

## Notice of Meeting and Agenda

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**Monday 18 June 2018 at 10:00am**  
**in the City Chambers, High Street, Edinburgh**

**1 Order of Business**

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

**2 Declaration of Interests**

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

**3 Minute of the Lothian Valuation Joint Board of 16 April 2018** (circulated)  
submitted for approval as a correct record

**4 Unaudited Annual Accounts for the Year Ended 31 March 2018** – report by the Treasurer (circulated)

**5 Performance Report 2017/18** - report by the Assessor and Electoral Registration Officer (circulated)

**6 Update Report on Arrangements for Corporate Governance** – report by the Assessor and Electoral Registration Officer (circulated)

**7 Treasury Management Annual Report 2017-18** – report by the Treasurer (circulated)

**Andrew Kerr**  
Chief Executive and Clerk

## Membership

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

Councillor Chas Booth  
Councillor Phil Daggart  
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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# Item 3

## Lothian Valuation Joint Board

Edinburgh, 16 April 2018

### Present:

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

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

**Midlothian Council** – Councillor Russell.

**West Lothian Council** – Councillor McGuire (Vice-Convener).

### 1 Appointment of Assessor and Electoral Registration Officer

#### Decision

To note the decision of the Joint Board's Appointment Committee on 29 March 2018 to appoint Graeme Strachan as the permanent Assessor and Electoral Registration Officer.

### 2 Minute

#### Decision

To approve the minute of the Lothian Valuation Joint Board of 5 February 2018 as a correct record.

### 3 External Audit Plan 2017/18

The Accounts Commission had appointed Scott-Moncrieff as external auditor of the Joint Board for the five year period 2016/17 to 2020/21.

A summary of the work plan for the 2017/18 External Audit was presented. The core elements of the work included:

- An audit of the 2017/18 financial statements and related matters
- A review, where applicable, of arrangements for governance and transparency, financial management, financial sustainability and value for money
- Any other work requested by Audit Scotland.

### **Decision**

To note the External Audit Plan for 2017/18.

(Reference – report by the Treasurer, submitted)

## **4 Assessor and ERO's Report to the Joint Board**

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

The 2017 annual canvass had concluded on 1 December 2017 with the publication of the new electoral register. A return rate for household enquiry forms of 74% had been recorded which compared favourably with previous years – 2016 70% and 2015 72%.

The future nature of the annual canvass remained under consideration by the Cabinet Office with the outcome of various pilot exercises currently under evaluation.

Service priorities over the next three months included:

- 2018 AVP1 refresh
- Continue to process all applications received for electoral registration, absent votes, opt out and change of name applications
- Continue with engagement activities
- Council tax
- 2017 revaluation appeals
- Engagement with ratepayers and their representatives
- Transformation and cultural change programme
- Governance, best value and risk group

A facility now existed which provided automatic notification via email to members when registration data was available and, if requested, could then issue and record that information had been sent.

### **Decision**

- 1) To note the report.

Lothian Valuation Joint Board  
16 April 2018

- 2) To approve a trial by Board members of an automated delivery system of legally entitled electoral register data.
- 3) To approve the adoption of twice yearly meetings of the Governance, Best Value and Risk Group at which Board member and other external stakeholder representation would be requested.

(References – Lothian Valuation Joint Board 21 August 2017 (item 11); report by the Assessor and ERO, submitted)

# Item 4



## Unaudited Annual Accounts for the Year Ended 31st March 2018

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18<sup>th</sup> June 2018

### 1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2018.

### 2 Main Report

- 2.1 The unaudited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014 which requires that the Annual Accounts for the year 2017/18 be presented to the Board no later than 31<sup>st</sup> August, 2018. The Annual Accounts require to be presented to external audit by 30<sup>th</sup> June, 2018.
- 2.2 The unaudited Annual Accounts for 2017/18 have been prepared in accordance with the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS).
- 2.3 The unaudited Annual Accounts were authorised for issue on the 12<sup>th</sup> June 2018. The Statement of Responsibilities and Balance Sheet have been signed by the Treasurer.
- 2.4 The Statement of Responsibilities will be updated to reflect the Board's approval for signature of the Annual Accounts upon completion of the audit. The Board's appointed auditors, Scott Moncrieff will present the *Report to those charged with governance on the 2017/18 audit* at the Board's meeting on the 3<sup>rd</sup> September 2018. The Governance Statement and Remuneration Report included in the Annual Accounts will also require to be signed at this point.
- 2.5 The Annual Governance Statement includes details of the Governance Framework and a review of its effectiveness including the system of internal financial control. The Treasurer's opinion is that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal control system. This opinion is informed by the work of the Internal Audit, monitoring of controls by Board staff and External Audit.

- 2.6 The outturn for the year shows an overspending of £0.213m. The Management Commentary provides details and the main reasons for this over spend.
- 2.7 The general reserve balance at 31<sup>st</sup> March 2018 is £0.798m.

### **3 Recommendations**

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Annual Accounts for 2017/18 will be re-presented to the Board on completion of the external audit.

**Hugh Dunn,  
Treasurer.**

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<b>Appendices:</b>	Unaudited Annual Accounts for the Year Ended 31st March 2018
<b>Contact/Tel:</b>	Mr. T.MacDonald: 0131 469 3078
<b>Background Papers:</b>	Held at the Office of Treasurer

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# Annual Accounts for the year to 31st March 2018

*Unaudited*





# LOTHIAN VALUATION JOINT BOARD

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# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

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### Members

### Board at 31st March 2017

### Board following Local Government Election (4th May 2017)

Convener: Councillor Norman Work, City of Edinburgh Council

Councillor David Key, City of Edinburgh Council

Vice-Convener: Councillor Margot Russell, Midlothian Council

Councillor Andrew McGuire, West Lothian

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

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

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

Councillor Jim Gillies  
Councillor John McNeil

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

Councillor Jim Goodfellow  
Councillor Jane Henderson

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

Councillor Margot Russell  
Councillor Jim Bryant

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

Councillor Margot Russell  
Councillor Pauline Winchester

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

Councillor Dave King  
Councillor Greg McCarra  
Councillor David Dodds

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

Councillor Dave King  
Councillor Andrew McGuire  
Councillor Damian Timson

### **Officials**

Assessor : 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 2018. 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 an **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. Expenditure is allocated 61.15% to The City of Edinburgh Council, 9.19% to Midlothian Council, 10.90% to East Lothian Council, and 18.76% 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. Set against this the Board has a range of statutory duties to enact and services to deliver. Failure to secure adequate funding places the delivery of these statutory services at considerable risk. In an attempt to meet this challenge a Transformation and Cultural Change Programme commenced during 2017/18. The focus was to identify and secure any immediate potential financial savings while at the same time reviewing the existing business model and the processes adopted in order to identify efficiencies and opportunities for modernisation. Moving forward this change process has identified eight major project workstreams through which the Transformation Programme shall be maintained.

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. In December 2017 the Scottish Government indicated it's intention to take forward the majority of recommendations outlined in the Barclay Review of NDR. While a number of these have an impact on the Boards services the most significant is the move from a five yearly revaluation to a three yearly cycle. The first of the three yearly revaluations to is take place in 2022, the next in 2025 and so on. This change shall place considerable pressure on the Board as the current revaluation model reflects a two year period for the processes of information gathering, analysis, and valuation, followed by a three year period for disposal of resultant appeals arising from the revaluation. This process now requires to be condensed into a three year period. A complete overhaul of the revaluation process and the mechanisms that drive it, coupled with a review of available and required resources is paramount. This is the biggest change to the NDR requirement for many years and while investigations are commencing as to how best to secure delivery there can be no doubt that the challenge and associated risk is considerable. Within the function of Electoral Registration the cost legacy inflicted by the introduction of Individual Electoral Registration remains an ongoing risk. While Cabinet Office continue to provide annual funding to cover the additional expenditure, and investigation is underway to seek process improvement in order to reduce costs, the Board is faced with an ongoing risk as and when the external funding ceases. In terms of Council Tax the system faces continual criticism and it is likely that further consultative processes shall emerge in the coming years concerning changes to the system. This uncertainty moving forward is a risk to the Board.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2017/18

#### 5.1 Financial Performance

The Board's expenditure was over requisition income by £0.213m for 2017/18. A drawdown from the General Reserve was planned in relation to two items; one-off Voluntary Redundancy costs arising from the Transformational and Cultural Change Programme and a refund to constituent councils approved by the Board in February 2017. These drawdowns were partially off-set by savings on non-domestic rates, ICT and postage. There were also savings made on vacant posts held due to the Transformational and Cultural Change Programme. Detailed variance explanations are provided below and on page 4.

During 2017/18 the Board reached a good level of performance as defined by its Key Performance Indicators. The principal of these show that 97.33% of all new houses were entered onto the Council Tax List within three months following occupation and that 63.10% of all Valuation Roll amendments were made within three months following completion. During 2017/18 5,715 new houses were added to the Council Tax list while 4,127 amendments were made to the Valuation Roll. Following the 2017 Revaluation 13,000 appeals were lodged against rateable values appearing in the new Roll. As it was during 2017/18, it shall be a challenge in subsequent years to balance available resources against competing workloads. As regards Electoral Registration 2017/18 was a challenging year with both a local government election and snap General Election being held within months of each other. The Board performed well in both these events with all target dates and deliverables being met. In addition the 2017 household canvass produced a 4 % uplift in terms of returned forms in comparison to previous years.

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			Individual Electoral Registration (IER)			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
• Employees	4,570	4,786	216	211	66	(145)	4,781	4,852	71
• Property	599	522	(77)	0	0	0	599	522	(77)
• Transport and Plant	96	79	(17)	0	5	5	96	84	(12)
• Supplies and Services	750	658	(92)	216	198	(18)	966	856	(110)
• Third Party Payments	82	261	179	0	0	0	82	261	179
• Support services	67	66	(1)	0	0	0	67	66	(1)
Total gross expenditure	6,164	6,372	208	427	269	(158)	6,591	6,641	50
• Sales, fees & charges	(43)	(38)	5			0	(43)	(38)	5
• IER Grant	0	0	0	(427)	(269)	158	(427)	(269)	158
• IORB	(3)	(3)	0			0	(3)	(3)	0
Total income	(46)	(41)	5	(427)	(269)	158	(473)	(310)	163
Total net expenditure	6,118	6,331	213	0	0	0	6,118	6,331	213

For the year ended 31st March 2018, the Board had an over spend against budget on its Comprehensive Income and Expenditure account of £0.213m (Note 2 refers). The over spend was due to a planned drawdown against the General Reserve.

The Board recorded income totalling £0.619m for 2017/18 in relation to IER grant provided by the Cabinet Office. Expenditure against this grant was £0.269m and therefore £0.350m was carried forward in to financial year 2018/19 to leave a balanced IER position for 2017/18. The carry-forward in to 18/19 mitigates the risk of sudden removal of Cabinet Office funding.

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

• <u>Employees</u>	£'000
The board incurred one-off unbudgeted VR exit costs totalling £0.471m. A saving of £0.255m was made on vacant posts held during the period of Transformational and Cultural change.	216
• <u>Property</u>	(77)
Mainly due to reduced non-domestic rates. Following the 2017 Revaluation, the rateable value of the Board's premises was reduced downwards in common with many other office properties throughout the Lothians.	

