Boards affairs.
- **Accountability** is the process by which the Board and its elected members and officers are responsible for their actions and decisions.

To ensure that these principles are integrated within the decision making process of the Board and the overall management of the organisation which drives service delivery, a Corporate Governance Framework exists.

## 2.2 Corporate 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. In broad terms these principles are;

- 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 risks to the

achievement of the Board's policies, aim and objectives. This control enables the Board to manage its key risks efficiently, effectively, economically and ethically.

A major element of this control environment is the system of internal financial control. This 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.

### **3 THE CONTROL ENVIRONMENT**

There are key organisational policies and procedures in place within the control environment that support the overall aims of the Corporate Governance Code. These are;

- Standing Orders, Scheme of Delegation and Financial Regulations
- Corporate and Service Planning
- Risk Management Framework and associated Risk Registers
- Policy on Anti-Corruption, Bribery and Fraud
- ICT Management and Security Policy
- Business Continuity Plan
- Performance Management and Planning Framework
- Customer Care and Complaints Procedure
- Policy on Public Interest Disclosure
- FOI Policy
- Data Protection Policy
- Records Management Policy
- Equalities Policy

### **4 REVIEW OF EFFECTIVENESS**

An essential element that provides assurance to the effectiveness of Corporate Governance arrangements within the Board is the annual audit activity carried out by City of Edinburgh Internal Audit and Audit Scotland.

This activity and subsequent reports provide an independent and objective assurance to the Board in terms of assessing internal control, risk management and governance arrangements.

City of Edinburgh Internal Audit seek re-assurance from the Assessor by way of an annual questionnaire aimed at providing supporting evidence for the annual governance statement included within the unaudited and audited accounts. This questionnaire provides the necessary evidence to indicate compliance with the principles of corporate governance. For information the completed 2016/17 Questionnaire is attached as Appendix 1 to this report.

## **5 CONCLUSION AND RECOMMENDATIONS**

I am of the opinion that current arrangements within the Assessor's organisation to support the Code of Corporate Governance are satisfactory. The Local Code reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government.

However in order to provide an over-arching governance umbrella which can provide cohesion to all the elements which support the Local Code of Governance it is recommended that an internal group, to be known as the Governance, Risk and Best Value Group be formed within the Assessor's organisation.

The group shall be chaired by the Assessor or other appointed senior officer, and comprise relevant senior staff from within the organisation. The broad remit of the group shall be to review, maintain and amend key governance, service delivery and control policies and procedures while also ensuring compliance with duties surrounding FOI, Data Protection, Records Management and Equalities. The functions of the Group shall support and monitor the internal control environment within the organisation.

The Group shall report to the Board as necessary either as part of the Assessor's existing Update Reports or as a separate agenda item.

## **6 RECOMMENDATION**

The Board is asked to note the contents of this report and in particular the formation of a Governance, Risk and Best Value Group within the Assessor's organisation.

**Graeme Strachan**  
**Interim Assessor and ERO**

**Joint Boards**  
**Questionnaire to Support Evidence of Assurance**  
**for the Annual Governance Statement**  
**For the year end 31 March 2017**

<b>Name of Board</b>	Lothian Valuation Joint Board				
<b>Completed by</b>	Graeme Strachan	<b>Job title</b>	Assessor and ERO	<b>Date completed</b>	13/4/17
<b>Signed off by (signature)</b>		<b>Job title</b>			
<b>Print name of signatory</b>		<b>Date of signature</b>			

## Introduction

The Statement of Accounts 2016/2017 includes the Annual Governance Statement signed by the Assessor. The Annual Governance Statement includes the Treasurer's Statement which is supported by the Certificate of Assurance.

The Certificate of Assurance requires the Assessor to confirm that:

1. They have considered the effectiveness of internal controls, including controls in place to mitigate major risks to the Board's objectives;
2. To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise);
3. They have identified actions that will be taken to continue improvement.

**This questionnaire should be used as a prompt for the Assessor to consider various aspects of good governance and the internal control environment before signing the Certificate of Assurance. It is not an exhaustive list.**

## Guidance notes for completing the questionnaire

The questionnaire should be completed by the Assessor or by a nominated officer. Before signing the Certificate of Assurance the Assessor should ensure that this questionnaire has been completed accurately.

Guidance notes are provided throughout the document but if you have any questions please email the Council's Governance Team at [governance@edinburgh.gov.uk](mailto:governance@edinburgh.gov.uk).

Please note that although evidence does not need to be attached to the completed questionnaire, accurate reference should be made to any supporting evidence. **This is because responses made in the questionnaire may be subject to audit at a later date.**

Your assessment should consider how your board's arrangements would stand up to external scrutiny. When completing the questionnaire please include a numeric assessment of the board's compliance:

1. no arrangements in place
2. major weaknesses/significant improvement required
3. partial compliance
4. full compliance.

