

## Notice of Meeting and Agenda

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**Monday 18 September 2017 at 10:00am**  
**in the offices of the Lothian Valuation Joint Board**  
**17A South Gyle Crescent, Edinburgh, EH12 9FL**

**PLEASE NOTE VENUE**

**1 Order of Business**

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

**2 Declaration of Interests**

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

**3 Minute of the Lothian Valuation Joint Board of 21 August 2017** (circulated)  
submitted for approval as a correct record

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

**5 2016/2017 Annual Audit Report to Members of the Joint Board and Controller of Audit** – report by the External Auditor (circulated)

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

**7 Assessor's Progress Report to the Board** – report by the Assessor and Electoral Registration Officer (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 (Convener)  
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 (Vice-Convener)  
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, 21 August 2017**

**Present:**

**City of Edinburgh Council** – Councillors Key (Convener), Booth, Doggart, Doran, Gordon, Gloyer, Ricky Henderson, Rust and Work.

**East Lothian Council** – Councillors Goodfellow and Jane Henderson.

**Midlothian Council** – Councillor Winchester.

**West Lothian Council** – Councillors King, McGuire and Timson.

## **1 Appointment of Convener**

**Decision**

To appoint Councillor Key (City of Edinburgh Council) as Convener of the Lothian Valuation Joint Board.

## **2 Appointment of Vice-Convener**

**Decision**

To appoint Councillor McGuire (West Lothian Council) as Vice-Convener of the Lothian Valuation Joint Board.

## **3 Minute**

**Decision**

To approve the minute of the Lothian Valuation Joint Board of 10 April 2017 as a correct record.

## **4 Appointments to Committees and the Joint Consultative Group**

The Joint Board had previously established an Appointment Committee to undertake recruitment and appointment of senior staff and an Appeal Committee to deal with disciplinary and grievance issues. The Board had also set up a Joint Consultative Group to provide a means of regular consultation between the Board and employees' representatives on a range of issues.

The Board was invited to re-establish the Committees and the Joint Consultative Group, approve their remits and appoint their memberships and Conveners.

Lothian Valuation Joint Board  
21 August 2017

**Decision**

- 1) To re-establish the Appointment Committee, the Appeal Committee and the Joint Consultative Group (JCG).
  - 2) To approve the remits of the Committees and the Joint Consultative Group as detailed in Appendices 1 to 3 of the report by the Chief Executive and Clerk.
  - 3) To appoint the following members to the Appointment Committee:  
Councillor Key (City of Edinburgh Council) (Convener)  
Councillor Work (City of Edinburgh Council)  
1 member from East Lothian Council (to be confirmed)  
Councillor Winchester (Midlothian Council)  
Councillor McGuire (West Lothian Council)
  - 4) To appoint the following members to the Appeal Committee:  
Councillor Key (City of Edinburgh Council) (Convener)  
1 member from City of Edinburgh Council  
1 member from East Lothian Council  
1 member from Midlothian Council  
Councillor McGuire (West Lothian Council)
  - 5) To appoint the following members to the Joint Consultative Group:  
Councillor Key (City of Edinburgh Council) (Convener)  
1 member from City of Edinburgh Council  
1 member from East Lothian Council  
1 member from Midlothian Council  
Councillor McGuire (West Lothian Council)
- (Reference – report by the Chief Executive and Clerk, submitted.)

## **5 Internal Audit Annual Report**

**Decision**

To note that the Internal Audit Annual Report would be presented to the next meeting of the Joint Board on 18 September 2017.

## **6 Unaudited Accounts for the Year Ended 31 March 2017**

The Board's unaudited accounts for the year ended 31 March 2017 were submitted.

Lothian Valuation Joint Board  
21 August 2017

The outturn for the year showed an underspend of £0.262m. On completion of the audit of the accounts, the Board would be required to consider whether it wished to retain the underspend or add to the Board's general reserve.

**Decision**

- 1) To note the report and that the accounts would be re-submitted to the Board on completion of the external audit.
- 2) To note that a decision on the retention or refund of requisition would be required by the Board at that time.
- 3) To include in the report background contextual information around the retention of reserves together with details of what other Boards have done in this regard.

(Reference – report by the Treasurer, submitted)

**7 Performance Report 2016/17**

The Assessor presented a summary of performance during 2016/17. This addressed Electoral Registration, including publicity and engagement, the Valuation Roll; Council Tax and management, staff and best value. A good overall performance had been maintained, despite budgetary and staffing pressures.

**Decision**

To note the performance report for 2016/17.

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

**8 Period 3 Financial Statement 2017/2018**

A summary was provided of the projected revenue budget outturn position to 31 March 2018 based on the position at period 3 end 30 June 2017. The forecast variance was an underspend of £0.062m.

**Decision**

To note the projected outturn position for 2017/2018 and that a further budget would be presented to the Board in November 2017.

(Reference – report by the Treasurer, submitted).

**9 Treasury Management Annual Report 2016/2017**

The treasury management annual report for 2016/2017 was presented.

**Decision**

To note the annual report for 2016/2017.

(Reference – report by the Treasurer, submitted)

**10 Transformation and Cultural Change Programme - Update**

The Board had previously noted a report by the Assessor highlighting the intention to undertake a programme of investigation within the organisation aimed at sustaining a financially sustainable position for the medium to longer term while maintaining service standards.

An update was provided on the transformation and cultural change programme which had commenced on 8 May 2017.

Consultation had taken place with the trade union and terms of reference for the review had been agreed.

Initial meetings with staff and managers and progress to date had indicated an acknowledgement of the need for change and a willingness to participate.

**Decision**

To note the update and that further reports would be presented to the Board as the transformation programme progressed.

(References – minute of Lothian Valuation Joint Board 6 February 2017 (item 3); report by the Interim Assessor and Electoral Registration Officer, submitted)

**11 Review of Arrangements for Corporate Governance**

A review had been undertaken of the arrangements within the Interim Assessor's organisation to support the Code of Corporate Governance. The Local Code reflected the key components set out in the CIPFA/SOLACE Framework "Corporate Governance in Local Government".

The outcome of the review had determined that the current arrangements were satisfactory. However, the Interim Assessor proposed to establish an internal governance group. This group would review, maintain and amend key governance, service delivery and control policies and procedures while also ensuring compliance with duties relating to freedom of information, data protection, records management and equalities.

Lothian Valuation Joint Board  
21 August 2017

**Decision**

- 1) To note the establishment of a Governance, Risk and Best Value Group within the Assessor's organisation.
- 2) To otherwise note the updates contained in the report.

(References – minute of Lothian Valuation Joint Board 5 September 2016 (item 2); report by the Interim Assessor and Electoral Registration Officer, submitted)

**12 Role and Duties of the Assessor and Electoral Registration Officer**

The Interim Assessor and ERO provided a brief overview of the role and duties aligned with the post including background information on the formation of the Joint Board in 1996 following local government re-organisation.

**Decision**

To note the information.

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

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

The Board had previously agreed with the recommendation of its Appointment Committee not to make a permanent appointment to the post of Assessor and ERO at that time but instead to appoint the Deputy Assessor and ERO on an interim basis from 1 January 2017.

Proposed next steps in the recruitment process were submitted.

**Decision**

To note the update and approve the next steps to be taken in the recruitment process as set out in paragraph 5 of the report.

(References – minute of Lothian Valuation Joint Board 28 November 2016 (item 6); report by the Chief Executive and Clerk, submitted)

## **14 Date and Venue of Next Meeting**

### **Decision**

To agree that the next meeting of the Board scheduled for Monday 18 September 2017 would be held at the offices of the Interim Assessor and ERO, 17A South Gyle Crescent, Edinburgh, EH12 9FL.





## **Audited Annual Accounts for the Year Ended 31st March 2017**

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**18<sup>th</sup> September 2017**

### **1 Purpose of report**

The purpose of this report is to present to the Board the audited Annual Accounts for the year ended 31st March, 2017 and to recommend they are approved for signature.