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2017/18 (Contd.)

#### 5.1 Financial Performance (Contd.)

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

	£'000
<ul style="list-style-type: none"><li>• <u>Transport costs</u> The variance is mainly a result of the ongoing review of and change to processes surrounding external survey activity. In addition, a commitment to revaluation appeal disposal shall have influenced the resource availability to undertake external activities.</li></ul>	(17)
<ul style="list-style-type: none"><li>• <u>Supplies and Services</u> Mainly due to budget under spends against computer equipment (£0.052m) and postages (£0.040m). The computer costs variance relates mainly to prepaid invoices moved to 18/19. In terms of postages, and in particular canvass activity, unpredictable form return rates impact on postage costs on an annual basis. In addition on-going process changes seeking alternative methods of communication can reduce postage requirements.</li></ul>	(92)
<ul style="list-style-type: none"><li>• <u>Third Party Payments</u> Mainly due to the refund of £0.184m to constituent councils approved in Feb 2017.</li></ul>	179
<ul style="list-style-type: none"><li>• <u>Income</u> General income less than budget.</li></ul>	5

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 2017 was £1.011m. The £0.213m planned drawdown for financial year 2017/18 has been transferred to the usable reserve. The reserve balance therefore stands at £0.798m.

#### 5.2 Overview of performance targets in 2017/18

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 2017/18, 97.33% (2016/17 – 93.86%) of notifications were made within three months set against a target of 95%.

For non-domestic properties, a similar indicator is used for notification of changes, with 63.10% of property owners notified within three months against a target of 70% (2016/17 : 47.15%, 2015/16 : 72.11% ). The impact of the 2017 Revaluation is felt both in the year preceding its delivery and the years immediately following when considerable time and resource is spent on disposal of lodged appeals. Following the 2017 Revaluation 13,000 appeals were lodged, the highest number ever received following a revaluation. Available resources require to be balanced between appeal disposal and ongoing maintenance of the Roll at this time.

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 April 2018 659,519; March 2017 657,858; April 2016 650,531; February 2015 660,030; March 2014 639,401. In addition the annual household canvass showed improvement when measured by numbers of forms returned; 2017/18 : 74%, 2016/17 : 70%, 2015/16 : 72%, and the standing list for those electors with permanent absent votes has increased during 2017/18 from 123,430 to 127,725.

#### 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 external 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. Such recent examples as the introduction of IER, the Barclay Review of NDR, and the Council Tax Commission investigation into alternatives to Council Tax are all examples of uncertainty, risk, challenge and change. During 2017/18 the Board initiated a Transformation and Cultural Change Programme aimed at positioning the Board in a positive forward looking environment where these challenges of change set against fiscal constraint could be properly met. An immediate fiscal gain has been secured for 2018/19 and future years following a reduction in funding requisition of 4.4%. In addition a programme of change seeking improvements, efficiencies and modernisation has commenced that may provide for further savings opportunities to be identified. Any fiscal saving and drive for modernisation must be set against the requirement for the Board to deliver its statutory duties and services to a high standard and to be properly positioned to undertake any legislative changes that shape and form future service. In general the picture is one of competing priorities; fiscal constraint and the need for savings; a change and modernisation strategy, changing legislative requirement within which services are delivered; and, the statutory nature of the services delivered by the Board.

# 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 Scottish Government has adopted the main recommendations contained within the Barclay Review of NDR. These have far reaching consequences for the Board. In particular the long standing five yearly process of revaluation shall require to be condensed into a three yearly cycle. This and other proposals shall require the NDR business model currently in operation within the Board to be reviewed and overhauled in order to meet this new statutory requirement. While the first revaluation under this three yearly cycle shall take place in 2022 planning, timetabling and investigations have already commenced. At this stage it appears unavoidable that significant costs shall arise as a result of these intended changes. In respect of the Council Tax function, considerable uncertainty remains surrounding its ongoing viability as a taxation system without major overhaul. Until further consultation on possible changes or alternative approaches takes place, the future of Council Tax and the implications that arise remain a risk to the Board.
- Volatility within Government means that the risk of snap elections and referendums cannot be discounted. Many major national and international issues could give rise to electoral events. During 2017 both a Scottish Local Government Election and a snap General Election took place within weeks of each other. This places considerable pressure on all resources, in particular staffing and finances. The ability of the Board to cope with these demands while other pressures to create savings and modernise are to the fore represents a risk.
- IER (Individual Electoral Registration) was introduced during 2014. While aimed at improving completeness and accuracy within the Register, and tackling perceived opportunities for fraud, it has left a legacy of increased costs associated with the registration process. Additional funding provided direct to the Board by the Cabinet Office reflects these ongoing costs. However the target date for this funding to cease is 2020 at which time either the costs must have been reduced to negligible levels or the Board shall face the requirement to seek additional funding from the constituent councils. Mitigating action is being taken both at a national level, where changes to registration process are being considered, and at Board level where opportunities to consume IER costs within core budget allocation are being explored and taken. However this financial risk arising from the introduction of IER remains significant to the Board moving forward.
- During March 2017 the 2017 Revaluation went live with revised rateable values effective from 1st April 2017 being notified to ratepayers. Ratepayers had until 30th September 2017 to lodge appeals against these revised assessments. 13,000 appeals were received, the highest ever following a revaluation exercise. Considerable pressure is being placed upon existing levels of resource required to dispose of these appeals within the statutory timetable, and at the same time undertake the annual maintenance activities that support the Valuation Roll (NDR) function. 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. This position shall continue to be monitored however a risk remains in terms of insufficient resource to meet a statutory requirement.

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. Through the Transformation Programme and associated Change Strategy the Board shall continue to balance these competing priorities, pressures and risks against a backdrop of statutory service delivery.

# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

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### The Board's Responsibilities

The Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs. In this Board, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of those resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

### The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

### The Annual Accounts

The Annual Accounts present a true and fair view of the financial position of the Board as at 31st March 2018, and its income and expenditure for the year ended 31st March 2018.

**Treasurer:**  
Hugh Dunn, CPFA

**Date:** 12th June 2018

## 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.

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

2017/18 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2017	(1,011)	11,951	10,940
Total Comprehensive Income and Expenditure	1,121	(6,408)	(5,287)
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(908)	908	0
Net (increase)/decrease before transfers to Other Statutory Reserves	213	(5,500)	(5,287)
(Increase)/Decrease in 2017/18	213	(5,500)	(5,287)
Balance at 31 March 2018 carried forward	(798)	6,451	5,653

General Fund analysed over:	£'000
Amounts earmarked	0
Amounts uncommitted	(798)
<b>Total General Fund Balance at 31 March 2018</b>	<b>(798)</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.

2016/17				2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,196	(172)	6,024	Core budget	6,924	(38)	6,886
496	(475)	21	Individual electoral registration	296	(269)	27
<b>6,692</b>	<b>(647)</b>	<b>6,045</b>	<b>Cost Of Services</b>	<b>7,220</b>	<b>(307)</b>	<b>6,913</b>
			<b>Financing and Investment Income:</b>			
0	(3)	(3)	Interest & Investment income (Note 10.2)	0	(3)	(3)
1,729	0	1,729	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,699	0	1,699
0	(1,508)	(1,508)	Interest Income on Plan Assets (Note 21.4)	0	(1,370)	(1,370)
<b>1,729</b>	<b>(1,511)</b>	<b>218</b>	<b>Total Financing and Investment Income</b>	<b>1,699</b>	<b>(1,373)</b>	<b>326</b>
			<b>Non-Specific Grant Income:</b>			
0	(6,118)	(6,118)	Constituent council requisitions (Note 25)	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>8,421</b>	<b>(8,276)</b>	<b>145</b>	<b>(Surplus) or Deficit on Provision of Services (Note 2)</b>	<b>8,919</b>	<b>(7,798)</b>	<b>1,121</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
0	0	0	Surplus or deficit on revaluation of non-current assets	0	0	0
13,969	0	13,969	Change in Financial Assumptions (Note 21.5)	0	(1,935)	(1,935)
0	0	0	Change in Demographic Assumptions (Note 21.5)	53	0	53
55	0	55	Other Experience (Note 21.5)	0	(6,690)	(6,690)
0	(8,237)	(8,237)	Return on pension assets excl. amounts included in net int. (Note 21.4)	2,164	0	2,164
		0	Actuarial gains / losses on pension assets / liabilities			0
<b>22,445</b>	<b>(16,513)</b>	<b>5,932</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>11,136</b>	<b>(16,423)</b>	<b>(5,287)</b>

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

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

31 March 2017 £'000		Notes	31 March 2018 £'000
453	Property, plant and equipment	8.1	363
86	Intangible assets	9	67
85	Long-term debtors	23	79
624	<b>Long term assets</b>		509
272	Short-term debtors	11	135
1,513	Cash and cash equivalents	12	1,748
1,785	<b>Current assets</b>		1,883
(429)	Short-term creditors	13	(738)
(429)	<b>Current liabilities</b>		(738)
(525)	Other long-term liabilities	24	(490)
(12,395)	Other long-term liabilities (Pensions)	21.3	(6,817)
(12,920)	<b>Long-term liabilities</b>		(7,307)
<b>(10,940)</b>	<b>Net liabilities</b>		<b>(5,653)</b>
(1,011)	Usable reserves	14	(798)
11,951	Unusable reserves	14	6,451
<b>10,940</b>	<b>Total reserves</b>		<b>5,653</b>

The unaudited Annual Accounts were authorised for issue by the Treasurer on the 12th June 2018.

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

Date: \_\_\_\_\_  
12th June 2018

## 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 2017 £'000	31 March 2017 £'000		31 March 2018 £'000	31 March 2018 £'000
<b>OPERATING ACTIVITIES</b>				
(692)		Cash received for goods and services	(441)	
(6)		Other local authorities	(5)	
(3)		Interest received	(3)	
(6,118)		Other operating cash receipts	(6,118)	
	<b>(6,819)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,567)</b>
4,658		Cash paid to and on behalf of employees	4,579	
1,887		Cash paid to suppliers of goods and services	1,749	
	<b>6,545</b>	<b>Cash outflows generated from operating activities</b>		<b>6,328</b>
	<b>(274)</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(239)</b>
<b>INVESTING ACTIVITIES</b>				
63		Purchase of property, plant and equipment and intangible assets.	4	
	<b>63</b>	<b>Net cash flows from investing activities</b>		<b>4</b>
	<b>(211)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(235)</b>
<b>1st April £'000</b>	<b>1st April £'000</b>		<b>1st April £'000</b>	<b>1st April £'000</b>
1,302		Cash and cash equivalents	1,513	
	1,302			1,513
<b>31st March</b>			<b>31st March</b>	
1,513		Cash and cash equivalents	1,748	
	1,513			1,748
	<b>(211)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(235)</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 2018.

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 was not to provide for depreciation in the year of an asset's purchase. This has been 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 was not to provide for depreciation in the year of an asset's purchase. This has been 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	14
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 or more uncertain future events, which are not wholly within the control of the Board or a present obligation that arises from past events, but it is not possible that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. If such obligation exist, they are not recognised in the Balance Sheet but are disclosed as a note to the 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. In February 2018 the Board approved a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition. Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments.