Please return your completed questionnaire to [governance@edinburgh.gov.uk](mailto:governance@edinburgh.gov.uk) no later than Friday **14 April 2017**.

Internal Control Environment, Risk and Resilience	Guidance notes	Response and reference to evidence	Assessment 1-4	
1	Do you have internal controls and procedures in place throughout the Board that are proportionate, robust, monitored and operating effectively?	Please describe and/or give examples of the controls and procedures that you have in place and how these are monitored, tested and reported.	<p>There are 3 main areas where controls exist. These are the principle functional systems that support VR, CT and ER, the network system controls and associated security, and the controls associated with the financial systems. (it should be noted that the financial systems in use are those operated by CEC and accessed by Board staff, and as such are subject to the controls and procedures imposed by CEC)</p> <p>In addition the Board operates suite of HR policies and procedures that provide additional aspects of control.</p> <p>Functional systems are supported by procedural requirements accompanied by hierarchical authorisation. In addition certain actions are subject to system self-checking and in-built procedural requirements.</p> <p>The IT system network is subject to its own security requirements and password control, with the user required to undertake security awareness training. An ICT Security Policy is in place and subject to regular review.</p> <p>Within the Board a small internal audit team is operational, undertaking amongst other tasks, regular monthly audit activity on key transactional processes.</p> <p>Evidence: internal audit reports, system protocols and procedures, ICT Security Policy</p>	4
2	Do your risk management arrangements identify the key risks to the Board, including those arising from: change (e.g. structural, service delivery, demographic and/or management); partnerships (external and internal) and projects?	Please describe your risk management arrangements and confirm that the three categories listed are included (where relevant).	<p>Risk management is embedded within the Board. Risk identification, discussion and mitigation is a standing item on all senior group meeting agendas.</p> <p>A strategic risk register is reviewed twice yearly and a rolling risk register records short term risks associated with current priority issues, events and projects. The rolling risk register is reviewed at every 6 weekly senior management group meeting.</p>	3/4

			<p>In addition all major activities and deliverables are underpinned with a detailed project plan and timetable which incorporates risk identification and mitigation where appropriate.</p> <p>Change management within the Board is invariably linked to legislative changes that impact on service delivery. The most recent being the introduction of IER, the next anticipated relate to NDR and are currently under consultation. The Board through the SAA is well placed to participate in the consultation process and as a result risks arising from legislative change are subject to mitigation and planning in advance of the date of change and implementation.</p> <p>During 2017/18 the organisation has committed to a Transformation Programme. This is currently at very early stages however it shall require the creation of a specific risk register. This shall be created shortly and maintained throughout the duration of the Programme.</p> <p>The Board does not directly engage with partners for the purposes of service delivery although 3<sup>rd</sup> party engagement is in place for elements which contribute to the overall delivery. For example 3<sup>rd</sup> party software suppliers and other service providers such as printers, royal mail etc. Where necessary risks arising from these partnerships are identified within risk registers and/or project plans.</p> <p>Evidence: risk registers, project plans, meeting agendas</p>	
3	<p>Do you have effective controls and procedures in place to manage the risks identified above to a tolerable level? Where this is not the case, have actions been identified that, once put in place, will ensure the risk is managed to a tolerable level?</p>	<p>Please describe the controls and procedures that you have, or plan to put, in place.</p>	<p>All major projects are subject to detailed project management and a detailed project timetable. This detailed identification of actions within a timetable allows for the identification of risks and mitigation action to be agreed.</p> <p>The rolling risk register allows for the recording and discussion of major risks identified within project timetables as part of senior management activity.</p> <p>Due to the nature of certain elements of service delivery the major risks come from unexpected and short term high volume</p>	3/4



			workloads. The project plan provides an opportunity to anticipate these occurrences and allow mitigation steps to be determined in advance. Evidence: project timetables, rolling risk register	
4	Do you have effective controls and procedures in place to manage the risks in delivering services through contracted parties and/or other partners, where applicable?	Please describe the controls and procedures that you have in place.	We do not deliver services through any 3 <sup>rd</sup> party. We only use contracted 3 <sup>rd</sup> parties to provide services that aid parts of the overall process, for example 3 <sup>rd</sup> party software.	4
5	Has the monitoring process applied to funding/operating agreements identified any problems that could have an impact on the Annual Accounts?	Please describe the arrangements you have in place, including an overview of the monitoring process and frequency of reporting, and summarise any problems that have been identified.	The Board does not have any funding/operating agreements. All funding is received directly from the constituent councils of the Board. The Board has received separate funding during 2016/17 direct from the Cabinet Office in respect of IER. Neither of these shall have an impact on the Annual Accounts.	4
6	Are the Board's risk management, internal controls and procedures and their effectiveness reviewed regularly?	Please describe how these are reviewed, by whom and how often.	The strategic risk register is reviewed every 6 months. The rolling risk register is reviewed at every 6 weekly senior management group meeting. Project plans and timetables are in constant review when in use. LVJB internal audit review on a monthly basis CT and VR activity and report accordingly. ICT Security Policy is subject to regular review. CEC Audit and Audit Scotland undertake audit reviews annually. Evidence: audit reports, ICT Security Policy, SMG agenda	4