### **2 Main Report**

2.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its meeting in August 2017.

2.2 The Board's appointed Auditor will present the 2016/17 Annual Audit Report to Members separately on this agenda. This report highlights to the Board that there were no significant issues identified during the course of the audit and provides for an unqualified opinion on the Annual Accounts. The Auditor's report provides an opinion on whether the Annual Accounts;

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the body as at 31 March 2017 and of the its surplus for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### 3 Reserves Strategy

- 3.1 The Board has the ability to retain a general reserve; this balance currently stands at £1.011m, including the £0.262m under spend from financial year 2016/17. The general reserve balance represents 16.5% of the Board's budget for 2017/18 (£6.118m).
- 3.2 Reserves can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
  - A contingency to cushion the impact of unexpected events and emergencies;
  - A means of building up funds to meet known or predicted liabilities, for example, costs of voluntary early release schemes.
- 3.3 CIPFA and the Local Authority Accounting Panel consider that local authorities (including Joint Boards) should establish reserves including the level of those reserves based on the advice of their chief finance officers (the Treasurer). Valuation Boards should make their own judgements on such matters considering all the relevant local circumstances. Such circumstances within Valuation Boards are unique and vary between Board's dependant on business needs and risk factors.
- 3.4 A review of reserve levels held by the fourteen Assessors across Scotland was carried out at the request of the Board following it's meeting in August 2017. This review was based on published Annual Accounts/Budget reports available. The outcome of this review was that reserves levels and policies were not consistent between Boards, they were very much unique to individual Boards' requirements. Of the fourteen Assessors in Scotland, four are appointed directly by a single Council and the remaining ten are appointed by Valuation Joint Boards comprising elected members appointed by two or more Councils. Information on reserve levels of the four appointed by a single council was not readily available as the accounts are prepared on behalf of the local authority and not the Assessor.
- 3.5 The reserves held by the ten Valuation Joint Boards ranged from between 3% – 23% when compared to budgeted expenditure. Five of the Boards do not appear to have a formal reserves policy and for the five that do, reserve levels are maintained within a minimum percentage of total budget. This ranges from a minimum of 2% to 6% depending on each Board's requirement. The level of reserves maintained by each Valuation Board is therefore unique to the level of risk, funding pressures and future financial commitments specific to each Board.
- 3.6 It is the responsibility of the Treasurer to advise the Board about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.
- 3.7 In order to assess the adequacy of the unallocated reserves, it is necessary to take account of the strategic, operational and financial risks facing the Board. The assessment should take account of controls in place to manage identified risks together with the overall financial standing of the Board and general arrangements to support effective financial risk management. The financial and operational risks facing the Board reported February and August 2017 include;

- **Individual Electoral Registration (IER)**

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 (CO) 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. The current cost pressure of IER funded by CO Grant is around £0.4m.

- **Revaluation 2017**

The previous National Non-Domestic Rates (NNDR) revaluation saw large numbers of appeals lodged. The cost of managing these appeals was contained within the revenue budget of the Board. A risk remains as to what appeal levels shall be recorded during 2017.

- **The Future of Council Tax**

This represents an area of uncertainty. In the event that Assessors are requested to become involved in the valuation for a new or altered local property tax, it can be expected that any additional funding required for implementation and maintenance would be provided by the Scottish Government.

- **Transformation and Cultural Change Programme**

This programme is aimed at establishing a financially sustainable position for the medium and longer term while maintaining service performance standards. The programme will be subject to future Board reports; however, it is recognised that there will be a future year financial commitment as a result of deploying the Board's policies on voluntary early release (VERA). At this point the level of commitment against the reserve has not been established. The Interim Assessor and ERO will report back to the Board when commitment figures are available.

- **Other budget risks**

Strategic and operational planning, along with risk management, are already being undertaken by the Assessor and ERO. The combination of the major risks referred to in this section and the uncertainty of legislation and timetabling results in ongoing risk to the Board.

- 3.8 At this stage, it is recommended that the Board retain the under spend from financial year 2016/17 of £0.262m until the Interim Assessor and ERO can report to the Board on the financial commitment associated with staffing exit costs relating to the Transformation and Cultural Change Programme. A formal review of the Board's reserve policy will be under-taken at this point and a report brought back to the Board by the Treasurer.

## **4 Conclusions**

- 4.1 The Board's expenditure for 2016/17 was under requisition income by £0.262m.
- 4.2 The general reserve balance available to the Board at 31<sup>st</sup> March 2016 was £0.749m which will rise to £1.011m if the under spend from 2016/17 is retained.
- 4.3 The Interim Assessor and ERO shall report back to the Board on the financial commitment associated with staffing exit costs relating to the Transformation and Cultural Change Programme. A formal review of the Board's reserve policy will be under-taken at this point and a report brought back to the Board by the Treasurer.

## **5 Recommendations**

- 5.1 That the Board note the Audited Annual Accounts for the year ended 31st March, 2017.
- 5.2 That the Board authorise the Annual Accounts 2016/17 for signature.
- 5.3 Approve the retention of the £0.262m under spend from financial year 2016/17.

**Hugh Dunn,  
Treasurer.**

# Annual Accounts for the year to 31st March 2017

*Audited*



# 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

### Board at 31st March 2017

#### ***Appointed by The City of Edinburgh Council (9) :***

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 (2) :***

Councillor Jim Gillies  
Councillor John McNeil

#### ***Appointed by Midlothian Council (2) :***

Councillor Margot Russell  
Councillor Jim Bryant

#### ***Appointed by West Lothian Council (3) :***

Councillor Dave King  
Councillor Greg McCarra  
Councillor David Dodds

### Board following Local Government Election

Councillor David Key, City of Edinburgh Council

Councillor Andrew McGuire, West Lothian

#### ***Appointed by The City of Edinburgh Council (9) :***

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

#### ***Appointed by East Lothian Council (2) :***

Councillor Jim Goodfellow  
Councillor Jane Henderson

#### ***Appointed by Midlothian Council (2) :***

Councillor Margot Russell  
Councillor Pauline Winchester

#### ***Appointed by West Lothian Council (3) :***

Councillor Dave King  
Councillor Andrew McGuire  
Councillor Damian Timson

### **Officials**

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 a review under the auspices of the Barclay Commission has recently been reported of which the recommendations and outcomes will be considered in due course. 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 it's 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 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
Total gross expenditure	6,164	6,031	(133)	405	475	70	6,569	6,506	(63)
• 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
Total income	(46)	(175)	(129)	(405)	(475)	(70)	(451)	(650)	(199)
Total net expenditure	6,118	5,856	(262)	0	0	0	6,118	5,856	(262)

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

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 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 18th 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 will be considered from the recently published 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.

<b>Assessor - interim:</b> Graeme Strachan	_____	<b>Date:</b> <u>18th September 2017</u>
<b>Treasurer:</b> Hugh Dunn, CPFA	_____	<b>Date:</b> <u>18th September 2017</u>
<b>Convener:</b> David Key	_____	<b>Date:</b> <u>18th September 2017</u>

# 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.

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 18th September 2017.