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, 2018, 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	2016/17		Net Expenditure in the CIES	Net Expend. Chargeable to the General Fund	2017/18	
	Adjustments	£000			Adjustments	£000
5,856	168	6,024	Core Budget	6,331	555	6,886
0	21	21	Individual Electoral Registration	0	27	27
<b>5,856</b>	<b>189</b>	<b>6,045</b>	<b>Net Cost of Services</b>	<b>6,331</b>	<b>582</b>	<b>6,913</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	221	221	Net pension interest cost	0	329	329
<b>(262)</b>	<b>407</b>	<b>145</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>213</b>	<b>908</b>	<b>1,121</b>
(749)			Opening General Fund Balance	(1,011)		
(262)			(Surplus) / Deficit on the provision of services	213		
<b>(1,011)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(798)</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 2017/18:

	Adjusts. For Capital Purposes	Net Change for Pensions Adjusts.	Other Differences	Total Statutory Adjusts.	Presentation Adjusts.	Total Adjusts.
	£000	£000	£000	£000	£000	£000
Core budget	109	477	(34)	552	3	555
Individual electoral registration	0	24	3	27	0	27
<b>Net Cost of Services</b>	<b>109</b>	<b>501</b>	<b>(31)</b>	<b>579</b>	<b>3</b>	<b>582</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	329	0	329	0	329
<b>(Surplus) or deficit on the provision of services</b>	<b>109</b>	<b>830</b>	<b>(31)</b>	<b>908</b>	<b>0</b>	<b>908</b>

## LOTHIAN VALUATION JOINT BOARD

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

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

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

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

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

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

	Core Budget	Individual Electoral Registration	Total
	£000	£000	£000
<b>Expenditure</b>			
Employee expenses	4,786	66	4,852
Other service expenses	1,520	203	1,723
Support service recharges	66	0	66
<b>Total Expenditure</b>	<b>6,372</b>	<b>269</b>	<b>6,641</b>
<b>Income</b>			
Revenues from external customers	(38)	(269)	(307)
Interest and investment income	(3)	0	(3)
<b>Total Income</b>	<b>(41)</b>	<b>(269)</b>	<b>(310)</b>
<b>Net Cost of Services per EFA</b>	<b>6,331</b>	<b>0</b>	<b>6,331</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:

	2016/17	2017/18
	£000	£000
<b>Expenditure</b>		
Employee expenses	4,812	5,321
Other service expenses	1,712	1,720
Support service recharges	68	66
Depreciation, Depreciation and impairment	100	113
Interest payments	1,729	1,699
<b>Total Expenditure</b>	<b>8,421</b>	<b>8,919</b>
<b>Income</b>		
Fees, charges and other service income	(647)	(307)
Interest and investment income	(1,511)	(1,373)
Income from constituent Councils	(6,118)	(6,118)
Government grants and other contributions	0	0
<b>Total Income</b>	<b>(8,276)</b>	<b>(7,798)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>145</b>	<b>1,121</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 2018/19 Code. For 2017/18 the following accounting policy changes that need to be reported relate to:

- IFRS 9 Financial Instruments,
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers,
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses, and
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

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*

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The formal valuations for Scottish LGPS Funds were concluded by 31 March 2018. The accounting balance sheet position as at 31 March 2018, and the projected charge to the P&L for 2018/19, are therefore based on this new roll forward from the 2017 formal valuation. This differs to the balance sheet position as at 31 March 2017 and the charge to the P&L for 2017/18, which were based on a roll forward from the 2014 formal valuation. This 'step change' can lead to sizeable asset and liability 'remeasurement experience' items in the reconciliation of the balance sheet from 31 March 2017 to 31 March 2018.

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	10%	5,929
0.5% increase in the Salary Increase Rate	2%	1,299
0.5% increase in the Pension Increase Rate	8%	4,500

### 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.

2017/18 - Current Financial Year	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(94)	94	0	0	94
Depreciation of intangible assets	(20)	20	0	0	20
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	4	(4)	0	0	(4)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,589)	0	1,589	0	1,589
Employer's pension contributions and direct payments to pensioners payable in the year	759	0	(759)	0	(759)
<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	32	0	0	(32)	(32)
<b>Total Adjustments</b>	<b>(908)</b>	<b>110</b>	<b>830</b>	<b>(32)</b>	<b>908</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.

2016/17 - Previous Year Comparative	Usable Reserves	Unusable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(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

### 8. PROPERTY PLANT AND EQUIPMENT

#### Movements on balances:

8.1 <u>Current Year Movements in 2017/18</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 2017	432	446	878
Derecognised assets GBV reversal	0	(110)	(110)
Additions	0	4	4
At 31st March 2018	432	340	772
<b>Accumulated Depreciation</b>			
At 1st April 2017	(167)	(258)	(425)
Derecognised assets depreciation reversal	0	110	110
Depreciation charge	(18)	(76)	(94)
At 31st March 2018	(185)	(224)	(409)
<b>Net Book Value at 31st March 2018</b>	<b>247</b>	<b>116</b>	<b>363</b>

8.2 <u>Previous Year Movements in 2016/17</u>	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<b>Cost or Valuation</b>			
At 1st April 2016	432	388	820
Derecognised assets GBV reversal	0	0	0
Additions	0	58	58
At 31st March 2017	432	446	878
<b>Accumulated Depreciation</b>			
At 1st April 2016	(149)	(194)	(343)
Derecognised assets depreciation reversal	0	0	0
Depreciation charge	(18)	(64)	(82)
At 31st March 2017	(167)	(258)	(425)
<b>Net Book Value at 31st March 2017</b>	<b>265</b>	<b>188</b>	<b>453</b>

#### 8.3 Depreciation

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

- Leasehold improvements (buildings) - 14 years
- Vehicles, plant and equipment - 5 years

## LOTHIAN VALUATION JOINT BOARD

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

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#### 8.4 Capital Commitments

At 31st March 2018, 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	247	116	363
Valued at fair values as at:			
• 31st March 2018	0	0	0
• 31st March 2017	0	0	0
• 31st March 2016	0	0	0
• 31st March 2015	0	0	0
• 31st March 2014	0	0	0
Total Cost or Valuation	247	116	363

## 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 £0.019m was charged to the Comprehensive Income and Expenditure during 2017/18.

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

	2016/17 £'000	2017/18 £'000
Balance at start of year:		
• Gross carrying amounts	131	136
• Accumulated Depreciation	(32)	(50)
<b>Net carrying amount at start of year</b>	<b>99</b>	<b>86</b>
Additions	5	0
Depreciation for the period	(18)	(19)
<b>Net carrying amount at end of year</b>	<b>86</b>	<b>67</b>
Comprising:		
• Gross carrying amounts	136	136
• Accumulated Depreciation	(50)	(69)
	<b>86</b>	<b>67</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 2017 £'000	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000
<b>Investments</b>				
Loans and receivables	0	0	1,513	1,748
<b>Creditors</b>				
Trade creditors	0	0	(12)	(2)
<b>Debtors</b>				
Trade debtors	0	0	134	0

#### 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 2017 £'000	Financial Assets measured at amortised cost 31st March 2018 £'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 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	(12)	(12)	(2)	(2)
Trade debtors	134	134	0	0
Loans and receivables	1,513	1,513	1,748	1,748

## LOTHIAN VALUATION JOINT BOARD

### 11. SHORT TERM DEBTORS

	2016/17 £'000	2017/18 £'000
Debtors:		
• HM Revenues and Customs - VAT	10	14
• Rent	57	57
• Car leasing	4	1
• Annual licenses, support or maintenance	51	46
• Insurances	16	17
• Other entities and individuals	134	0
	<u>272</u>	<u>135</u>

### 12. CASH AND CASH EQUIVALENTS

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

	2016/17 £'000	2017/18 £'000
Cash held by the Board	1	1
Other local authorities	1,512	1,747
	<u>1,513</u>	<u>1,748</u>

### 13. SHORT TERM CREDITORS

	2016/17 £'000	2017/18 £'000
Employee costs	(105)	(346)
Valuation Appeals Panel - Secretary's fees	(10)	(12)
IER Grant	(265)	(350)
Other entities and individuals	(49)	(30)
HM Revenues and Customs - VAT	0	0
<b>Total</b>	<u>(429)</u>	<u>(738)</u>

## LOTHIAN VALUATION JOINT BOARD

### 14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		2016/17	2017/18
		£'000	£'000
14.1	General Fund Balance	(1,011)	(798)
		<u>(1,011)</u>	<u>(798)</u>

<u>UNUSABLE</u>		2016/17	2017/18
		£'000	£'000
14.2	Capital Adjustment Account	(538)	(429)
14.3	Pension Reserve	12,395	6,817
14.4	Accumulated Absence Account	94	63
		<u>11,951</u>	<u>6,451</u>

#### 14.1 General Fund Balance

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

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

In February 2018 the Board approved a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition. Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments.

<u>Year</u>	2016/17	2017/18
	£'000	£'000
2010/11	(228)	(228)
2011/12	(42)	(42)
2012/13	(127)	(127)
2013/14	(24)	(24)
2014/15	(175)	(175)
2015/16	(153)	(153)
2016/17	(262)	(262)
2017/18	-	213
	<u>(1,011)</u>	<u>(798)</u>

#### 14.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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

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

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

	2016/17 £'000	2017/18 £'000
<b>Balance at 1st April</b>	(575)	(538)
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
<ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Revaluation losses on Property, Plant and Equipment</li> <li>• Depreciation of intangible assets</li> <li>• Amounts of non-current assets written off on gain/loss on disposal to CIES</li> </ul>	82 0 18 0	94 0 19 0
Net written out amount of the cost of non-current assets consumed in year	(475)	(425)
Capital financing for the year:		
<ul style="list-style-type: none"> <li>• Statutory provision for the financing of capital expenditure</li> </ul>	(63)	(4)
<b>Balance at 31st March</b>	(538)	(429)

#### 14.3 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17 £'000	2017/18 £'000
<b>Balance at 1st April</b>	6,239	12,395
Remeasurements of the net defined benefit liability / (asset)	5,787	(6,408)
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.	1,131	1,589
Employer's pension contributions and direct payments to pensioners payable in the year.	(762)	(759)
<b>Balance at 31st March</b>	12,395	6,817

## LOTHIAN VALUATION JOINT BOARD

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

#### 14.4 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000
<b>Balance at 1st April</b>		93		94
Settlement or cancellation of accrual made at the end of the preceding year	(93)		(94)	
Amounts accrued at the end of the current year	94		63	
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		1		(31)
<b>Balance at 31st March</b>		94		63

### 15 CASH FLOW STATEMENT

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

	2016/17 £'000	2017/18 £'000
Net (increase)/decrease in the General Fund Balance	(262)	213
Exclude accumulated absences	1	(31)
Exclude revenue contribution to capital	(63)	(4)
	(324)	178
(Decrease)/increase in revenue debtors	(14)	(137)
(Decrease)/increase in long term debtors	(5)	(6)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	34	(309)
Revenue activities net cash flow	(274)	(239)

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

	2016/17 £'000	2017/18 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,302	1,513
Due by/(to) the City of Edinburgh Council at 1st April	1,513	1,748
(Increase)/decrease in cash	(211)	(235)



## LOTHIAN VALUATION JOINT BOARD

### 16. MEMBERS ALLOWANCES

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

	2016/17 £000's	2017/18 £000's
Salaries (incl. NI and Pensions)	9	7
Expenses	0	0
Total	9	7

### 17. EXTERNAL AUDIT COSTS

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

	2016/17 £000's	2017/18 £000's
External audit services carried out for the year	7	7

### 18. 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.

#### 18.1 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.

#### 18.2 Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid in 2017/18 shown in Note 16 and the Remuneration Report.