7	Did the last review of the Board's internal control environment identify any weaknesses that could have an impact on the Annual Accounts?	Please include the date of last review, whether any weaknesses were identified and, if so, how these have been or will be addressed	<p>Audit Scotland identified low priority action point in respect of the reconciliation of the input and output controls relating to council tax and valuation roll updates, and periodic checks between the list/roll to the Register of Sasines. During the period January to March these actions had not been adequately evidenced by the internal LVJB team. This has now been corrected. This matter would not have affected the annual accounts.</p> <p>The report also recommended that the Local Code of Corporate Governance be reviewed and updated as necessary. To be actioned by July 2017.</p> <p>Evidence: Audit Scotland Report 2016</p>	3
8	Do your business continuity plans and arrangements mitigate the business continuity risks facing the Board's essential activities?	Please detail the plans and arrangements you have in place and explain how and when these are reviewed and reported.	<p>The BCP provides access to alternative accommodation within which the Boards system network can be replicated within 24/48hours of a disaster occurring. This provides considerable comfort to the requirement to be able to continue to deliver the key services of the Board at critical times.</p> <p>Evidence: BCP</p>	3/4
9	Do your risk management arrangements adequately identify the risk(s) of any actual or prospective legal action being taken against the Board, or any matter which may actively lead to legal dispute with the Board?	Please outline the arrangements you have in place.	The Boards key service delivery areas are all defined by statute and legislation. Within that framework redress is available through legislative appeal procedures. Possible action arising from the actions of management and/or staff in pursuit of their duties and responsibilities are not in themselves currently considered under Risk Management. This matter shall be further considered.	2/3
10	Do you have adequate arrangements in place to identify any matters which give rise to a significant risk of reputational damage to the Board?	Please describe the arrangements you have in place.	Please see above.	2/3

Performance	Guidance notes	Response and reference to evidence	Assessment 1-4	
11	Where performance monitoring identifies inadequate service delivery or poor value for money, do you have arrangements in place for reporting to your senior management team and/or the Board?	Please describe your performance monitoring arrangements, including frequency of reporting, and provide detail of any such reports during the reporting period.	<p>The Assessor provides quarterly performance reports to the Board which fully indicate achieved performance levels against target requirements.</p> <p>The Board is required to submit Key Performance Indicator information to Scottish Government every year, and the Electoral Commission assess Electoral function performance against a set of nationally agreed performance standards.</p> <p>In addition a full annual performance report is supplied by the Assessor to the Board in support of the unaudited accounts, while a performance target report for the year ahead is supplied in February to support the budget planning/setting process.</p> <p>Evidence: Board Reports</p>	4
12	Do you have arrangements in place to implement and monitor improvement measures to address any service delivery or performance problems?	Please describe the arrangements you have in place, give details of improvement measures introduced during the reporting period and outline any outstanding issues.	<p>There are no outstanding issues.</p> <p>The Board delivers a range of statutorily defined services which are underpinned by legislation requirement. This reduces the scope for non-delivery or poor performance. Performance is measured against KPI's and the targets indicated within that framework. Ongoing performance is monitored at senior management meetings and any identified problem is quickly addressed and mitigated.</p> <p>Evidence: Board Reports</p>	4