**Convener:**  
David Key

**Date:** 18th September 2017

### 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:** 18th September 2017

# 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.

	Usable Reserves	Unusable Reserves	Total Board Reserves
<b>2015/16 - Previous Year Comparative</b>	<b>General Fund Balance</b>		
	£'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

	Usable Reserves	Unusable Reserves	Total Board Reserves
<b>2016/17 - Current Financial Year</b>	<b>General Fund Balance</b>		
	£'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

<b>General Fund analysed over:</b>	<b>£'000</b>
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)
1,705	0	1,705	Interest Cost on Defined Benefit Obligation (Note 22.5)	1,729	0	1,729
0	(1,320)	(1,320)	Interest Income on Plan Assets (Note 22.4)	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>Non-Specific Grant Income:</b>			
0	(6,118)	(6,118)	Constituent council requisitions (Note 26)	0	(6,118)	(6,118)
<b>0</b>	<b>(6,118)</b>	<b>(6,118)</b>	<b>Total 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
0	(5,195)	(5,195)	Change in Financial Assumptions (Note 22.5)	13,969	0	13,969
0	0	0	Change in Demographic Assumptions (Note 22.5)	0	0	0
0	(446)	(446)	Other Experience (Note 22.5)	55	0	55
0	(716)	(716)	Return on pension assets excl. amounts included in net int. (Note 22.4)	0	(8,237)	(8,237)
		0	Actuarial gains / losses on pension assets / liabilities			0
<b>8,885</b>	<b>(14,618)</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	24	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	25	(525)
(6,239)	Other long-term liabilities (Pensions)	22.3	(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. The audited Annual Accounts were authorised for issue by the Treasurer on the 18th September 2017.

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

**Date:** 18th September 2017

## 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	
	<b>46</b>	<b>Net cash flows from investing activities</b>		<b>63</b>
	<b>(69)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 16.2)</b>		<b>(211)</b>
<b>1st April £'000</b>	<b>1st April £'000</b>		<b>1st April £'000</b>	<b>1st April £'000</b>
1,233		Cash and cash equivalents	1,302	
	1,233			1,302
<b>31st March</b>			<b>31st March</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 valuation of pension assets and liabilities 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.
- The depreciation policy at 31st March 2017 is not to provide for depreciation in the year of an asset's purchase. This will be amended from 1st April 2017 when depreciation will be provided for in the year of acquisition.
- Depreciation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset;

##### **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;
- The depreciation policy at 31st March 2017 is not to provide for depreciation in the year of an asset's purchase. This will be amended from 1st April 2017 when depreciation will be provided for in the year of acquisition.
- 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.

### 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 Annual 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 of more uncertain future events, which are not wholly within the control of the Board or a present obligation that arises from past events, but it is not possible that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. If such obligation exist, they are not recognised in the Balance Sheet but are disclosed as a note to the Annual 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 Annual 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 Comprehensive Income and Expenditure Statement 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 Annual 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 Annual Accounts is adjusted to reflect such items;
- those that are indicative of conditions that arose after the reporting period - the Annual 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 £000	2015/16 Adjustments £000	Net Expenditure in the CIES £000		Net Expend. Chargeable to the General Fund £000	2016/17 Adjustments £000	Net Expenditure in the CIES £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 £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000	Presentation Adjusts. £000	Total Adjusts. £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
Expenditure	£000	£000	£000
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)
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
Expenditure	£000	£000
Employee expenses	5,138	4,812
Other service expenses	1,881	1,712
Support service recharges	61	68
Depreciation, Depreciation and impairment	100	100
Interest payments	1,705	1,729
<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 Annual 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 Annual 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>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(82)	82	0	0	82
Depreciation 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			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(92)	92	0	0	92
Depreciation 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>			Total
		Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Property Plant and Equipment £000's
	<b>Cost or Valuation</b>			
	At 1st April 2016	432	388	820
	Additions	0	58	58
	At 31st March 2017	432	446	878
	<b>Accumulated Depreciation</b>			
	At 1st April 2016	(149)	(194)	(343)
	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
	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 depreciated on a straight-line basis. Depreciation 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 £'000	2016/17 £'000
Balance at start of year:		
• Gross carrying amounts	89	131
• Accumulated Depreciation	(24)	(32)
<b>Net carrying amount at start of year</b>	<b>65</b>	<b>99</b>
Additions	42	5
Depreciation 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 Depreciation	(32)	(50)
	<b>99</b>	<b>86</b>



## 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)
<b>Debtors</b>				
Trade debtors	0	0	179	134

#### 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 Assets measured at amortised cost 31st March 2016 £'000	Financial Assets 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)
Trade debtors	179	179	134	134
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/> 286	<hr/> 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/> 1,302	<hr/> 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
<b>Total</b>	<hr/> (463)	<hr/> (429)

## LOTHIAN VALUATION JOINT BOARD

### 15. USABLE AND UNUSABLE RESERVES

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

<u>UNUSABLE</u>		31st March 2016 £'000	31st March 2017 £'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 2016 £'000	31st March 2017 £'000
<u>Year</u>		
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 Depreciations 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
• Depreciation of intangible assets	8	18
	<u>          </u>	<u>          </u>
Net written out amount of the cost of non-current assets consumed in year	(529)	(475)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(46)	(63)
	<u>          </u>	<u>          </u>
<b>Balance at 31st March</b>	<u>(575)</u>	<u>(538)</u>

#### 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
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)
	<u>          </u>	<u>          </u>
<b>Balance at 31st March</b>	<u>6,239</u>	<u>12,395</u>

## 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 Annual Accounts:

	2015/16	2016/17
	£000's	£000's
External audit services carried out for the year	7	7

### 19. 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.

#### 19.1 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.

#### 19.2 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.

#### 19.3 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

### 19. RELATED PARTIES (Contd.)

#### 19.3 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

### 20. 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).

### 21. 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		
• Direct revenue contributions	(46)	(63)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

# LOTHIAN VALUATION JOINT BOARD

## 22. DEFINED BENEFIT PENSION SCHEMES

### 22.1 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.

### 22.2 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 £000	2015/16 £000	2016/17 £000	2016/17 £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

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

#### 22.3 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>

#### 22.4 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>

#### 22.5 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

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

### 22.6 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

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

#### 22.7 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, the Actuary 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

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

	Assets £000	Obligations £000	Net (liability) / asset	
			£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.

#### 22.9 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

### 23. LEASES

#### Operating Leases

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

17a South Gyle Crescent - offices		
	2015/16 £000's	2016/17 £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 £000's	2016/17 £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.

### 24. 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 23 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 £000's	2016/17 £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>

### 25. 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 £000's	2016/17 £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

### 26. 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>

### 27. 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 Delivering Good Governance in Local Government: Framework (2016) 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 Treasurer's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Board Managers; and
- the External Auditors in their annual report on the audit 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.
- **Scott-Moncrieff'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 Assessor and Electoral Registration Officer 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 her 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.

**Assessor - interim:**

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Graeme Strachan

**Date:** 18th September 2017

**Convener of Lothian Valuation Joint Board:**

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David Key

**Date:** 18th September 2017

# 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.

Scott-Moncrieff have reported in their annual report that the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### 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 Executive 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 Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015.

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:

<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2015/16</b>	<b>2016/17</b>
£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.

<b>Name and Post Title</b>	<b>Salary, Fees and Allowances 31 March 2016</b>	<b>Salary, Fees and Allowances 31 March 2017</b>
	<b>£</b>	<b>£</b>
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. Assessor full year basic salary equivalent is £118,433.  
 \*\* appointed interim Assessor and Electoral Registration Officer 01.01.17.  
 \*\*\* appointed interim Depute Assessor 01.01.17 (not a Senior Employee 2015/16).  
 Depute Assessor full year basic salary equivalent is £95,078.

# 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
<u>Name and Post Title</u>		£	£
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
<u>Accrued Pension Benefits</u>		As at 31 March 2017	Difference from 31 March 2016
<u>Name and Post Title</u>		£'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.

<u>Name and Post Title</u>	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
	6,931	0	6,931	7,289
* 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 retirements which were approved on the basis of Regulation 30 (Rule of 85) of the Pension Fund Regulations.