#### 18.3 Other Parties

During the year, the Board entered into the following transactions with related parties:

	2016/17 £000's	2017/18 £000's
● <b>The City of Edinburgh Council:</b>		
Rates	195	111
Rent	305	305
Central support costs	68	66
Interest on revenue balances	(3)	(3)
Constituent council contribution	(3,744)	(3,741)
Constituent council requisition refund	0	112
Council Tax hearings	0	2
Vehicle hires	3	2
Printing	3	0
Trade Waste/maintenance	11	17
Refund of EU Referendum costs	21	0
Due from City of Edinburgh Council	1,513	1,747
Long term debtor - lease of office	85	79
Convener remuneration	6	5

## LOTHIAN VALUATION JOINT BOARD

### 18. RELATED PARTIES (Contd.)

#### 18.3 Other Parties (Contd.)

<ul style="list-style-type: none"> <li>• <b>The Cabinet Office</b></li> </ul>		
IER grant received	(740)	(619)
<ul style="list-style-type: none"> <li>• <b>Midlothian Council</b></li> </ul>		
Constituent council contribution	(560)	(562)
Constituent council requisition refund	0	17
<ul style="list-style-type: none"> <li>• <b>East Lothian Council</b></li> </ul>		
Constituent council contribution	(669)	(667)
Constituent council requisition refund	0	20
<ul style="list-style-type: none"> <li>• <b>West Lothian Council</b></li> </ul>		
Constituent council contribution	(1,145)	(1,148)
Constituent council requisition refund	0	34
Vice Convener remuneration	3	2
<ul style="list-style-type: none"> <li>• <b>Clackmannanshire Council</b></li> </ul>	15	16
<ul style="list-style-type: none"> <li>• <b>Fife Council</b></li> </ul>	1	2
<ul style="list-style-type: none"> <li>• <b>Glasgow City Council</b></li> </ul>	11	3
<ul style="list-style-type: none"> <li>• <b>Renfrewshire Council</b></li> </ul>	1	1
<ul style="list-style-type: none"> <li>• <b>Audit Scotland</b></li> </ul>	7 *	7
<ul style="list-style-type: none"> <li>• <b>HM Revenue and Customs</b></li> </ul>	0	5
<ul style="list-style-type: none"> <li>• <b>Convention of Scottish Local Authorities</b></li> </ul>	0	1
<ul style="list-style-type: none"> <li>• <b>Lothian Buses PLC</b></li> </ul>	0	2
<ul style="list-style-type: none"> <li>• <b>Registers of Scotland</b></li> </ul>	0	2
<ul style="list-style-type: none"> <li>• <b>Scottish Court Service</b></li> </ul>	0	(3)
* additional disclosure since audited annual accounts 2016/17.		

### 19. TERMINATION BENEFITS

There were a number of employees who left throughout 2017/18. Details are provided in the Remuneration Report - Exit Packages (page 45).

### 20. 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.

	2016/17 £000's	2017/18 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
<ul style="list-style-type: none"> <li>• Property, Plant and Equipment</li> </ul>	58	4
<ul style="list-style-type: none"> <li>• Intangible assets</li> </ul>	5	0
Sources of finance		
<ul style="list-style-type: none"> <li>• Direct revenue contributions</li> </ul>	(63)	(4)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

## LOTHIAN VALUATION JOINT BOARD

### 21. DEFINED BENEFIT PENSION SCHEMES

#### 21.1 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.

#### 21.2 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:

	2016/17	2016/17	2017/18	2017/18
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	910		1,247	
Past service costs	<u>0</u>		<u>13</u>	
		910		1,260
<b>Financing and investment income:</b>				
Net interest expense		<u>221</u>		<u>329</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		1,131		1,589
<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.	(8,237)		2,164	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	13,969		(1,882)	
Other experience	<u>55</u>		<u>(6,690)</u>	
		5,787		(6,408)
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>6,918</u>		<u>(4,819)</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>(6,156)</u>		<u>5,578</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		682		679
Contributions in respect of unfunded benefits		<u>80</u>		<u>80</u>
		762		759

## LOTHIAN VALUATION JOINT BOARD

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

#### 21.3 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:

	2016/17	2017/18
	£000	£000
Fair value of employer assets	52,793	51,880
Present value of funded liabilities	(63,253)	(56,872)
Present value of unfunded liabilities	(1,935)	(1,825)
Net liability arising from defined benefit obligation	<u>(12,395)</u>	<u>(6,817)</u>

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

	2016/17	2017/18
	£000	£000
Opening fair value of scheme assets	43,186	52,793
Interest income	1,508	1,370
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	8,237	(2,164)
Contributions from employer	682	679
Contributions from employees into the scheme	242	207
Contributions in respect of unfunded benefits	80	80
Benefits paid	(1,062)	(1,005)
Unfunded benefits paid	(80)	(80)
Closing fair value of scheme assets	<u>52,793</u>	<u>51,880</u>

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

	2016/17	2017/18
	£000	£000
Present value of funded liabilities	(47,721)	(63,253)
Present value of unfunded liabilities	(1,704)	(1,935)
Opening balance at 1 April	<u>(49,425)</u>	<u>(65,188)</u>
Current service cost	(910)	(1,247)
Interest cost	(1,729)	(1,699)
Contributions from employees into the scheme	(242)	(207)
Remeasurement gain / (loss):		
Change in financial assumptions	(13,969)	1,935
Change in demographic assumptions	0	(53)
Other experience	(55)	6,690
Past service cost	0	(13)
Benefits paid	1,062	1,005
Unfunded benefits paid	80	80
Closing balance at 31 March	<u>(65,188)</u>	<u>(58,697)</u>

## LOTHIAN VALUATION JOINT BOARD

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

#### 21.6 Fair Value of Employer Assets

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

The IAS19 asset split is based on the Plan's benchmark investment split.

	2016/17 £000	2016/17 %	2017/18 £000	2017/18 %
<b>Equity Securities</b>				
Consumer *	7,925.8	15	7,108.3	14
Manufacturing *	8,003.1	16	7,723.7	15
Energy and Utilities *	3,917.4	7	3,245.5	6
Financial Institutions *	3,686.4	7	4,609.1	9
Health and Care *	3,094.6	6	2,543.5	5
Information Technology *	2,612.8	5	3,162.9	6
Other *	3,637.9	7	3,255.6	6
<b>Sub-total Equity Securities</b>	<b>32,878.0</b>		<b>31,648.6</b>	
<b>Debt Securities:</b>				
Corporate Bonds (non-investment grade)	0.0	0	1,010.8	2
UK Government *	109.7	0	5,029.7	10
Other	5,301.1	10	0.0	0
<b>Sub-total Debt Securities</b>	<b>5,410.8</b>		<b>6,040.5</b>	
<b>Private Equity</b>				
All *	0.0	0	165.3	0
All	1,705.3	3	781.9	2
<b>Sub-total Private Equity</b>	<b>1,705.3</b>		<b>947.2</b>	
<b>Real Estate:</b>				
UK Property	3,562.0	7	3,334.5	6
Overseas Property	0.0	0	54.3	0
<b>Sub-total Real Estate</b>	<b>3,562.0</b>		<b>3,388.8</b>	
<b>Investment Funds and Unit Trusts:</b>				
Equities *	0.0	0	498.7	1
Bonds *	783.0	1	0.0	0
Infrastructure	4,724.2	9	6,148.5	12
Commodities *	154.8	0	0.0	0
Other	1,126.2	2	118.5	0
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>6,788.2</b>		<b>6,765.7</b>	
<b>Derivatives:</b>				
Foreign Exchange *	0.0	0	23.9	0
<b>Sub-total Derivatives</b>	<b>0.0</b>		<b>23.9</b>	
<b>Cash and Cash Equivalents</b>				
All *	2,448.7	5	3,065.3	6
<b>Sub-total Cash and Cash Equivalents</b>	<b>2,448.7</b>		<b>3,065.3</b>	
<b>Total Fair Value of Employer Assets</b>	<b>52,793.0</b>	<b>100</b>	<b>51,880.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2017/18.

## LOTHIAN VALUATION JOINT BOARD

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

#### 21.7 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 2018 were those from the beginning of the year (i.e. 31 March 2017) and have not been changed during the year. The main assumptions in the calculations are:

<u>Expected return on assets</u>		2016/17	2017/18
Equity investments		2.6%	2.7%
Bonds		2.6%	2.7%
Property		2.6%	2.7%
Cash		2.6%	2.7%
<u>Average future life expectancies at age 65:</u>			
Current pensioners	male	22.1 years	21.7 years
Current pensioners	female	23.7 years	24.3 years
Future pensioners	male	24.2 years	24.7 years
Future pensioners	female	26.3 years	27.5 years
<u>Financial assumptions:</u>			
		2016/17	2017/18
Pension increase rate		2.4%	2.4%
Salary increase rate		4.4%	4.1%
Discount rate		2.6%	2.7%

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 2018 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 3-5%. 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 2018</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	10.0%	5,929
0.5% increase in the Salary Increase Rate	2.0%	1,299
0.5% increase in the Pension Increase Rate	8.0%	4,500

#### 21.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2019

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(1,221)	(1,221)	-39.10%
Total Service Cost	0	(1,221)	(1,221)	-39.10%
Interest income on plan assets	1,399	0	1,399	44.80%
Interest cost on defined benefit obligation	0	(1,589)	(1,589)	-50.80%
Total Net Interest Cost	1,399	(1,589)	(190)	-6.00%
Total included in Profit or Loss	1,399	(2,810)	(1,411)	-45.10%

The Board's estimated contribution to Lothian Pension Fund for 2018/19 is £0.672m.

#### 21.9 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 2021.

## LOTHIAN VALUATION JOINT BOARD

### 22. LEASES

#### Operating Leases

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

<b>17a South Gyle Crescent - offices</b>		
	2016/17	2017/18
The future minimum lease payments due in future years are:	£000's	£000's
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,526	1,526
• Later than 5 years	2,747	2,442
	<u>4,578</u>	<u>4,273</u>

#### Car Leases

The Board operates an employee car leasing scheme. There were twelve active leases in operation at 31st March 2018 and employees contributed £0.027m during 2017/18 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2016/17	2017/18
The future minimum lease payments due in future years are:	£000's	£000's
• Not later than 1 year	22	30
• Later than 1 year not later than 5 years	12	25
	<u>34</u>	<u>55</u>

The Board has two operational leases. These relate to mobile phones/tablet devices and a Xerox photocopying agreement. The costs incurred under both for financial year 2017/18 were £6,587 and £5,793 respectively.

The Board has no finance lease obligations.