13	Do you have appropriate arrangements in place for recording, monitoring and managing customer service complaints and customer satisfaction?	Please describe the arrangements you have in place and how these are monitored, reviewed and reported.	<ol style="list-style-type: none"> <li>1. The Board has a Complaints procedure accessed by the public on demand or via intranet. All complaints are dealt with by a dedicated Complaints Officer.</li> <li>2. Complaints register is maintained.</li> </ol> <p>Evidence: web site</p>	4
Policies and regulatory requirements		Guidance notes	Response and reference to evidence	Assessment 1-4
14	Do you have arrangements in place to ensure staff are made aware of and fully understand the implications of relevant existing and new Board policies?	Please describe the arrangements you have in place.	New policies or major amendments to existing ones are brought directly to staffs' attention via email with direction to the full policy on the intranet. If necessary a power point presentation or face to face discussion on a policy shall be undertaken.	4
15	Do you have procedures in place to monitor staff compliance with relevant conduct policies and procedures eg. employee code of conduct, anti-bribery, whistleblowing?	Please describe the procedures that are in place eg. recording gifts and hospitality, recording conflicts of interest, bringing whistleblowing issues to the attention of senior management, etc.	<p>A Policy on Public Interest Disclosure (Whistle Blowing Policy) and a Gifts and Hospitality Register are in place. Conflicts of Interest form part of the Code of Conduct Policy which has been recently revised to strengthen this particular area.</p> <p>Evidence: Policy documents</p>	4
16	Do you have arrangements in place to ensure all staff are aware of their responsibilities under information governance legislation e.g. Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002?	Please describe the arrangements you have in place and how these are monitored and reported.	<p>Data Protection awareness is known by existing staff, new staff receive appropriate induction training. In particular, the public enquiries/requests for information received under these Acts are dealt with by specific nominated senior staff.</p> <p>This area is currently under review given the new responsibilities due to be introduced for DP in 2018.</p>	3

17	<p>Are all staff aware of their responsibilities under relevant health and safety policies and procedures, including:</p> <ol style="list-style-type: none"> <li>1. Health and Safety</li> <li>2. Fire Safety</li> <li>3. First-aid and Emergency Procedures</li> <li>4. Stress</li> <li>5. Accident, incident and work-related ill health reporting procedure</li> <li>6. All other relevant health and safety policies and procedures (e.g. Asbestos, Water Safety)?</li> </ol> <p>(Please amend to reflect the relevant policies and/or procedures for your organisation)</p>	<p>Please describe the arrangements you have in place to meet these requirements and how these are monitored.</p>	<p>All of these H and S issues are fully supported in the office and staff should be aware.</p> <p>The staff intranet provides guidance and information as appropriate.</p> <p>Weekly fire alarm tests undertaken along with periodic fire evacuation drills. Staff are informed of issues arising from these tests.</p> <p>The Board has a Health and Safety Committee comprising management, staff and union representatives that meets on a regular basis. Staff are informed by email of any issues arising directly from the Committee.</p> <p>A Stress Policy is in place. First aiders are in place and subject to training.</p> <p>Incident recording and absence management policy is in place.</p> <p>Where any new H and S threat or issue arises staff are informed either by direction to a policy or by email. For example a meeting with mail room staff to discuss handling of suspicious letters/envelopes at 2015 General Election when a national security warning was in place.</p> <p>Current "lone working" arrangements shall shortly be reviewed.</p> <p>Evidence: relevant Policies/Guidelines, H and S agenda/minutes</p>	4
18	<p>Do you have appropriate arrangements in place for establishing, implementing and maintaining procedures for the ongoing hazard identification, risk assessment and determination of necessary controls to ensure all health and safety risks for the Board, and areas of responsibility, are adequately controlled.</p>	<p>Please describe the arrangements you have in place and how these are monitored, reviewed and reported.</p>	<p>The Health and Safety Committee supported by the HR Manager, who has access to all CEC update material, undertake this role. Periodic H and S inspections of the premises are undertaken and action taken as necessary.</p>	4

19	Do you have competencies, processes and controls in place to ensure that all areas of your organisation, and any other areas of responsibility, operate in compliance with all applicable health and safety laws and regulations?	Please describe the arrangements you have in place and how these are monitored, reviewed and reported.	See above comment re the Health and Safety Committee, in addition the Board engages a Facilities Management company to undertake all building maintenance and ensure all statutory testing is undertaken. For example, emergency lighting, PAT, water.	4
<b>Financial Control</b>		<b>Guidance notes</b>	<b>Response and reference to evidence</b>	<b>Assessment 1-4</b>
20	Is the operation of financial controls effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records?	Please describe your financial controls.	<p>The Board has access to and can only undertake financial transaction through the systems provided by CEC. The Board is therefore subject to procedures and protocols associated with those systems as directed by CEC.</p> <p>All accounting is undertaken for the Board by CEC accountants this includes monthly monitoring, projection reports, unaudited and audited accounts, and all budgetary reporting to the Board. The Assessor and accountant work closely together in all aspects of budget monitoring and accounts maintenance.</p> <p>In respect of authorisation, only one member of staff, the Assessor, has the ability to authorise payment of an invoice, and /or to authorise an order. The Assessor is not able to place the order himself this is undertaken by the Finance Officer. No single person is able or has access rights to the system that allows that person to place an order and authorise invoice payment on that order. There are no over-rides that senior staff can carry out that would undermine the current process.</p> <p>Evidence: Treasurer's reports to the Board</p>	4