**Assessor - interim:**  
Graeme Strachan

**Date:** 18th September 2017

**Convener:**  
David Key

**Date:** 18th September 2017

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Lothian Valuation Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Lothian Valuation Joint Board as at 31 March 2017 and of its deficit on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Lothian Valuation Joint Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Lothian Valuation Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## LOTHIAN VALUATION JOINT BOARD

### INDEPENDENT AUDITOR'S REPORT (Contd.)

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#### Report on other requirements

##### Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

##### Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

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**Nick Bennett**

For and on behalf of Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

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



# **Lothian Valuation Joint Board**

2016/17 Annual Audit Report to members of  
Lothian Valuation Joint Board and the Controller  
of Audit

**September 2017**

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# Key messages

## Annual accounts

The Lothian Valuation Joint Board annual accounts for the year ended 31 March 2017 are due to be approved by the Board on 18 September 2017.

We intend to report within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters and that there are no matters which we are required to report by exception.

The annual accounts and supporting schedules were of a good standard. Our thanks go to management and staff for their assistance with our work.

## Wider scope

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Annual Governance Statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Our conclusions are set out below:

## Key facts

- The Board spent £6.692million on the delivery of services in 2016/17.
- A £262,000 underspend was reported in 2016/17 against a revised revenue budget of £6.118million.
- The balance on general reserves has increased to £1.011million from £0.749million in 2015/16.
- In February 2017, the Board approved a revenue budget of £6.118million for the 2017/18 financial year. The budget is to be funded from constituent council requisitions.

## Governance statement

- We have reviewed the Annual Governance Statement and have found that it is consistent with the accounts and has been prepared in accordance with Delivering Good Governance in Local Government: Framework (2016).
- The Board has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Board's accounting and internal control systems.

## Financial sustainability

- The Board has arrangements in place for short term (1year) financial planning, with budgets aligned to its Corporate and Service Plan. However, the Board does not prepare medium to long-term financial plans due to the uncertainty over future funding allocations. This is being addressed through a Transformation and Cultural Change Programme. Longer term financial plans are anticipated from 2018/19 onwards.



## Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

**Scott-Moncrieff**  
**September 2017**



# Introduction

# Introduction

1. This report summarises the findings from our 2016/17 audit of the Lothian Valuation Joint Board ("the Board"). The scope of our audit was set out in our External Audit Plan which was presented to the Board in April 2017.
2. The core elements of our audit work in 2016/17 have been:
  - an audit of the 2016/17 annual accounts; and
  - consideration of the Board's arrangements for securing financial sustainability.
3. The Board is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the Board assess their significance and prioritise the actions required.
5. We would like to thank management and staff who have been involved in our work for their co-operation and assistance during our audit work.
7. This report is addressed to both the Board and the Controller of Audit and will be published on Audit Scotland's website. [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
8. We welcome any comments you may have on the quality of our work and this report via: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).

## Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision-making and more effective use of resources.

2

# Annual accounts

# Annual accounts

## Introduction

9. The Board's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of the Board and the auditor in relation to the annual accounts are outlined in Appendix 2.
10. In this section we summarise the findings from our audit of the 2016/17 annual accounts.

### An unqualified audit opinion on the annual accounts

11. The annual accounts for the year ended 31 March 2017 are due to be approved by the Board on 18 September 2017. We intend to report, within our independent auditor's report:
- an unqualified opinion on the annual accounts; and
  - an unqualified audit opinion on other prescribed matters.

### Good administrative processes were in place

12. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to management and staff at the Board and City of Edinburgh Council for their assistance.

### Our assessment of risks of material misstatement


13. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 1 below.

## Exhibit 1 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

#### *Excerpt from the 2016/17 External Audit Plan*

- 
14. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records, obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed the journal entries processed in the period and around the year-end.
15. During our review of the financial controls processes however, we did note a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. While our audit work did not identify any indications of management override, we recommend that a review process is put in place over the preparation and posting of journals to the ledger.

*Action plan point 1*

## Exhibit 1 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 2. Revenue recognition

Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Board could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

*Excerpt from the 2016/17 External Audit Plan*

16. While we did not suspect incidences of material fraud and error, we evaluated each type of revenue transaction and documented our conclusions. We have reviewed the controls in place over revenue accounting and found them to be sufficient. We have evaluated key revenue transactions and streams, and carried out testing to confirm that Board's revenue recognition policy is appropriate and has been applied reasonably.

### Our application of materiality

17. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
18. Our initial assessment of materiality for the annual accounts was £90,000. We revised our assessment, following receipt of the unaudited annual accounts to £115,000 and it remained at this level throughout our audit. Our revised assessment of materiality is set with reference to gross expenditure. We consider this to be a principal consideration for the users of the accounts when assessing the performance of the Board.
19. We set a level of performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the following table:

Area risk assessment	Weighting	Performance materiality
High	45%	£51,750
Medium	55%	£63,250
Low	70%	£80,500

20. We agreed with the Board that we would report all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We would also report to the Board on disclosure matters that we identified when assessing the overall presentation of the annual accounts.
21. We are pleased to report that there were no material adjustments to the annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.
22. We also identified one potential adjustment which is not considered material to the annual accounts (paragraph 29). This has been discussed with management and is detailed within an appendix to the letter of representation. The letter covers a number of issues and we have requested that it be presented to us at the date of signing the annual accounts.

## An overview of the scope of our audit

23. The scope of our audit was detailed in our External Audit Plan, which was presented to the Board in April 2017. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
24. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
25. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, are completed by the audit fieldwork team and the results reviewed by the audit management team. In performing our work, we apply the concept of materiality, which is explained earlier in this report.

## Legality

26. We planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures include the following:
- Reviewing minutes of relevant meetings;
  - Enquiring of senior management and the Board's solicitors the position in relation to litigation, claims and assessments; and
  - Performing detailed testing of transactions and balances.
27. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

## Other matters identified during our audit:

28. During the course of our audit, we noted the following:

## Depreciation and amortisation policy

29. The Board's current accounting policy is not to provide for depreciation or amortisation in the year of an asset's purchase. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), depreciation/amortisation should be charged over an asset's useful life and starting from when the asset is available for use. The depreciation and amortisation charge in the Board's 2016/17 annual accounts is understated by approximately £3,300. This has been categorised as an unadjusted difference and detailed in the letter of representation. The annual accounts policy states that from 1 April 2017 depreciation will be provided for in the year of acquisition.

## The Local Authority Accounts (Scotland) Regulations 2014

30. As part of our audit, we reviewed the Board's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10<sup>1</sup> as they relate to the annual accounts. Overall, we concluded that appropriate arrangements are in place to comply with these Regulations.

## Management commentary

31. We are satisfied that the information given in the management commentary is consistent with the accounts and has been prepared in accordance with the statutory guidance issued under the Local Government Scotland Act 2003.

## Remuneration report

32. Our independent auditor's report confirms that the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

## Annual governance statement

33. The Treasurer of the Board has confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Board's systems of internal control.

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<sup>1</sup> Regulations 8 to 10 relates to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

34. We have reviewed the annual governance statement and have found that it is consistent with the accounts and has been prepared in accordance with Delivering Good Governance in Local Government: Framework (2016).

#### Internal audit

35. The Board's internal audit function is provided by City of Edinburgh Council's Internal Audit service. We have taken cognisance of the work of internal audit in forming our opinion on the appropriateness of the disclosures in the annual governance statement.

#### Accounting and internal control systems

36. The Board has adequate systems in place to record, process, summarise and report financial and other relevant data. While we have not identified any significant weaknesses or governance issues in the accounting and internal control systems, we did identify two areas for improvement during our final audit. We outline the issues identified and our recommendations at Appendix 1.

#### Action plan points 1-2

### Follow up of prior year recommendations

37. As part of our audit, we have followed up on the recommendations raised by the previous external auditors in 2015/16. The table below indicates that four recommendations were raised and all are either complete or partially complete. Further detail on these recommendations is included in the action plan at Appendix 1.