### 23. 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 22 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.

	2016/17	2017/18
	£000's	£000's
• Cash incentive:		
Balance at 1st April	90	85
Amortised to Comprehensive Income and Expenditure Statement	(5)	(6)
Balance at 31st March	<u>85</u>	<u>79</u>

### 24. 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.

	2016/17	2017/18
	£000's	£000's
Balance at 1st April	(560)	(525)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(525)</u>	<u>(490)</u>

## LOTHIAN VALUATION JOINT BOARD

### 25. 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 2017/18 £000's	Amount received 2017/18 £000's	Amount due (to)/from Constituent Councils 2017/18 £000's
City of Edinburgh Council	3,741	3,741	0
Midlothian Council	562	562	0
East Lothian Council	667	667	0
West Lothian Council	1,148	1,148	0
	<u>6,118</u>	<u>6,118</u>	<u>0</u>

### 26. 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 2018 amounted to £1.748m (2016/17 £1.513m). 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 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.

### 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.

### 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 and Heads of Service. The Board has developed a partnership approach when working with other Authorities.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### 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 Internal Auditors and their annual opinion which is based on one audit per year; follow-up on the outcomes of audit work performed; the status of any open internal audit findings; and review of the LVJB draft annual governance statement.
- 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;

Throughout 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 providing one Internal Audit review each year, providing an opinion on the design and operating effectiveness of the key internal controls established to manage LVJB's most significant risks.
- **Audit Scotland's Annual Audit Report** is also considered by the Board.
- **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 2018. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

Internal Audit reviewed the schedule prepared by management supporting the annual governance statement and did not identify any instances of non compliance highlighted in the management responses that would adversely impact on our internal audit opinion. Additionally, no significant Internal Audit findings were raised in relation to governance and scrutiny performed by the Board.

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

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2017/18;
- 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 at 31st March 2018. 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. The post of Depute Assessor will be removed from 1st April 2018 as part of the Transformation and Cultural Change Programme approved during 2017/18. 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 2017/18 are as follows:

On earnings up to and including £20,700 (5.5%), on earnings above £20,700 and up to £25,300 (7.25%), on earnings above £25,300 and up to £34,700 (8.5%), on earnings above £34,700 and up to £46,300 (9.5%) and on earnings above £46,300 (12%).

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

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

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80ths of final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

### 4. Remuneration by Pay Band

Details of the Board's employees receiving more than £50,000 remuneration for the year, excluding employer's NI and pension contributions are:

Remuneration Band	Number of Employees	
	2016/17	2017/18
£50,000 - £54,999	4	3
£55,000 - £59,999	-	1
£60,000 - £64,999	3	2
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	1	1
£80,000 - £84,999	-	1
£85,000 - £89,999	1	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	2
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	1
£125,000 - £129,999	-	-
£130,000 - £134,999	-	1
<b>Totals</b>	<b>10</b>	<b>14</b>

### 5. Remuneration paid to Senior Employees

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

Name and Post Title	Salary, Fees and Allowances 31 March 2017	Salary, Fees and Allowances 31 March 2018
	£	£
J. Hewton - Assessor and Electoral Reg Officer *	89,672	0
G. Strachan - Assessor and Electoral Reg Officer (Interim) **	102,046	120,747
N. Chapman - Depute Assessor (Interim) ***	76,993	97,158
<b>Total</b>	<b>268,711</b>	<b>217,905</b>

\* retired 01.01.17.  
 \*\* interim Assessor and ERO from 01.01.17 until 31.03.18. Thereafter appointed Assessor and ERO.  
 \*\*\* appointed interim Depute Assessor from 01.01.17 until 31.03.18.

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2017	For year to 31 March 2018
<b>Name and Post Title</b>		£	£
J. Hewton - Assessor and Electoral Reg Officer (Retired)		18,653	0
G. Strachan - Assessor and Electoral Reg Officer (Interim)		21,193	25,120
N. Chapman - Depute Assessor (Interim)		15,931	20,166
<b>Accrued Pension Benefits</b>		As at 31 March 2018	Difference from 31 March 2017
<b>Name and Post Title</b>		£'000	£'000
J. Hewton - Assessor and Electoral Reg Officer (Retired)	Pension	0	0
	Lump sum	0	0
G. Strachan - Assessor and Electoral Reg Officer (Interim)	Pension	61	11
	Lump sum	128	20
N. Chapman - Depute Assessor (Interim)	Pension	41	10
	Lump sum	78	17

All senior employees shown in the tables above are members of the Local Government Pension Scheme.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, not solely their current appointment.

### 7. Remuneration of Convener and Vice Conveners

The following table provides details of the remuneration paid to the Board's Convener and Vice-Convener by the Board, excluding NI and Pensions.

<b>Name and Post Title</b>	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2017/18 £	Total Remun. 2016/17 £
N.Work - Convener *	965	0	965	4,225
D.Key - Convener *	2,595	0	2,595	0
B.Robertson - Vice-Convener **	0	0	0	2,237
M. Russell - Vice Convener ***	286	0	286	469
A. McGuire - Vice Convener ***	1,956	0	0	0
	<u>5,802</u>	<u>0</u>	<u>3,846</u>	<u>6,931</u>

\* N. Work Convener until 21.08.17. Thereafter D.Key appointed Convener  
 \*\* B.Robertson resigned 13.12.16.  
 \*\*\* M.Russell Vice Convener until 21.08.17. Thereafter A.McGuire appointed Vice Convener.

# 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 2017	For year to 31 March 2018	
<b><u>Name and Post Title</u></b>		£	£	
N.Work - Convener (former)		4,498	5,503	*
D.Key - Convener		0	4,304	*
B.Robertson - Vice-Convener (former)		3,947	0	*
M. Russell - Vice Convener (former - not in LPF)		0	0	*
A.McGuire - Vice Convener (not in LPF)		0	0	*
<b><u>Accrued Pension Benefits</u></b>		As at 31 March 2018	Difference from 31 March 2017	
<b><u>Name and Post Title</u></b>				
N.Work - Convener (former)	Pension	4	0	
	Lump sum	2	0	
D.Key - Convener	Pension	2	0	
	Lump sum	0	0	
B.Robertson - Vice-Convener (former)	Pension	0	0	
	Lump sum	0	0	
M. Russell - Vice Convener (former)	Pension	0	0	
	Lump sum	0	0	
A.McGuire - 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 and approved by 31st March 2018, 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>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>
			£	£
£0 - £20,000	1	4	10,800	57,059
£20,001 - £40,000	0	4	0	120,236
£40,001 - £60,000	0	3	0	144,386
£60,001 - £80,000	0	1	0	63,422
£80,001 - £100,000	0	1	0	85,404
<b>Totals</b>	<b>1</b>	<b>13</b>	<b>10,800</b>	<b>470,507</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.

## PERFORMANCE REPORT 2017/2018



### 1 INTRODUCTION

This report accompanies the unaudited accounts allowing consideration of organisational performance and budgetary outcome together.

The statistical performance information provided reflects upon the statutorily defined elements of the Assessor and EROs' key service delivery areas. Comment is also provided on other aspects of organisational activity.

### 2 ELECTORAL REGISTRATION

#### 2.1 Elections

Once again Electoral activities featured heavily within the organisation during 2017/18. Local Government elections in May were quickly followed by a snap Westminster General Election in June. A period of six weeks separated the two events. As both election timetables overlapped each other, this placed considerable pressure on resources with careful management of workload, resource allocation and the electoral management system required. However, all statutory requirements and timetable deadlines were met and a high level of effective partnership working with all four Returning Officers achieved.

The level of interest shown in these events by electors was considerable and this was reflected in the level of processing required in respect of new registrations, amending existing registrations, absent, proxy and postal proxy vote applications, and the high level of general enquiries received.

Over the relevant period 24,672 electors were added to the register for the Local Government election and 27,344 added for the General Election. Over both elections 31,217 absent vote applications were processed and 33,401 telephone calls/emails answered.

In normal circumstances a single election event and the associated financial requirement shall be accommodated within annual budget allocation. While any election that creates considerable elector interest can place pressure on finances, a double event where both are of significance has a financial impact. Staff overtime is a requirement to support every election event. During 2017 £45,934 was expended on electoral overtime.

#### 2.2 Rolling Registration

Understandably considerable focus is on key electoral events. However the register is maintained throughout the year on a rolling basis with notification of these changes being given by way of monthly updates.

These changes cover a wide range of activities such as, new registrations, deletions, amendments, name changes, alterations to opt out preferences, and applications for absent votes. In total 99,264 changes were made to the register during 2017/18.

The table at paragraph 2.7 includes information on this monthly activity.

### **2.3 2017 Household Canvass**

An annual canvass of all households in Lothian remains part of the electoral requirement. This provides an opportunity for electors to confirm who is residing at the point of canvass, to provide information on new potential electors and make any changes to existing electoral details and preferences. It is a process which aims to assist with the maintenance, accuracy and completeness within the electoral register. As regards new potential electors, where information is given an Invitation to Register form (ITR) shall be issued or the elector may use the on-line registration system, advice on its use being given with the household enquiry form.

During 2017, the annual canvass of 412,000 properties was carried out between August and the publication of the register on 1 December 2017. This process, including reminder forms, required the printing and postage of 761,648 household enquiry forms (HEF). In addition, and including reminders, 60,095 ITR's were issued following information provided during the canvass.

The Lothian return rate for HEF forms for the 2017 was 74%. This equates to 304,880 households responding to the canvass. This compares favourably with previous years: 2016: 70%; 2015: 72%. As 118,256 HEF responses were received electronically, some 186,624 responses were received in paper format. A returned paper form requires to be opened, sorted, checked, scanned and processed. This is a resource hungry process with all returned forms requiring processing prior to the scheduled issue of reminders.

The Household canvass is supported by door to door activity used as part of the chase process of non-returned forms. During 2017 around 86,000 door to door calls were made. This activity results in approximately 20% to 25% of calls being answered, although information leaflets are posted through all letterboxes where no response is achieved. The door to door activity is carried out by a small team of 8 canvassers using electronic tablet devices which greatly enhance and simplify the overall process.

### **2.4 Significant Electoral Registration Expenditure during 2017/18**

Expenditure of particular significance which was incurred during 2017/18 to support the delivery of electoral registration services is noted below.

- Postage and printing £358,493
- Canvassers £191,509
- Postage and printing supported by additional funding £194,559 (included in above)
- Canvassers supported by additional funding £64,509 (included in above)
- Staff Overtime to support Elections £45,934

### **2.5 Engagement**

Elector engagement is an essential activity throughout the year. This maintains the overall profile of the electoral register drawing particular attention to the process of registration, its



accessibility and ease of use of the on-line system, and other available options, such as absent voting.

Election events provide an obvious arena within which to promote the registration process and at such times it is important to ensure that the electoral service is accessible. In this regard the Board's call centre provides an effective one-stop shop to deal with all electoral enquiries.

Throughout the year and at elections a range of engagement activities are carried out, an example of which are noted below:-

- Local TV and Radio advertising to encourage return of annual canvass forms
- Issuing ITRs to new Council Tax Payers (home movers)
- Working with constituent Councils to identify group contacts and events
- Working with schools to register young persons
- Attendance at Citizenship Ceremonies to register newly qualified electors
- Holding registration events to allow people to check if they are registered

The recent appointment of an Engagement Officer shall allow even greater focus throughout the year on engagement opportunities and activities.