21	How confident are you that the arrangements you have in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts?	Please give details of the arrangements you have in place and if any control problems or variances have been identified.	No such problems or variances have been identified. Detailed monthly monitoring reports are provided by the accountant who shall seek information on any perceived /anticipated variances. Quarterly projections are prepared by the accountant and Assessor and provided to the Board. These indicate anticipated year end projections and month on month variances. Evidence: Treasurers reports to the Board	4
22	Do you have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Treasurer or Chief Finance Officer?	Please describe the arrangements you have in place and provide details of any such notifications to the Treasurer.	Yes this would be the case. The introduction of Individual Electoral Registration (IER) has led to the possibility of future financial liabilities to the Board beyond current and projected budget allocation. This has been reported to the Treasurer and a contingency plan created. This has been notified to the Board.  Evidence: Treasurers report to the Board dated	4
23	Do you have arrangements in place to protect assets against theft, loss and unauthorised use and identify any significant losses?	Please describe the arrangements you have in place and if there have been any significant losses please detail these and outline any corrective action that has been, or will be, taken.	No significant losses identified. Most of the important assets are ICT based and policies and procedures are in place to identify any unauthorised use. The building is externally and internally secure. External CCTV is in operation.	4

24	Do you have arrangements in place to review the adequacy of insurance provision and its adequacy in covering the risk of loss to the Board?	Please describe the arrangements you have in place including the frequency of review and date of last review.	Last review September 2016.  All Board insurance is arranged through CEC and any recommendations adopted.  Evidence: 2016 CEC summary statement of Insurance Policies	4
25	Do you have arrangements in place that would identify any internal control, risk management or asset valuation problems that could affect the Annual Accounts?	Please describe the arrangements you have in place and detail any problems that have been identified.	None that I am aware of.	4
<b>National Agency Inspection Reports</b>		<b>Guidance notes</b>	<b>Response and reference to evidence</b>	<b>Assessment 1-4</b>
26	Where reports relating to the Board have been published during the year has there been anything within the reports that could impact on the signing of the Annual Governance Statement?	This question requires a Yes/No response rather than an assessment score. Please also list any reports published during the year.	No such reports have been published.	No
<b>Internal Audit, External Audit Reports</b>		<b>Guidance notes</b>	<b>Response and reference to evidence</b>	<b>Assessment 1-4</b>



27	Have there been any internal audit, external audit or review reports published during the year that have highlighted high, medium or significant control deficiencies?	This question requires a Yes/No response rather than an assessment score. Please also list the reports published during the year and highlight any that have flagged high, medium or significant control deficiencies.	<p>The follow action points have arisen from the audit activities carried out during 2016/17,</p> <ul style="list-style-type: none"> <li>• Audit Scotland, the need to develop a longer term financial planning framework. Transformation Programme initiated.</li> <li>• Audit Scotland, review of the current Local Code of Corporate Governance. Due for July 2017</li> <li>• Audit Scotland identified low priority action point in respect of the reconciliation of the input and output controls relating to council tax and valuation roll updates, and periodic checks between the list/roll to the register of Sasines. During the period January to March these actions had not been adequately evidenced by the internal LVJB team. This has now been corrected.</li> <li>• CEC, advisory comments re administration of FOI. Under action.</li> <li>• CEC, review and update of Council Tax procedural documentation. Due August 2017.</li> </ul>	Yes
28	Do you have arrangements in place to ensure all recommendations from these reports have been (or are being) implemented and that this is monitored effectively?	Please describe your implementation, monitoring and reporting arrangements and provide detail of any recommendations that are outstanding at the end of the reporting period.	All action points are provided with a response for the purposes of audit reporting by a senior lead officer within the Board. Allocation and completion of these action points is monitored through the senior management group.	4
<b>Outstanding issues from previous years</b>		<b>Guidance notes</b>	<b>Response and reference to evidence</b>	<b>Assessment 1-4</b>

29	Have all outstanding issues or recommendations arising from this exercise, commissioned reviews, Board reports and other initiatives in previous years been addressed satisfactorily?	Please detail how any outstanding issues or recommendations are being addressed.	All issues/recommendations arising from audit reports have been addressed or are under consideration and action. See above.	4
<b>Additional information</b>		<b>Guidance notes</b>	<b>Response and reference to evidence</b>	<b>Assessment 1-4</b>
30	Apart from the topics raised above, have there been any significant control problems or other matters affecting the Board to an extent that prevents the signing of the Annual Governance Statement?	This question requires a Yes/No response rather than an assessment score. Please provide details if there are any significant control problems or other matters.	There are none.	No

<b>Reviewed by</b>		<b>Role</b>	Internal Audit	<b>Date</b>	
<b>Reviewed by</b>		<b>Role</b>	Governance & Democratic Services Manager	<b>Date</b>	



**JOINT BOARD MEETING 21<sup>st</sup> AUGUST 2017**

**THE ROLE AND DUTIES OF  
THE ASSESSOR AND ELECTORAL REGISTRATION OFFICER**

**1 INTRODUCTION**

This report is aimed at new members of the Board and provides a brief overview of the roles and duties of the Assessor and Electoral Registration Officer for the Lothian Valuation Joint Board.