Number of recommendations raised in 2015/16	Complete	Partially Complete
4	3	1

### Qualitative aspects of accounting practices and financial reporting

38. We have considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our findings are summarised as follows:



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Board.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Estimates have been made in relation to property, plant and equipment and pensions. We consider the estimates made, and the related disclosures, to be appropriate to the Board.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



# Financial sustainability

# Financial sustainability

39. Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Overall conclusion

40. The Board has arrangements in place for short term (1 year) financial planning. Budgets are aligned to the Corporate and Service plan.
41. The Board has recognised that there is a high degree of uncertainty over future funding allocations and therefore has not prepared medium or long term financial plans.
42. The Board has however recognised the importance of establishing a sustainable financial position. A major review titled the "Transformation and Cultural Change Programme" is underway.
43. One of the review's key outcomes is '*placing the organisation on a financially sustainable platform for the future delivery of services*'. Longer term financial plans will be in place from 2018/19 onwards.

## The Board's financial performance in 2016/17

44. The Comprehensive Income and Expenditure Statement for 2016/17 shows that the Board spent £6.692million on the delivery of services, resulting in an accounting deficit of £145,000. However, the accounting surplus includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2016/17 Code), and which are subsequently adjusted to show their impact on reserves.
45. Taking account of these adjustments, the Board reported a surplus of £262,000 in 2016/17. The Board has transferred this to the general reserve pending a decision on its use, including whether to refund this to constituent councils.
46. The reported surplus was mainly due to the achievement of savings within employee costs, premises and supplies and services. The cost of Individual Electoral Registration (IER) was fully funded by grant. The Board also received

a one-off grant in respect of the EU Referendum which was underspent by £55,000.

## Revenue performance against budget

47. In February 2016, the Board approved a revenue budget of £6.482million to be funded from constituent council requisitions (£6.118million) and a drawdown from reserves (£0.364million). The drawdown from reserves was budgeted for to fund additional IER costs where funding confirmations had yet to be received. Subsequent notification of funding to meet these costs was received and the budget was revised to reflect the fact that no drawdown from reserves would be required.
48. As shown in Exhibit 2, the Board reported a £262,000 underspend against a revised revenue budget of £6.118million.

## General reserves

49. During 2015/16, the Board established a general reserve in order to enable any unspent funds to be carried forward and used to meet expenditure in future years, giving the Board greater flexibility over the use of its funding.
50. The general reserve balance of £0.749million at 1 April 2016 increased to £1.011million at 31 March 2017.
51. The Board does not currently have a policy in place over the level and application of its general reserve.
52. At present, a general reserve is maintained to meet any future costs resulting from changes to IER funding from the Cabinet Office as well as any costs resulting from the implementation of its Transformation and Change Programme.
53. The Board should develop and formally approve a reserves policy, which outlines the purpose and level of general reserve that should be maintained.

*Action plan point 3*

## Exhibit 2: Revenue performance against budget

	Revised Budget £'000	Actual £'000	Variance £'000
Core expenditure	6,164	6,031	(133)
IER expenditure	405	475	70
<b>Total Expenditure</b>	<b>6,569</b>	<b>6,506</b>	<b>(63)</b>
Core income	(46)	(175)	(129)
IER Income	(405)	(475)	(70)
<b>Total Income</b>	<b>(451)</b>	<b>(650)</b>	<b>(199)</b>
<b>Total</b>	<b>6,118</b>	<b>5,856</b>	<b>(262)</b>

Source: Annual accounts for the year ended 31 March 2017

## Looking forward

54. The Board's 2017/18 revenue budget was approved in February 2017. The approved revenue budget (£6.118million) is to be met from constituent council requisitions. The constituent council requisitions have remained at the same level since 2012/13 with cost pressures being met by reductions in other overheads. The annual budget is aligned to the Corporate and Service Plan.
55. In February 2017, the Board also approved to refund constituent councils a total of £0.184million. This was payable in 2017 and is reflected in the 2017/18 revenue budget.
56. The Board has recognised that there is a high degree of uncertainty over future budget allocations and therefore has not prepared medium or long term financial plans. The Board does however, due to the statutory and regulated nature of services provided and frequency of these have defined medium and long term service plans.
57. In his 2017/18 Budget Report, the Assessor highlighted the importance of financial sustainability. The report acknowledged that both the Treasurer and recent Audit Scotland reports had identified the requirement for the Board to establish a sustainable fiscal position. There is a commitment, within the report, to investigate and test the current business model in order to ensure it will meet future needs.
58. The Assessor has initiated a service review; "the Transformation and Cultural Change Programme". The review aims to modernise the organisation through consideration of three principle areas: process improvement, cultural change and customer focus.
59. The terms of reference of the programme were presented to the Board in August 2017. One of the review's key outcomes is '*placing the organisation on a financially sustainable platform for the future delivery of services*'. Longer term financial plans will be in place for 2018/19 onwards.
60. The review will run throughout 2017/18 and the Board will receive progress updates at each meeting.



# Appendices

# Appendix 1: Action plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit. The action plan details the officer responsible for implementing the recommendation and an implementation date. The Board should assess the recommendation for wider implications before approving the action plan.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvement in management arrangements. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

<b>Grade 5</b>	Very high risk exposure – major concerns requiring Board attention
<b>Grade 4</b>	High risk exposure – material observations requiring senior management attention
<b>Grade 3</b>	Moderate risk exposure – significant observations requiring management attention
<b>Grade 2</b>	Limited risk exposure – minor observations requiring management attention
<b>Grade 1</b>	Efficiency / housekeeping point

## Recommendations from 2016/17

Action plan point	Issue & Recommendation	Management Comments
<b>1. Authorisation of journals</b>	<p><b>Observation</b></p> <p>Our review of the journals environment found that there was a lack of segregation of duties over the posting of journals. Journals are prepared and posted without any secondary review or authorisation. Journals can be used to override controls and create fraudulent errors therefore, it is essential appropriate controls are in place</p> <p><b>Recommendation</b></p> <p>While our audit review in respect of the 2016/17 financial year did not identify any indications of management override we recommend that a review process is put in place for the preparation and posting of journals to the ledger.</p>	<p>Expenditure and Income monitoring reports are prepared for the Valuation Board monthly. Any exceptional or unanticipated expenditure or income would be identified through this process. To enhance control, the monthly monitoring report will include details of all journal entries processed, for review, with immediate effect.</p> <p>Expenditure and income to date and annual forecast is reported to the Board on a quarterly basis.</p> <p>Strict separation of financial controls, segregation of duties and authorisation levels exist for all expenditure transactions of the Board.</p> <p><b>Action owner:</b> Treasurer/Interim Assessor</p> <p><b>Due Date:</b> immediate</p>
<b>Rating</b>		
<b>Grade 3</b>		
<b>Paragraph ref</b>		
<b>15</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>2. Registers of Interests</b>	<p><b>Observation</b></p> <p>From our review of the Members Registers of Interests, we noted that a number of the declaration forms have not been updated on a regular basis. Upon further review, we also identified a number of members interests have not been declared. These however did not result in undisclosed related parties in the Board's annual accounts.</p> <p><b>Recommendation</b></p> <p>While the Board rely on constituent councils to maintain up to date Registers of Interests for members, we recommend that the Board gain assurance that this process is occurring and remind members of the importance of updating interests on a regular basis.</p> <p>The Board should seek to maintain their own records of members' interests if assurances cannot be established.</p>	<p>This shall be discussed with the Convenor of the Board with the intention that the matter be formally raised with all Board members on the 20 November 2017.</p> <p><b>Action owner:</b> Interim Assessor/Clerk to the Lothian valuation Joint Board</p> <p><b>Due Date:</b> 20 November 2017</p>
<b>Rating</b>		
<b>Grade 2</b>		
<b>Paragraph ref</b>		
<b>37</b>		