## **2.6 Individual Electoral Registration**

The process of Individual Electoral Registration, which now underpins the registration process both in practice and through legislation, created from the outset an additional financial burden on Electoral Registration Officers. This is recognised by the UK Government and additional funding is provided by the Cabinet Office on an annual basis. During 2017 £353k was provided to the Board. In past years there has been a requirement to seek top up funding through a Cabinet Office process, known as a Justification Led Bid, where it can be shown that the initial annual funding falls short of the amount required. For 2017 this was not required due to certain additional staffing costs being consumed within core budget, and the use of email rather than paper notification where appropriate reducing print/post costs. This allowed the additional IER costs to be held within the initial funding level.

Investigations and pilot schemes are ongoing within the Cabinet Office in an aim to amend the IER process and remove the additional funding requirement. Current investigations are focused around the annual canvass process. It is anticipated that Cabinet Office funding shall continue until 2020.

## **2.7 Electoral Registration Statistical Information**

The table below provides by Council area, at a Ward level, key information in respect of the Electoral Register.

The following is shown for each ward:-

- Number of households
- HEF Canvass return rate
- Local Government Election May 2017 Turn Out Percentage
- Electorate numbers as at 1 December Register Publication
- Total Rolling Registration changes for 2017/18

- Number of Young Persons registered
- Number of EU nationals registered
- The electorate number as a percentage by the following designations, UK & IR, EU, Commonwealth

## CITY OF EDINBURGH

Ward Number and Name	Number of Households	HEF Return% 2017	May 17 LG Election Turnout %	1 December Electorate	RR Changes (Adds/Dels/ Mods) 4/17 – 3/18	YPs – U18s	EUs	Electorate make up % UK&IR/EU/ Comm
1 Almond	15074	76.2	56.3	25708	3075	807	1011	94.9/ 3.9/ 1.2
2 Pentland Hills	13828	72.9	50.5	22909	2778	678	1435	92.1/ 6.2/ 7.7
3 Drumbrae/Gyle	10925	78.0	52.2	18345	2326	478	813	93.6/ 4.4/ 2.0
4 Forth	15509	66.2	45.5	23306	3942	596	2736	86.3/ 11.6/ 2.1
5 Inverleith	16042	76.2	56.5	23979	4431	513	1291	92.9/ 5.3/ 1.8
6 Corstorphine/ Murrayfield	11267	81.8	59.7	19206	2575	526	647	95.4/ 3.3/ 1.3
7 Sighthill/Gorgie	16042	62.1	39.8	21387	4491	362	2620	83.6/ 12.1/ 4.3
8 Colinton/ Fairmilehead	10586	80.8	60.2	19033	2130	665	544	96.1/ 2.8/ 1.1
9 Fountainbridge/ Craiglockhart	11520	71.9	54.0	16956	3556	313	1251	90.4/ 7.3/ 2.3
10 Morningside	14405	72.7	57.3	23517	5858	598	1679	91.3/ 7.1/ 1.6
11 City Centre	17084	56.0	43.7	19873	6440	224	2187	86.2/ 10.8/ 3.0
12 Leith Walk	18815	62.2	44.8	23679	6697	210	3364	83.3/ 13.9/ 2.8
13 Leith	12983	60.6	44.0	17346	4224	227	2085	86.2/ 11.9/ 1.9
14 Craigmillar/ Duddingston	15732	68.5	47.8	22642	4115	400	2379	87.9/ 10.4/ 1.7
15 Southside/ Newington	14581	70.6	52.7	21836	5288	442	1894	89.0/ 8.5/ 2.5
16 Liberton/ Gilmerton	15766	75.5	46.8	25512	3176	709	1717	91.8/ 6.7/ 1.5
17 Portobello/ Craigmillar	14184	73.7	47.6	22528	3127	602	1727	91.1/ 7.5/ 1.5
	244343	73.4		367762	68229	8350	29381	90.1/ 7.9/ 2.0

## MIDLOTHIAN

Ward Number and Name	Number of Households Canvassed	HEF Return% 2017	May 17 LG Election Turnout %	1 December Electorate	RR Changes (Adds/Dels/ Mods) 4/17 – 3/18	YPs – U18s	EUs	Electorate make up % UK&IR/EU/ Comm
1 Penicuik	6289	78.0	52.3	11144	1068	301	199	97.9/ 1.8/ 0.3
2 Bonnyrigg	7480	79.4	48.5	13819	1500	452	215	97.9/ 1.6/ 0.5
3 Dalkeith	6342	68.5	41.9	10401	1387	282	418	95.4/ 4.0/ 0.6
4 Midlothian West	6879	77.1	47.2	12126	1230	362	257	97.1/ 2.1/ 0.8
5 Midlothian East	6697	78.3	48.3	11892	1270	357	345	96.5/ 2.9/ 0.6
6 Midlothian South	6502	71.4	45.2	11205	1244	347	224	97.5/ 2.0/ 0.5
	40189	76.1		70587	7699	2101	1658	97.1/ 2.3/ 0.6

## EAST LoTHIAN

Ward Number and Name	Number of Households Canvassed	HEF Return% 2017	May 17 LG Election Turnout %	1 December Electorate	RR Changes (Adds/Dels/ Mods) 4/17 – 3/18	YPs – U18s	EUs	Electorate make up % UK&IR/EU/ Comm
1 Musselburgh	9774	74.9	48.8	15742	1787	406	654	95.4/ 4.1/ 0.5
2 Preston, Seton and Gosford	8296	80.3	51.5	14593	1326	452	294	97.8/ 2.0/ 0.2
3 Tranent, Wallyford and Macmerry	8331	74.1	43.6	14656	1486	415	328	97.3/ 2.2/ 0.5
4 North Berwick Coastal	6490	82.8	59.4	10795	1235	374	186	97.9/ 1.7/ 0.4
5 Haddington and Lammermuir	8072	79.9	56.0	14083	1530	428	268	97.8/ 1.9/ 0.3
6 Dunbar and East Linton	6601	76.8	56.4	11005	1490	357	156	98.3/ 1.4/ 0.3
	47564	79.3		80874	8854	2432	1886	97.3/ 2.3/ 0.4

## WEST LoTHIAN

Ward Number and Name	Number of Households Canvassed	HEF Return% 2017	May 17 LG Election Turnout %	1 December Electorate	RR Changes (Adds/Dels/ Mods) 4/17 – 3/18	YPs – U18s	EUs	Electorate make up % UK&IR/EU/ Comm
1 Linlithgow	6780	82.7	59.0	12383	1297	463	213	97.7/ 1.7/ 0.6
2 Broxburn, Uphall and Winchburgh	8993	75.2	46.2	15373	1619	400	644	95.3/ 4.1/ 0.6
3 Livingston North	9808	70.4	43.5	17833	1929	599	855	94.0/ 4.7/ 1.3
4 Livingston South	9589	70.6	46.3	18162	1795	728	780	94.9/ 4.2/ 0.9
5 East Livingston and East Calder	9447	72.7	45.9	16374	1674	487	652	95.6/ 3.9/ 0.5
6 Fauldhouse and the Breich Valley	7061	70.7	46.6	12033	1154	342	261	97.6/ 2.1/ 0.3
7 Whitburn and Blackburn	9677	70.1	42.6	15602	1526	422	531	96.3/ 3.4/ 0.3
8 Bathgate	10532	71.4	45.1	17450	2149	458	1032	93.7/ 5.8/ 0.5
9 Armadale and Blackridge	7278	71.7	42.2	12404	1339	328	334	96.9/ 2.7/ 0.4
	79165	73.3		137614	14482	4227	5302	95.6/ 3.8/ 0.6

## 3 VALUATION ROLL

### 3.1 2017 Revaluation

In respect of NDR 2017/18 was dominated by the 2017 Revaluation.

The Revaluation was effective from 1 April 2017 with all proprietors, tenants, and occupiers shown in the Valuation Roll receiving a relevant Valuation Notice. In total, 54,591 Notices were issued in respect of 35,840 properties.

From 1 April to 31 September 2017 ratepayers were able to lodge appeals against notified rateable values. By the last date, 13,008 appeals had been received. This represents 36% of the entire Roll. Overall, throughout Scotland, a total of 79,814 appeals have been lodged.

During much of 2017, valuation staff resource dealt with enquiries from ratepayers and other interested parties. The impact of the Revaluation was such that considerable time was spent both at a local and national level engaging with occupiers of specific property categories, for example hotel and licensed property, restaurants and cafés, and childrens’ nurseries.

The process of appeal disposal commenced during February 2018 and the table below provides an indication of the progress that has been made to date. It is of significance that so far only 21% of appeals disposed of have resulted in a reduction to value with 79% being accepted as correct.

1 APRIL 2017 TO 31 MARCH 2018	Total Appeals Received (2017 RV)	Total Appeals Closed	% of Total Appeals Received Closed	Number of Appeals Withdrawn or Dismissed	% of Appeals Withdrawn	Number of Appeals Adjusted	% of Appeals Adjusted
Edinburgh	8,343	1,680	20.13%	1,367	81.36%	313	18.64%
Midlothian	1,059	237	22.37%	149	62.86%	88	37.14%
West Lothian	2,499	474	18.96%	372	78.48%	102	21.52%
East Lothian	1,107	373	33.69%	313	83.91%	60	16.09%
<b>LOTHIAN REGION</b>	<b>13,008</b>	<b>2,764</b>	<b>21.24%</b>	<b>2,201</b>	<b>79.63%</b>	<b>563</b>	<b>20.37%</b>

The table below indicates the appeals dealt with so far by broad property category.

1 APRIL 2017 TO 31 MARCH 2018	Shops	Offices and Car Parking	Industrials	Other Types
Edinburgh	624	883	117	56
Midlothian	95	26	108	8
West Lothian	139	146	177	12
East Lothian	129	88	121	35
<b>LOTHIAN REGION</b>	<b>987</b>	<b>1,143</b>	<b>523</b>	<b>111</b>

It can be seen that the majority of appeals dealt with so far are in respect of the bulk categories, such as shops, offices, industrials etc. As further progress is made a more diverse and in some cases more complex range of property types shall be dealt with. During Autumn/Winter 2018 a further programme of appeal disposal is in place during which a significant number of licensed properties shall be dealt with.

### 3.2 Running Roll

An ongoing activity associated with the Valuation Roll is its general maintenance. This comprises the insertion of new entries, the deletion and amendment of existing entries in the Roll. Overall 4,731 alterations were made to the Roll during 2017/18. This activity also gives rise to a volume of appeals. During 2017/18 777 Running Roll appeals have been received.

The balancing of staff resource between this activity and the disposal of Revaluation appeals requires careful planning and a regular re-appraisal of ongoing priorities.

The tables below provide information on this activity and indicate the performance level achieved expressed in terms of the % of entries entered onto the list within 3 months of the effective date.