Through the creation and maintenance of the Valuation Roll and Council Tax List the Assessor provides the essential information upon which local property taxes are raised. These taxes are charged against non-domestic and domestic property.

This information is passed to each of the four constituent authorities of the Board, City of Edinburgh, West Lothian, East Lothian, and Midlothian Councils in order for appropriate tax invoices to be issued and collection undertaken.

The Electoral Registration Officer creates and maintains the Electoral Register which represents a list of all those registered electors who hold the necessary franchise to vote in various elections and referendums.

**2 THE VALUATION JOINT BOARD**

The Board was formed in 1996 following local government re-organisation which established 32 unitary authorities in Scotland. Previously the office of the Assessor and Electoral Registration Officer formed a department of Lothian Regional Council. As a matter of expediency the 14 Assessor areas that existed pre-1996 re-organisation were retained and where necessary formed into Joint Boards ensuring coverage of the new 32 Council areas. There are currently 10 Assessors appointed to Joint Boards and 4 Assessors appointed to unitary authorities.

Historically, Assessors have also performed the function of Electoral Registration Officer (ERO) and in 1996 the Lothian Joint Electoral Committee was established, comprising the same membership as the Lothian Joint Valuation Board, to oversee the activities of the ERO. While at the commencement of the new arrangements separate meetings were held, for practical purposes, both are now administered

through the Valuation Joint Board where electoral matters form agenda items for consideration.

The Lothian Valuation Joint Board is administered via a set of Standing Orders, Financial Regulations, and a Scheme of Delegation. These were recently reviewed and updated in 2016.

### **3 THE ASSESSOR AND ERO**

While the Assessor is appointed by the Board he/she can only be removed from post by a two thirds majority of the Board and with the consent of the Secretary of State.

Assessors have long been established as officers of the valuation authority, or Valuation Board, which they serve and not officers of the local authorities that appoint them. This independence is deemed essential for the proper performance of the statutory duties that are laid upon the Assessor. Valuations and the valuation process must be seen to be free from political influence or interference. The correctness of valuations or the methods by which they are compiled are not matters for which the Assessor is answerable to the Board or local authority. Provision for such challenge is provided in legislation by way of an appeal procedure.

The administration of the Assessor's office and the overall expense involved in carrying out statutory duties are matters which may be considered and controlled by Joint Valuation Boards and local authorities.

The principal legislation that forms the basis of the statutory duties of the Assessor and ERO is contained within the following,

Lands Valuation (Scotland) Act 1854, as amended

Valuation and Rating (Scotland) act 1956, as amended

Local Government (Scotland) Act 1975, as amended

Local Government Finance Act 1992, as amended

Representation of the People Act 1983, as amended

## **4 THE VALUATION ROLL AND PROPERTY TAXATION**

A system of property taxation has been in place in various guises for hundreds of years. The concept of attaching tax to immovable property has long held an attraction and this, coupled with the relative low cost of administration, has retained property as the favoured basis for local taxation.

### **4.1 The Roll**

The Valuation Roll compiled by the Lothian Assessor is a list of all lands and heritages that exist within the Lothian area which are not exempt from entry onto the Roll. There are currently 35,945 entries on the Valuation Roll.

In addition to property description, address, the names of proprietors, tenants and occupiers, the Roll shows a rateable annual value for each entry.

This annual value in round terms represents the Assessor estimate of the annual rent which, subject to certain conditions, could be expected to be achieved in the open market between a willing landlord and tenant. It is upon this annual rateable value that local authorities apply the rate poundage in order to raise and collect the non-domestic rates.

The majority of subjects appearing in the Valuation Roll fall into well-known categories, such as shops, offices, warehouses, restaurants, public houses, and supermarkets. However the Roll also contains entries for such diverse subjects as mines, quarries, telecommunication subjects, clinics, surgeries, hospitals, theatres, football stadiums, hydro-electric, and harbours to name but a few.