Action plan point	Observation & recommendation	Management comments
3. Reserves Policy	<p><b>Observation</b></p> <p>The Board does not currently have a policy in place over the level and application of its general reserve.</p> <p><b>Recommendation</b></p> <p>The Board should develop and formally approve a reserves policy, which outlines the purpose and level of general reserve that should be maintained.</p>	<p>A report with recommendations will be submitted to the Board seeking approval in February 2018.</p> <p><b>Action owner:</b> Interim Assessor/Treasurer</p> <p><b>Due Date:</b> February 2018</p>
Rating		
Grade 3		
Paragraph ref		
53		



## Recommendations from 2015/16 (as reported by Audit Scotland)

Issue & Recommendation	Management Comments	September 2017 update
<p><b>1. Car Lease Creditor</b></p> <p>The financial statements include a car lease creditor of £6,000 at 31 March 2016. An initial review by officers indicates that the debtor balance relating to current lease agreements is approximately £30,000, and the difference relates to the cumulative effect of insurance and interest transactions, which should have been posted to the income and expenditure account over a number of years.</p> <p><b>Recommendation</b></p> <p>Further work will be required by officers to fully review all relevant transactions and identify the necessary adjustments to current and prior year balances.</p>	<p>Work is being undertaken to fully review all relevant transactions and make the necessary adjustments within the 2016/17 annual accounts, including the 2015/16 prior-year balances.</p> <p><b>Action owner:</b> Treasurer</p> <p><b>Due Date:</b> 31 December 2016</p>	<p><b>Action complete</b></p> <p><b>Audit update:</b></p> <p>Transactions were reviewed and the necessary adjustments were made within the 2016/17 annual accounts.</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>2. Financial Planning</b></p> <p>The Board recognises that it needs to move towards a sustainable budget position for 2017/18 and is working to develop options to achieve this.</p> <p><b>Recommendation</b></p> <p>The Board should move towards developing a longer-term financial planning framework, which considers a range of options and scenarios around service delivery.</p>	<p>The provision of funding on an annual basis coupled with meeting the requirements of new legislation, that places additional pressure on an already stretched resource, makes the creation of a longer term and meaningful financial planning framework difficult. In addition ongoing uncertainties surrounding the future of key service delivery plan in combination with a supporting financial framework a high-risk activity. The Board's constant aim is to provide a high quality service within the annual budget allocation provided and it shall endeavour to achieve this in both the short and longer term.</p> <p><b>Action owner:</b> Treasurer</p> <p><b>Due Date:</b> 31 December 2016</p>	<p><b>Partially complete</b></p> <p>This action is being addressed through the Transformation and Cultural Change Programme with the intention of having longer-term financial plans in place for 2018/19 onwards.</p> <p><b>Action owner:</b> Interim Assessor</p> <p><b>Due Date:</b> April 2018</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>Local Code of Corporate Governance</b></p> <p>The most recent review of the Board's Local Code was undertaken in 2012/13.</p> <p><b>Recommendation</b></p> <p>The local code should be reviewed and updated as appropriate.</p>	<p>A review of the Local Code of Corporate Governance shall be undertaken and any necessary updates actioned.</p> <p><b>Action owner:</b> Depute Assessor</p> <p><b>Due Date:</b> 31 July 2017</p>	<p><b>Action complete</b></p> <p>The Assessor has reviewed local Code of Corporate Governance and presented to the Board in August 2017 that no amendments were required following the review.</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>Council Tax and Valuation Roll (non domestic rates) systems</b></p> <p>Reconciliations of the input and output control totals relating to the council tax register and valuation roll updates and periodic checks between the council tax register/ valuation roll and the Register of Sasines were performed but not adequately evidenced during the period from January to March 2016.</p> <p><b>Recommendation</b></p> <p>The above checks should be performed on a weekly basis and evidenced appropriately.</p>	<p>This recommendation has been actioned and the advised evidence requirement initiated.</p> <p><b>Action owner:</b> Depute Assessor</p> <p><b>Due Date:</b> implemented April 2016</p>	<p><b>Action implemented in 2016</b></p>

# Appendix 2: Respective responsibilities of the Board and the Auditor

## Responsibility for the preparation of the annual accounts

The Board is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Treasurer has been designated as that officer.

The Treasurer is responsible for the preparation of the 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).

### In preparing the annual accounts, the Treasurer is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

### The Treasurer is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditor responsibilities

### We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the body as at 31 March 2017 and of the its surplus for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

#### **We are also required to report, if in our opinion:**

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

### **Wider scope of audit**

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money. The Code recognises that full application of its requirements may be impractical or inappropriate due to the nature or size of the audited body.

We have concluded that the full application is not appropriate due to the size of the Board. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

### **Independence**

We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Ethical Standards. In our professional judgement the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff and the Board or senior management that may reasonably be thought to bear on our objectivity and independence.



**Scott-Moncrieff**  
business advisers and accountants

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## **Internal Audit – Annual Report**

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**18 September 2017**

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

This report highlights the work carried out by Internal Audit for the Financial Year 2016/17.

### **2. Summary**

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

### **3. Governance**

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

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

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

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

- 5.1 Within the Accounting Code of Practice there is a requirement for the Treasurer to sign an annual statement on the adequacy of the internal controls in place within the financial systems.
- 5.2 As part of his Assurance Statement it is recommended that the Treasurer reports on the arrangements within LVJB. It is also recommended that the Head of Internal Audit reports on the financial controls in place.
- 5.3 The following areas of work provided additional support to this assessment of LVJB' system of financial control:
- Internal Audit, Corporate Governance, and LVJB's management review of corporate governance arrangements;
  - a programme of testing of the core workstreams of LVJB undertaken by Internal Audit Staff identified the following areas of good practice:
    - strong controls are in place to manage the 2017 Revaluation.
    - the 2010 Roll and the Shadow 2017 Roll were tested to verify their accuracy and integrity
    - the operation of the Scottish Information Commissioner's Model Publication Scheme 2013 was reviewed to affirm that LVJB are managing Freedom of Information requests appropriately
  - a Certificate of Assurance signed by the Assessor to the effect that the controls in place are sound.

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

- 6.1 The Annual Internal Audit Plan for the period to 3<sup>1st</sup> March 2017 (Internal Audit planning year) includes:
- an annual review of internal financial control in the Authority to support the development of LVJB's corporate governance arrangements and to provide evidence for the Treasurer's Statement on the system of internal financial control for the year to 31<sup>st</sup> March 2017;
  - assistance to the Authority in addressing any areas noted in the Treasurer's Statement;
  - advice and opinion as required.

## **7. Monitoring of performance**

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

## **8. Recommendations**

8.1 The Board is requested to:

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

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

<b>Appendices</b>	Appendix 1 – Annual Statement by Head of Internal Audit Appendix 2 – Draft Annual Governance Statement 2016/17
<b>Contact/Tel</b>	Hugh Thomson, Principal Audit Manager (0131) 469 3147
<b>Background Papers</b>	None



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

Representing the Head of Internal Audit for the City of Edinburgh Council and provider of the internal audit service for the Lothian Valuation Joint Board, I am pleased to present my Annual Statement on the adequacy and effectiveness of the internal control system of LVJB for the year ended 31 March 2017.

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

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

### **Sound internal controls**

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

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

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

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

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

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

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

- be carried out annually on the major financial systems to support the Head of Internal Audit's opinion on financial controls which is used to inform the Treasurer's Statement on control;
- support the Convener, Chief Executive and Clerk, the Assessor and Treasurer's Annual Governance Statement; and
- ensure the effectiveness of the controls that mitigate the risks that would prevent LVJB from achieving its aims and objectives set out in its Service Plan.

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

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

### **Basis of opinion**

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

- the audit work undertaken by internal audit during the year to 31 March 2017 including the ongoing assessment of the effectiveness of the Board's risk management arrangements;
- reports issued by the Board's external auditors, Scott-Moncrieff, and other review agencies; and
- my knowledge of the Board's governance, risk management and performance monitoring arrangements.

### **Opinion**

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system in the year to 31 March 2017.

**Hugh Thomson, Principal Audit Manager**

**June 2017**

## DRAFT Annual Governance Statement 2016/17

### 1. Scope of responsibility

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

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

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

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

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

### 2. The Board's governance framework

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

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance.

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

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

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

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

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

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

### **4. Review of effectiveness**

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

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

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

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

- **The Lothian Valuation Joint Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Board's performance.
- **Internal Audit** provides an independent and objective assurance service to the Board who complete a programme of reviews throughout the year, to provide an opinion on internal control, risk management and governance arrangements of Lothian Valuation Joint Board.
- **Audit Scotland's Annual Audit Report** is considered by the Board along with the output from other external audits.
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- **The Strategic, Operational and Project Risk Registers** are reviewed as part of the Board's Corporate and Service Plan (the Corporate and Service Plan is approved by the Board). Key risks are monitored quarterly by the Board. This ensures that actions are taken to effectively manage the Board's highest risks.
- **The Monitoring Officer** is responsible to the Board for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

## 5. Certification

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

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

Convener of Lothian  
Valuation Joint Board:

David Key

Date

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Chief Executive Officer  
(Interim Assessor):

Graeme Strachan

Date

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**ASSESSOR'S SEPTEMBER 2017  
PROGRESS REPORT  
TO THE Lothian VALUATION JOINT BOARD**



**18<sup>th</sup> September 2017**

**1.0 PURPOSE OF THE REPORT**

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

**2.0 ELECTORAL REGISTRATION SERVICE OVERVIEW AND PRIORITIES**

**2.1 Electoral Registration – Service Overview 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017**

**2.1.1 Absent Voters List**

The Absent Votes List indicates those electors who for whatever reason cannot or prefer not to attend their Polling Station on the day of an election. Such electors can opt to place themselves on the absent voters list and receive a postal ballot pack issued by Returning Officers. Electors can indicate whether they wish to have a permanent absent vote until they notify the ERO to the contrary, an absent vote for a particular election or referendum, or an absent vote for a defined period of time.

The Absent Voters List represents those electors with an indefinite or permanent absent vote.

Current total numbers for each constituent authority are;

East Lothian	16,547
Edinburgh	77,098
Midlothian	13,323
West Lothian	25,004

The number added during the period 1<sup>st</sup> April/31<sup>st</sup> August 2017 was 4,818 and the number added since publication of the current Electoral Register on 1<sup>st</sup> December 2016 is 5,402.

## **2.1.2 Rolling Registration**

Throughout the year the electoral register is updated on a monthly basis. This is referred to as rolling registration. During the period 1<sup>st</sup> April to 31<sup>st</sup> August a total of 42,410 additions were made, 29,842 removals and 1,070 amendments. This period reflects the activity associated with both the Scottish Local Government and Westminster Parliamentary elections.

## **2.1.3 Local Government Election 4<sup>th</sup> May 2017/Westminster Parliamentary 8<sup>th</sup> June 2017**

As these elections ran so close to each other this report provides information that spans both events.

The level of interest in respect of registration for both occasions was considerable. This created high levels of recourse to the office by way of telephone, email, on-line activity and paper application.

The on-line registration application facility provides the public with an excellent and immediate facility however, when high volumes of applications are experienced within a constrained election timetable, considerable pressure is placed on resources. In the days leading up to the last date for registration for both these elections, thousands of registrations applications were received, with 6,315 on the closing day for applications for the General Election.

Absent vote application numbers traditionally increase around election time, and significant numbers were received over this period. The timetable surrounding the printing and posting of postal ballot packs is controlled by Returning Officers and every effort is made for all applications and personal identifiers to be processed by the due dates. On the last date for receipt of absent vote applications all outstanding applications required to be processed and sent to nominated printers later on that same day.

For the Local Government election between the period from register publication on 1<sup>st</sup> December 2016 until the final electoral notice of alteration on the 26<sup>th</sup> April 2017 24,672 electors holding the required franchise, were added to the register. The total eligible electorate for this election was 659,717.

In respect of the Westminster Parliamentary election during the period 1<sup>st</sup> December to final electoral notice of alteration on the 1<sup>st</sup> June 2017 27,344 eligible electors were added giving a total eligible electorate for this election of 632,027.

Covering both elections the following volumes were experienced; 17,982 telephone calls were received, 15,419 emails answered, and the total number of absent vote applications processed were 31,217.

As at previous elections we provided an election day service to polling place staff who were able to make direct contact with any queries they may have. This service has been praised by Returning Officers.

The Electoral Commission has recently published its report into the General Election and of particular interest are the findings in respect of the use of the on-line electoral registration system where it records that around 96% of all applications came via this route. In addition however the report indicates that there was a high level of duplicate registrations received ranging from 30% to 70% across the country. The Commission indicates that work is required to reduce this duplicate level as it is acknowledged that it adds considerably to the work of Registration Officers at the time of elections. See the full report (24 pages) at:

[https://www.electoralcommission.org.uk/data/assets/pdf\\_file/0003/232761/Electoral-registration-report-July-2017.pdf](https://www.electoralcommission.org.uk/data/assets/pdf_file/0003/232761/Electoral-registration-report-July-2017.pdf)

#### **2.1.4 2017 Household Canvass**

The 2017 Household Canvass commenced in early August with a staggered issue of 409,380 Household Enquiry Forms over a one week period.

The canvass allows us to check that the details we hold for electors is correct and provides an opportunity for electors to notify us of any changes either in terms of who is living at the address or whether any changes are required to a current electors' details.

Any new electors are encouraged to go on-line as part of the canvass process or can be provided with a paper Invitation to Register (ITR) form.

At this stage in the canvass process the return rate currently stands at 51%. The first reminder issue of forms took place during the first week in September and involved 200,220 forms.

Final canvass return rates, as reported to the Board, for previous years are 2016 70%, 2015 72%, 2014 84% (pre-IER). As no elections are currently forecast until 2021, which have in recent years been the main driver to maintain and increase elector numbers, a challenge is now faced to engage with the electorate to secure a higher level of return to the annual canvass.

The door to door canvass team have commenced their activities chasing non-returned forms. Tablet technology is used in order to avoid further production of forms and allows a live time update of the canvass data base. The canvass team always leave material promoting registration at every door that receives a call. Door to door canvass is a legislative requirement of IER.

## **2.2 Electoral Registration – Service Priorities September 2017 to December 2017**

The service priorities over the next 3 months are -

- Conclude the household canvass, processing all forms received
- Publish the revised Electoral Register on 1<sup>st</sup> December 2017



- Continue to process all applications received such as registration, absent vote, opt out, and change of name applications
- Continue with doorstep canvass, chasing outstanding HEF and ITR forms
- Continue with engagement activities

### **3 COUNCIL TAX SERVICE OVERVIEW AND PRIORITIES**

#### **3.1 Council Tax – Service Overview 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017**

##### **3.1.1 New Dwellings**

As at 1<sup>st</sup> April 2017 there were 411,215 chargeable dwellings on the Council Tax List for Lothian. This has risen to 413,144 by 31<sup>st</sup> August 2017, an increase of 1,929 dwellings. This can be compared to the same period in 2016 and 2015 where 1,390 and 1,250 dwellings were added.

The time taken, as set against the effective date, to add dwellings to the List is a key performance indicator.

For this five month period the current performance is noted below -

0 to 3 months	3 to 6 months	More than 6 months
95.36	3.46	1.18

This compares with the overall 2016/2017 performance level previously reported and noted below -

0 to 3 months	3 to 6 months	More than 6 months
93.86	4.25	1.89

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

During the relevant period as a result of alterations carried out prior to the date of sale and band re-appraisals being carried out as a consequence, the bandings of 107 dwellings have been altered. This compares to 78 in the same period during 2016, and 90 during 2015.