### **4.2 Revaluation**

The Roll is made up or created on a five yearly cycle, known as a quinquennial cycle. This involves the revaluation of all lands and heritages in the Assessor's area, the creation of new entries and the recalculation of all values to a new level of value reflecting the movement of rental market value since the last revaluation. Notification of new entries in the Roll is provided, at the time of Revaluation, by the issue of Valuation Notices to all those parties possessing an interest in a property shown.

As the process name suggests revaluations should take place every five years, however the Government can, by order, extend the revaluation period. This was done most recently when the scheduled 2015 Revaluation was delayed until 2017.

### **4.3 Running Roll**

For each of the five years that a Valuation Roll exists amendments can be made to insert new properties that have come into existence, delete those that no longer exist, or alter existing entries to reflect physical alterations, sub-division or combination. Such activity is known locally as annual running roll. Valuation Notices are issued to all relevant parties notifying of the change. All altered values are passed to local authorities in order for revised billing of payable rates to be undertaken.

### **4.4 Appeal Process**

All those shown on the Roll as having an interest in a property have the right of appeal against any element of the entry but most specifically against the value placed on the subject by the Assessor.

At the time of Revaluation, the new Roll comes into force on the 1<sup>st</sup> April of the year of Revaluation and there exists a statutory period within which appeals must be lodged. This currently is the 30<sup>th</sup> September of the year of Revaluation. At all other times a right of appeal exists against any alteration that is made to an entry in the Roll, by those having an interest, which requires to be lodged within six months of receipt of notification by the Assessor of the alteration.

In the majority of cases appeals are settled following discussion and negotiation between the Assessor and the ratepayer. Where this is not possible the appeal shall be heard by the Valuation Appeal Committee, or, in limited circumstances the Lands Tribunal for Scotland. The Committee is comprised of a lay panel of members drawn from society at large and who act in a voluntary capacity. The Panel also includes a secretary, the remuneration and costs of which are defrayed by the Board.

## **5 THE COUNCIL TAX LIST**

During 1993 Community Charge was replaced with Council Tax as a means of raising local taxes. This saw the return of domestic property as a basis for local taxation. Every dwelling within Lothian is placed into one of eight value bands, reflecting an assessment of capital value as at 1991 levels, upon which taxes are levied. The bands are noted below.

Band A Dwellings with a Capital Value of up to £27,000

Band B Dwellings with a Capital Value of between £27,001 and £35,000

Band C Dwellings with a Capital Value of between £35,001 and £45,000

Band D Dwellings with a Capital Value of between £45,001 and £58,000  
Band E Dwellings with a Capital Value of between £58,001 and £80,000  
Band F Dwellings with a Capital Value of between £80,001 and £106,000  
Band G Dwellings with a Capital Value between £106,001 and £212,000  
Band H Dwellings with a Capital Value over £212,000

The Council Tax List shows all dwellings in the Lothian area, their address and the council tax band that the Assessor has placed against it. There are currently 411,903 entries on the Lothian Council Tax List.

Maintenance of the Council Tax list is an ongoing activity, with new dwellings being entered onto the list on occupation. Further alterations to the List are made to reflect demolitions, sub-divides and combinations, adjustments following appeal, the correction of errors, and Point of Sale action.

While there are limited opportunities for bands to be reviewed, a Point of Sale investigation allows a re-banding to be considered where a dwelling has been sufficiently altered to give rise to an increase in value, and is subsequently sold. In these circumstances at the point of sale a new band may be applied.

A right of appeal exists for the council tax payer to exercise against the Assessors Band determination and this also falls to be heard by the Valuation Appeal Committee should resolution between the parties not be reached.

Regular interfaces with constituent authorities allow banding information to be passed enabling billing and collection to be carried out.

## **6 ELECTORAL REGISTRATION**

The third function carried out is that of Electoral Registration. The Assessor through tradition and expediency has been appointed Electoral Registration Officer (ERO) in association with the designation Assessor. This reflects the use of property addresses across all three functions. The ERO is responsible for the creation and maintenance of the Electoral Register for each of the four constituent authorities of the Board. The Register is effectively a list of addresses indicating the names of persons qualified to vote and shows their entitlement to vote at various types of elections and referendums.

The Electoral Register is updated and re-published following the canvass each year, normally at 1 December. It is used for elections to the Scottish Parliament, UK

Parliament (Westminster), and local elections to appoint Councillors, at national referendums and in the election of Community Councils.

The electoral register currently reflects a total electorate of 663,897 and 424,529 households and other electoral addresses.

### **6.1 Individual Electoral Registration**

The biggest single change to electoral registration for some considerable time was introduced in September 2014. This was Individual Electoral Registration (IER). This new approach introduced the process of individual responsibility for registration and aimed to improve completeness and accuracy within electoral registers while also helping to reduce the possibility of electoral fraud.