During this period a significant band re-appraisal exercise was carried out in the Drumrae area of Edinburgh. In terms of Council Tax legislation the Assessor is able to review bandings where there is satisfaction that an incorrect band has been originally applied. In this particular case it was brought to our attention that similar if not identical houses situated at the same location were in different bands. This gave rise to an extensive investigation and re-appraisal of the sales evidence used during the original banding exercise. The outcome was that the bandings of 307 houses were increased.

Considerable effort was taken to alert ratepayers to the action that was going to be taken and provide a full explanation. In addition elected members associated with the area were provided with a briefing pack. To date three appeals have been received.

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

During the relevant period, the records of 1,059 dwellings have been updated following receipt of building warrant applications. This compares with 818 in 2016 and 1,114 in 2015. The maintenance of domestic property data ensures a prompt response to point of sale re-banding requirements and ensures we are properly positioned should significant changes to Council Tax be introduced.

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

As at 1<sup>st</sup> April 2017 there were 100 Council Tax appeals outstanding. As at 31<sup>st</sup> August this figure is 85. This compares with 98 at the same time during 2016. Council Tax hearings before the Valuation Appeal Committee are scheduled at periods throughout the year in order to facilitate disposal of appeals. During the relevant period 27 Council Tax appeals have been cited for hearing, with 10 of those going forward to be heard by the Valuation Appeal Committee. No bands have been reduced for 8 of the cases and the decisions are awaited for the remaining 2.

## **3.2 Council Tax – Service Priorities September 2017 to December 2017**

The main service priorities in Council Tax are -

- Amend the Council Tax List to reflect inserts and deletions
- Carry out point of sale appraisals amending bands as necessary
- Maintaining the domestic property data base
- Council Tax appeal disposal

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

### **4.1 Non-Domestic Rating – Service Overview 1<sup>st</sup> April 2017 to 31<sup>st</sup> August 2017**

#### **4.1.1 2005 and 2010 Revaluation Appeals**

In common with other Assessor areas there remain a small number of appeals lodged at the Lands Tribunal. These are appeals which have been referred from the Valuation Appeal Committee, primarily on the grounds of complexity. The majority relate to Telecommunication subjects. It is anticipated these shall be resolved shortly without need for recourse to a hearing before the Tribunal.

#### 4.1.2 2010 Running Roll Appeals

These are appeals which have been lodged following alteration to the Valuation Roll reflecting the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 and also on the more restricted grounds of a claimed material change of circumstances. 937 appeals have been lodged and require to be disposed of by 30<sup>th</sup> December 2018. Hearings of the Valuation Appeal Committee have been scheduled between May and December 2017 and 702 appeals have been cited so far. 418 appeals have already been disposed of.

#### 4.1.3 2017 Revaluation

The 2017 Revaluation was delivered as per timetable with Revaluation Notices being issued to all parties with an interest during March 2017. Draft values had been available for viewing since December 2016 on the Scottish Assessors Association website, [www.saa.gov.uk](http://www.saa.gov.uk).

To date 7,564 appeals have been received. The last date for lodging appeals is 30<sup>th</sup> September 2017 at which time it is anticipated that around 9,000 appeals shall have been lodged.

A diet of Valuation Appeal Committee hearings has been scheduled for February/March 2018 and these shall be the first in respect of the 2017 Revaluation. Citations for these hearings shall be issued in October reflecting the minimum legal citation period of 105 days.

#### 4.1.4 2017 Running Roll

Throughout the year, subject to the competing priorities of other workloads, staff undertake Running Roll duties in respect of the Valuation Roll. This involves the survey and valuation of newly constructed, altered, or demolished non-domestic property. During 1<sup>st</sup> April to 31<sup>st</sup> August 1,673 amendments have been made to the Roll. This compares with 898 in 2016, and 1,607 in 2015.

The length of time it takes to make amendments, relative to the effective date of change, to the Valuation Roll is a key performance indicator. Noted below is the performance achieved over the April to August period -

0 to 3 months	3 to 6 months	More than 6 months
85.12	14.88	0.00

This compares with the overall position achieved for 2016/17 noted below -

0 to 3 months	3 to 6 months	More than 6 months
47.15	21.05	31.79

## **4.2 Non-Domestic Rating – Service Priorities September to December 2017**

The main service priorities for Non-domestic Rating are -

- Continue with Running Roll activities
- Dispose of all outstanding 2010 Running Roll appeals
- Complete the administrative processing of all 2017 Revaluation appeals received within the deadline date
- Commence the citation process for the first 2017 Revaluation appeals
- Continue to dispose of 2017 Revaluation appeals out with the citation period
- Make entries in the Valuation Roll for “shooting rights” as required by legislation
- Continue with the process of rental and other information gathering and analysis

## **5.0 THE BARCLAY REVIEW OF NON DOMESTIC RATES IN SCOTLAND**

The Barclay Review published its findings and recommendations on Tuesday 22<sup>nd</sup> August 2017. A response from the Scottish Government in terms of recommendations to be taken forward is awaited.

The remit given to the Barclay Review was to make recommendations that enhanced and reformed business rates in such a way that supported business growth and long term investment, reflecting the changing market place while at the same time presenting a revenue neutral outcome.

Taking this remit further the Barclay Review adopted the following broad principles -

- To make the rates system as fair as possible and to remove what can be perceived as anomalies
- To endeavour to ensure that shocks to the system are minimised and help ratepayers plan for the future
- To seek to ensure that the rates system is as transparent as possible and that there is a better understanding of how the rates system operates
- To seek to ensure that the administrative systems and processes surrounding the rates system are as simple and straightforward as possible
- To promote greater accountability on all involved in the rates system

The Review contained 30 recommendations of which the following are of particular interest to Assessor organisations -

- Independent Assessors are retained
- Commencing in 2022 a system of 3 yearly Revaluations shall be introduced
- New property, extended or improved property shall not face rates increase for 1 year following completion of these works
- Improved information gathering powers for Assessors with the use of civil penalties

- A review of the appeals system to be carried out and the appeals system to be moved to the Tribunal Scotland framework by 2022
- A review of Plant and Machinery valuation to be carried out
- All land and heritages to be entered into the Valuation Roll and relief applied where appropriate
- Assessors should provide more transparency, higher levels of engagement and consistency of approach

While these recommendation represent a challenge for Assessors they are broadly welcomed and subject to confirmation by Scottish Government, discussion and planning on how to take these proposals forward shall commence shortly within the Scottish Assessors Association and by individual Assessors.

## **6.0 TRANSFORMATION AND CULTURAL CHANGE PROGRAMME**

Progress continues to be made in respect of the Programme activities. The Project Board continues to drive the detailed investigation into processes and procedures in accordance with the timetable. A number of recommendations for improvement and increased efficiency have already been enacted.

The recently announced recommendations from the Barclay Review assist the Transformation Programme by providing an additional point of focus for reviewing and redesigning the current organisational business model.

At the end of August the Board's early release provisions were made available and all staff were invited to give this matter consideration. The closing date for notes of interest is the 29<sup>th</sup> September and to date 22 have been received. These shall be considered by the Assessor with an indication of the level of support each application can expect being notified to individual staff members by the end of October 2017.

In accordance with the Board's early release policy the Assessor shall provide a business case analysis to the Treasurer and Convenor for consideration and approval. A further report shall be given to the Board.

The Trade Union continues to be kept abreast of developments and consultation between the parties is ongoing.

## **7.0 HUMAN RESOURCES**

The Equalities Mainstreaming Report for 2017 that outlined conclusions and activities in respect of previously declared equalities outcomes has been submitted to the Equalities Commission and a copy is available on the Board's web site at [www.lothian-vjb.gvo.uk](http://www.lothian-vjb.gvo.uk).

Work has commenced by way of an information audit in respect of the new General Data Protection Regulations that are due to come into force in May 2018.

A general review and updating of HR policies is ongoing.

## **8.0 RECOMMENDATIONS**

The Board is asked to note the content of this report.

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