The act of registration now requires the provision of a national insurance number and date of birth, which are checked to records held by the Department of Work and Pensions, before the registration application can be processed.

This in essence makes the registration process longer than was previously the case, but the introduction of a national on-line registration system has greatly assisted the application process.

Potential electors can also undertake the registration process following the traditional paper route, or by telephone.

### **6.2 Annual Household Canvass**

The new IER legislation retained the annual household canvass where Household Enquiry Forms (HEF) are issued to every household in Lothian in order to capture any amendments to those persons residing at the address. This information, for new names added, shall give rise to the issue of an Invitation to Register form (ITR).

The legislation supporting IER introduced provisions in respect of follow up activity for forms that are not returned. Under IER all unreturned HEF's and ITR's require to have 2 reminders issued and a canvass door step call. This has led to door step canvass being an ongoing activity supported by a small permanent team of staff.

### **6.3 Elections and Referendums**

The Lothian ERO works closely with the Returning Officers for each of the constituent councils. Some time ago the Lothian and Borders Electoral Working Group was formed and through this a close and useful working relationship is



maintained between the parties. This proves invaluable at the time of elections and referendums where the ERO is responsible for the passing of key data sets within agreed timescales to each Returning Officer in order to support the issue of Poll Cards and Postal Ballot packs.

Elections and Referendums are extremely busy periods for the ERO as last dates for registration, absent vote applications, proxy and postal proxy applications give rise to large volumes of processing within restricted timescales, and a high level of recourse to the office by the public by telephone and email also takes place.

Within Scotland 16 and 17 year olds are now able to vote at Scottish Government and Local Government elections. To support this, the ERO promotes the registration process with this age group directly through schools. This has proven very successful and is now an annual activity.

Engagement and publicity in order to raise the awareness and encourage electoral registration is increasingly important and every effort is made especially in the period before an election or referendum to maximise opportunities. While general promotion is carried out, the move is towards more targeted engagement of groups where registration requires to be supported to a greater extent.

## **7 LVJB WEB SITE and SCOTTISH ASSESSORS ASSOCIATION WEB PORTAL**

The Lothian Valuation Joint Board's web site can be found at [www.lothian-vjb.gov.uk](http://www.lothian-vjb.gov.uk) and provides extensive information on all three functions of the Assessor and Electoral Registration Officer. Additional information is available on a range of subjects including governance and performance matters, equalities and Freedom of Information. There is also information on the Board itself and the Valuation Appeal Panel. At appropriate times "noticeboard" information is posted up on the front page giving advice to the public on key events and dates.

The Lothian Assessor and senior staff are members of the Scottish Assessors Association (SAA). This exists to promote consistency and uniformity in the application of the Assessors statutory functions throughout Scotland and to provide a forum for discussion and debate across of range of relevant and current issues. The SAA provides a point of contact for the Scottish Government and many other bodies and organisations seeking assistance, information and input to consultations. The SAA has created a very successful web portal that provides, amongst other facilities, a one stop shop to view entries in both the Valuation Roll and Council Tax List on an all Scotland basis. This web portal can be found at [www.saa.gov.uk](http://www.saa.gov.uk).

**Graeme Strachan**  
**Interim Assessor and Electoral Registration Officer**

August 2017



## **Recruitment of Assessor and Electoral Registration Officer**

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**21 August 2017**

### **Purpose of report**

- 1 To provide an update to the Lothian Valuation Joint Board on the proposed way forward for recruitment to the post of Assessor and Electoral Registration Officer.

### **Background**

- 2 On 28 November 2016, the Board agreed with the recommendation of the Appointment Committee not to make a permanent appointment to the post of Assessor and Electoral Registration Officer at that time but instead to appoint the Deputy Assessor and Electoral Registration Officer on an interim basis from 1 January 2017.
- 3 It was agreed that this decision would be reviewed after an initial period of six months.

### **Main Report**

- 4 This report outlines the steps which will be undertaken to recruit a permanent Assessor and Electoral Registration Officer.
- 5 At its first meeting the Appointment Committee will be asked to approve the following:
  - a) job specification
  - b) person specification
  - c) advert, choice of media and advertising schedules

- d) recruitment procedure for long list interviews, which are optional, and short list interviews
  - e) testing arrangements.
- 6 Should the Appointment Committee be available to meet in late September 2017, then subject to any notice period being required by the successful candidate, it is estimated that a new appointment could be in place from February 2018.

**Recommendations**

- 7 The Joint Board is asked to note the update and approve the proposed next steps towards appointing an Assessor and Electoral Registration Officer.

**Hugh Dunn**  
Treasurer

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<b>Appendices</b>	None
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<b>Background Papers</b>	None