Valuation Roll	No Changes	Rateable Value 1/4	Rateable Value 31/3	0 – 3 %		3 – 6 %		> 6 months %	
				Target	Actual	Target	Actual	Target	Actual
2010/11	3,476	1,259,913,732	1,274,347,293	82	78.02	14	13.55	4	8.43
2011/12	3,114	1,274,347,293	1,227,889,313	80	71.77	15	15.35	5	12.88
2012/13	3,188	1,277,889,313	1,275,905,939	75	74.09	13	12.30	12	13.61
2013/14	3,275	1,275,905,939	1,269,386,086	75	74.32	15	13.07	10	12.61
2014/15	3,489	1,269,386,086	1,274,141,333	78	75.78	12	13.44	10	10.78
2015/16	2,234	1,274,141,333	1,269,773,514	75	72.11	13	15.36	12	12.52
2016/17	3,510	1,269,773,514	1,271,629,649	50	47.15	25	21.05	25	31.79
2017/18	4,731	1,312,625,471	1,336,812,663	70	63.10	18	17.77	12	19.13

1 April 2017 to 31 March 2018	Inserts	Amends	Deletions
Edinburgh	1,053	1,072	930
Midlothian	163	206	85
West Lothian	325	299	202
East Lothian	172	148	76
<b>LOTHIAN REGION</b>	1,713	1,725	1,293

The total number of changes made to Valuation Rolls in Scotland during 2017/18 was 21,276 with average performance achieved of 68% within 3 months.

Where performance is calculated in terms of the percentage of changes undertaken within 3 months of the effective date of change including those alterations actioned within 3 months of notification of change the Lothian performance is 77.29%.

### 3.3 Barclay Review of NDR

Of considerable consequence during 2017/18 was the publication in September of the Barclay Review of Non-Domestic Rating. This was the most in-depth review of the NDR system undertaken for some considerable time and the recommendations presented have the potential for significant impact on the NDR service.

The most major of these is the proposal to alter the existing 5 year revaluation cycle to a 3 year cycle commencing in 2022 with the next revaluation following in 2025. This shall require considerable alteration to the current approach to successful delivery of revaluations and the resultant disposal of appeals. Assessors both locally and nationally have started the process of investigation that shall inform this process of change.

The Scottish Assessors' Association has produced an Action Plan aimed at addressing a number of the issues and recommendations raised in the Barclay Review. The latest version of this showing the progress that is being made is attached.

## 4 COUNCIL TAX

### 4.1 Amendments to the List

Council Tax is an ongoing activity. There has been no revaluation of council tax bands since the original creation of the Council Tax List in 1993. All entries made on the List at that time and all those domestic subjects added since then have been banded reflecting capital values in existence at 1991.

The maintenance of the List is reflected in the number of new subjects added, those deleted and amended. However the principle activity is the inserts for new domestic subjects.

The table below provides information on this activity and indicates the performance level achieved expressed in terms of the % of entries entered onto the list within 3 months of the effective date.

Valuation List	No of CT Entries @ 1 April Each Year	New Houses Added	0-3 Months	3-6 Months	Over 6 Months	Point of Sale Band Changes
2011/12	410,440	3,410	96.72	2.35	0.93	180
2012/13	412,859	3,171	95.52	3.09	1.39	172
2013/14	415,450	4,315	94.90	3.01	2.09	203
2014/15	419,652	4,049	95.73	2.77	1.50	257
2015/16	422,492	4,688	96.46	2.98	0.56	270
2016/17	426,756	4,868	93.86	4.25	1.89	254
2017/18	430,969	5,715	95.93	2.93	1.14	281

By comparison the total number of domestic subjects added to Lists throughout Scotland during 2017/18 was 24,808, with the average performance achieved of 86% within 3 months.

Council Tax legislation requires bands to be reviewed at the point a subject is sold in order to reflect any alterations that have been carried out prior to the date of sale. As indicated 2,193 sales where there existed information to indicate that alterations had been carried out required to be investigated. This resulted in the band change of 281 properties.

### 4.2 Council Tax Appeals

During 2017/18, 168 valid Council Tax appeals were dealt with in addition to and 12 invalid out of time appeals. 95 appeals are currently outstanding.

## 5 OTHER ORGANISATIONAL INFORMATION

## **5.1 Transformation Programme**

From an organisational perspective much of 2017/18 was dominated by the Transformation Programme.

This was driven by the need to find significant financial savings, seek a position of future financial sustainability, while also exploring organisational and service delivery areas seeking modernisation and efficiencies.

As a result a process of investigation into the priorities, processes and procedures which underpin service delivery, in conjunction with a review of staff resources and associated structure, was commenced.

As a result, on the 1 April 2018 a new organisational structure was implemented. This provided savings through staff reductions and a re-structuring of senior management positions in favour of technical posts. This contributed to an overall saving of 4.4% in budget requirement moving forward into 2018/19.

In addition a number of immediate alterations were made to key processes aimed at improving efficiency and removing unnecessary stages.

During 2018/19 the process of priority and process review shall continue and a number of key project work streams have been identified and through these ongoing improvement and modernisation shall be sought. While opportunities that arise for further financial savings resulting from this process shall be taken it is important to be aware that the current and future pressures on service delivery are considerable. The information provided in this report gives clear indication of the growing demands being placed on the organisation. In addition proposed fundamental changes to NDR service delivery shall present a clear and unequivocal challenge for the organisation. It is vital the budgetary provision is established and maintained at a level that supports the proper discharge of all statutory requirements at acceptable levels of performance.

## **5.2 Human Resources**

Human Resources have been particularly active throughout 2017/18 in support of the Transformation Programme. The execution of the Board's VERA policy and undertaking the required internal and external recruitment arising from the review were some of the key elements to the success of the Programme.

During 2017/18, an Equalities Outcomes Report was published on the Board's website. This provided information on progress achieved on stated objectives as well as an indication of future activity. Information was also provided in terms of staff profile measured against the protected characteristics and the gender pay gap. Staff profile data, the provision of which is voluntary, was collected during 2017. A return rate of 68.33% was achieved.

Staff absence is monitored on a continuous basis throughout the year and this activity is supported by the Board's Absence Management Policy.

The table below indicates the absence levels occurring during 2017/18.

Long term absence is defined as a continuous period of 22 or more days of absence.

Year	Short Term Days Absent	Short Term % Absence Rate	Long Term Days Absent	Long Term % Absence Rate	Short & Long Term Absence Rate
2015/16	387	1.52%	105	0.41%	1.93%
2016/17	391	1.53%	141	0.55%	2.09%
2017/18	463	1.82%	355	1.39%	3.21%

As part of the ongoing process of cost reduction HR have commenced a programme of third party contract review. To date, both our Facilities Management and Telephony contracts have been reviewed with both being re-established with new providers. The projected annual saving resulting from this is £17,500.

### 5.3 Stakeholder Enquiries

The nature of services gives rise to high levels of contact, whether via mail, email or telephone, from a cross section of stakeholders.

A specific record is kept of the following types of enquiries:-

Complaints : 8 (1 Council Tax, 3 Valuation Roll, 4 Electoral)

Freedom of Information : 17 (3 Council Tax, 10 Valuation Roll, 3 Electoral, 1 Other)

VIP (elected members): 59 (16 Council Tax, 34 Valuation Roll, 7 Electoral, 2 Other)

No complaints were passed to the Scottish Ombudsman for further consideration.

## 5 CONCLUSION

2017/18 was a year of considerable challenge not only in terms of overall service delivery but also due to the unavoidable disruption caused by the Transformation Programme and associated staff review.

Dealing with the impact of the 2017 Revaluation, commencing appeal disposal, maintaining both the Valuation Roll and Council Tax List in the face of increasing associated workloads, the completion of an annual canvass and providing an excellent service throughout a double election event, placed the organisation under considerable pressure.

I am extremely grateful to all the staff of the Joint Board for the professionalism and dedication shown over this period. This commitment has provided, and continues to provide, an excellent level of service.

## 6 RECOMMENDATION

The Board is asked to note this report.

**Graeme Strachan**  
**Assessor & ERO**  
**18 June 2018**



## Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline	Status (1 April 2018)
Rec 12	Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers	Detail provided for 4.63(a)-(j)	Immediate	Assessors continue to raise and discuss matters where there may be a perceived lack of transparency, or where inconsistent practices may exist. An issues log has been developed to help address any highlighted matter.
4.63(a)	All ratepayers should have access to consistent levels of service and advice, regardless of where they are located in Scotland	SAA will undertake an audit to identify variations in current service standards. Where significant differences are identified an issues log shall be created, maintained and action taken to provide mitigation and remedy. In addition the SAA shall undertake consultation with key stakeholders with a view to identifying perceived service standard inconsistencies with a view to establishing a suite of national service standards.	Issues log established 1 October 2017. Initial consultation with stakeholders 1 November 2017 to 31 December 2017. Progress to be reported to the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum. Outcome to be reported in SAA Annual Report.	Issues log published online December 2017
4.63(b)	Assessors should consider an account manager based approach with named individuals in an Assessor's office given the role of key contact for individual sectors or property types within an individual area	At the national level a system of property category coordinators who could be considered "national account managers" is already in place through the SAA committee structure, working groups and practice note authors. SAA will publish on the SAA website the contact details for each national property category coordinator. At the local level Assessors shall provide contact names for each locality.	National property category coordinators list updated and checked for publication by 1 November 2017. Local contact names for each locality to be published online by 1 November 2017. Online publication may involve website development costs.	National property category coordinators and local contacts published online 1 November 2017.
4.63(c)	Where local practice notes are used for valuation of any property, these must be made available online to all ratepayers	Currently where they exist Local Practice Notes are in the main made available on individual Assessor websites. In order to improve the stakeholder journey the SAA shall conduct an audit of all existing Local Practice Notes with a view to making these accessible on the SAA website as an overall suite of national and local Practice Notes.	Audit completed by 1 November 2017. Publication by 1 January 2018. Online publication may involve website development costs.	Audit completed and links to local practice notes published online for 1 January 2018.

## Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline	Status (1 April 2018)
4.63(d)	Where the Assessors propose to change valuation practice notes this must be done in consultation with relevant external bodies and draft notes must be published online for comment for an appropriate period before they are finalised	In advance of revaluations the SAA commits to undertake consultation, within the limitations which the revaluation timetable imposes, on proposed SAA Valuation Practice Notes, drawing particular attention to instance of significant change. Where published Practice Notes are subject to change following representation, appeal activity, or harmonisation requirements the SAA shall give notification of these changes through the SAA website.	Notification of changes will be made from 1 October 2017. Consultation will precede the 2022 revaluation and will be timetabled as part of the R2022 plan.	As Action Plan Timeline
4.63(e)	The point at which new build property is added onto the valuation roll should be consistent	The SAA has provided its support to the policy to see new build properties enter the Valuation Roll on occupancy and action on this matter has already been taken. The SAA would welcome the opportunity for discussions with the Government in order to establish clarity and examine the practical implications of this policy.	Immediate hold on new entries for unoccupied properties. Clarity on policy proposals required for 1 October 2017 with the practical implications closely examined in the short term. Legislative measures are likely to be required in the medium of long term	Hold removed prior to 31 March 2018. Regulations in place for 1 April 2018.
4.63(f)	The Scottish Assessors Association (SAA) should produce and publish an annual report on valuation practice and outcomes. This is particularly important in a revaluation year where the report should be substantive and highlight the average and range of movements in rateable value across council areas and sectors, any changes to valuation methodologies and summarise engagement with national and local trade bodies	The SAA shall publish its first annual report during June 2018. In addition a report specifically reflecting on revaluations and their implications shall also be published at the appropriate time.	30 June 2018.	Annual report scheduled to be published by 30 June 2018
4.63(g)	Assessors should work through the SAA to standardise the level of service they provide, in particular to assist those ratepayers looking to build new or improve existing property to help them determine the potential estimated rateable value that will result	While the provision of estimated values is currently a non-statutory activity the SAA recognises the significance and potential benefits to both small and large non-domestic property occupiers. The capacity to meet this requirement is limited due to the requirement to continue to operate statutory functions in a challenging budgetary environment.	Clarity on indemnity for Assessors providing estimates is required and the SAA will work with Government and RICS to reach this clarity with immediate effect. SAA will monitor demand and timeframe for delivery which will be conditional upon resources with particular reference to the willingness of valuation authorities to fund non-statutory activities.	As Action Plan Timeline.

## Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline	Status (1 April 2018)
4.63(h)	<b>The Assessors should provide more information on the evidence used at each revaluation to support valuations. While we appreciate that this will require detailed consideration in terms of what can be made available within the boundaries of data protection and commercial sensitivity, at the minimum ratepayers should be informed which comparator rental properties were used to inform their valuation</b>	SAA recognises the need to make more information surrounding the valuation levels adopted accessible and shall, following detailed consideration of data protection and commercial sensitivity issues along with consultation with stakeholders provide details of how this may be taken forward.	Online publication will involve website development costs and may require a legal gateway.	As Action Plan Timeline
4.63(i)	<b>Appointments to the SAA should be more transparent</b>	The current Constitution of the SAA that provides for the appointment of office-bearers shall be made available on the SAA website along with the names and contact details of the present office-holders.	1 October 2017	Complete
4.63(j)	<b>Minutes of meetings with sector representatives should be published (with any commercially sensitive data redacted as necessary).</b>	Minutes of meetings held between the SAA and the Scottish Ratepayers Forum are already published on the SAA website. The SAA intends to overhaul its consultation framework to increase accessibility and widen reach. SAA shall review the current position with the intention of publishing minutes of all meetings with external bodies, organisations and stakeholders, subject to the approval of parties present.	Complete review of consultation framework by 1 December 2017. Publication of minutes of all meetings held after 1 October 2017. Online publication may involve website development costs.	Consultation framework review completed 1 December 2017 and forums established for ratepayers and rating surveyors. Minutes of meetings being published on SAA Portal.

# Item 6



## **UPDATE REPORT ON ARRANGEMENTS FOR CORPORATE GOVERNANCE**

### **1.0 INTRODUCTION**

This report indicates the progress made in respect of the arrangements for the introduction of a Governance Group within the Assessor and ERO organisation.

### **2.0 BACKGROUND**

At the Board meeting of 21 August 2017 the Assessor submitted a report concerning arrangements for Corporate Governance within the organisation. As a result the Board noted and agreed to the formation of the Governance, Risk, and Best Value Group.

Further, at the Board meeting of the 16<sup>th</sup> April 2018 it was agreed that the Governance, Risk and Best Value Group would hold externally facing meetings twice yearly where invitations to Board members and other external stakeholder representation would be issued.

### **3.0 UPDATE**

The Governance, Risk and Best Value Group held its inaugural meeting on 30<sup>th</sup> May 2018.

At this the Group's formal Terms of Reference were agreed in association with a draft schedule of meetings.

In addition there was reflection on the arrangements undertaken to satisfy the introduction of the new General Data Protection Regulations, a review of recent external audit activity and the recommendations arising, and the initial preparation of a Governance Group work plan for the coming year.

### **4.0 TERMS OF REFERENCE**

A copy of the Terms of Reference that shall support the operation of the Group are attached as Appendix 1.

The Board's attention, in particular, is drawn to paragraph 13 and is reproduced below.

*13 Escalation Procedure*

*The committee shall ensure that should a perceived breach of internal control or failure in required governance standards be identified and to which, in the opinion of the committee chairman, the Assessor and Electoral Registration Officer, fails to give due and proper consideration, the committee chairman may in the first instance raise this matter with Lesley Newdall, Head of CEC Audit, by way of escalation to Nick Smith, LVJB Monitoring Officer, and by way of further escalation to the Convenor of the Joint Board.*

Following discussion with CEC Audit, who have provided assistance and guidance throughout the creation of the Governance Group, it was agreed that an escalation procedure would be appropriate.

This mechanism provides the Board with additional assurance of the commitment being given to the creation of proper and effective corporate arrangements within the Assessor's organisation. In addition it ensures that when necessary issues of governance can be raised by the Head of Governance out with the organisational structure.

## **5.0 RECOMMENDATION**

The Board is asked to note this report and to agree to the escalation procedure indicated at paragraph 13 of the Governance, Risk and Best Value Group Terms of Reference.

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

*Att: Appendix 1: Terms of Reference*



## **Governance Committee Terms of Reference**

### **1 Purpose**

The Governance Committee will enable the creation of formal and transparent arrangements for monitoring corporate reporting, risk management and internal financial and core system controls within Lothian Valuation Joint Board (LVJB). These arrangements will support an appropriate relationship with the LVJBs' external auditors and satisfy internal quality assurance and Joint Board requirements.

### **2 Membership**

- The committee shall comprise of the Head of Governance, members of the Governance team, the City of Edinburgh (CEC) accountants and The Assessor and Electoral Registration Officer.
- Only members of the committee have the right to attend committee meetings.
- However, the LVJB Treasurer, external audit partners and Board members will be invited to attend a specially convened meeting of the committee. These meetings to be held twice yearly. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- The Head of Governance will be the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

### **3 Secretary**

A member of the Business Support Unit shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **4 Quorum**

The quorum necessary for the transaction of business shall be three members.

## **5 Frequency of Meetings**

- The committee shall meet at least six times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required
- Outside of the formal meeting programme, the committee chairman and other committee members, will maintain a dialogue with key individuals involved in LVJB's governance, including relevant staff members, the finance director, internal audit and external audit lead partner and Board members.

## **6 Notice of Meetings**

- Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the internal or external audit lead partner or Board if they consider it necessary.
- Unless otherwise agreed by the committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.

## **7 Minutes of Meetings**

- The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- Draft minutes of committee meetings shall be agreed with the committee chairman and then circulated promptly to all members of the committee, unless it would be inappropriate to do so in the opinion of the committee chairman.

## **8 Duties**

The committee should have oversight of LVJB as a whole.

## **9 Financial Reporting**

The committee shall support the activities of City of Edinburgh Council Financial Services staff in respect of financial statements of LVJB, including its unaudited and audited accounts, monitoring reports and any other formal statements relating to its financial performance, the review and subsequent reporting to the Board on significant financial reporting issues and recommendations resulting from audit activity.

In particular, the committee shall review and challenge where necessary:

- the application of internal financial control practices and any changes to them.

- the methods used to account for significant or unusual financial transactions.
- whether LVJB has adopted appropriate budgetary decisions, estimates and judgements, taking account of any ongoing business risks.
- all material information presented within, financial statements, organisational strategic reports, and corporate governance statements including risk management and audit reports.

The committee shall review any other statements requiring board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements.

Where the committee is not satisfied with any aspect of the financial reporting provided to LVJB, it shall report its views to the Board.

## **10 Internal Controls and Risk Management Systems**

The committee shall:

- keep under review LVJBs' internal control systems that identify, assess, manage and monitor risks around the core business.
- review and approve the statements to be included in the annual report concerning internal control and risk management.

## **11 Compliance, Whistleblowing and Fraud**

The committee shall:

- review the adequacy and security of LVJBs' arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other core business matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- review LVJB's procedures for detecting fraud;
  - ▶ review LVJBs' systems and controls for the prevention of bribery or undue influence and receive reports on non-compliance.

## **12 Quality Assurance**

The committee shall:

- review and approve the role and mandate of the quality assurance team, monitor and review the effectiveness of its work.



- review and approve quality assurance plans to ensure they are aligned to the key risks of the business, and receive regular reports on work carried out.
- ensure quality assurance has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the quality assurance function evaluates the effectiveness of these functions as part of its quality assurance plan.
- carry out an annual assessment of the effectiveness of the quality assurance function and as part of this assessment:
  - ▶ meet with the quality assurance team to discuss the effectiveness of the function;
  - ▶ review and assess quality assurance work plans;
  - ▶ review the actions taken by management to implement the recommendations of quality assurance and to support the effective working of the quality assurance function;
  - ▶ monitor and assess the role and effectiveness of the quality assurance function in the overall context of LVJB's risk management process and the work of governance compliance;
  - ▶ consider whether an independent, third party review of processes is appropriate

### **13 Escalation Procedure**

The committee shall ensure that should a perceived breach of internal control or failure in required governance standards be identified and to which, in the opinion of the committee chairman, the Assessor and Electoral Registration Officer, fails to give due and proper consideration, the committee chairman may in the first instance raise this matter with Lesley Newdall, Head of CEC Audit, by way of escalation to Nick Smith, LVJB Monitoring Officer, and by way of further escalation to the Convenor of the Joint Board.

### **14 Reporting Responsibilities**

The committee chairman shall report annually to the Board on the activities and findings of the Governance Committee, indicate how it has discharged its responsibilities and provide recommendations as necessary.

This report shall include:

- the issues that it considered in relation to the financial, internal control and risk management procedures and practices and how these were addressed.
- any recommendations arising from external audit activity and how these have been addressed.

- any other issue relevant to the remit of the Governance Committee.

## **15 Other Matters**

The committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Business Support Unit for assistance as required.
- be responsible for coordination of the internal and external auditors.
- oversee any investigation of activities which are within its terms of reference.
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **16 Authority**

The committee is authorised to:

- seek any information it requires from any employee of LVJB in order to perform its duties.
- obtain, at the LVJB's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.
- call any employee to be questioned at a meeting of the committee as and when required.
- have the right to publish in the Assessor's Annual Performance Report, details of any issues that cannot be resolved between the committee and the Assessor and Electoral Registration Officer.

# Item 7



## Treasury Management Annual Report 2017/18

18th June 2018

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### 1 Purpose of report

The purpose of this report is to provide an Annual Treasury Report for the financial year 2017/18.

### 2 Summary

The Board has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Board after the end of each financial year. The Treasury Strategy was presented to the Board and its continuance was approved in February 2018.

### 3 Investment Out-turn for 2017/18

3.1 The Board's Investment Strategy has been to maintain its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given on month end net indebtedness balances between the Council and the Board and for financial year 2017/18 is calculated in accordance with the withdrawn Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). In line with recent short term interest rates, the investment return continues to be small, but the Board gains security from its counterparty exposure being to the City of Edinburgh Council. Net end of month balances for the financial year were:

Opening Balance	£1,511,661.61
30 April 2017	£1,320,103.20
31 May 2017	£1,370,576.24
30 June 2017	£1,343,554.35
31 July 2017	£1,304,653.15
31 August 2017	£1,347,604.93
30 September 2017	£1,242,816.91
31 October 2017	£1,153,923.98
30 November 2017	£1,555,191.76
31 December 2017	£1,554,751.03
31 January 2018	£1,708,645.09
28 February 2018	£1,749,189.52
31 March 2018	£1,747,314.50

3.2 Interest is calculated on the average monthly balance. The interest rate applied was 0.223%, giving an interest amount of £3,196.51, being payable to the board.

#### **4 Recommendations**

4.1 It is recommended that the Board notes the Annual Report for 2017/18.

**HUGH DUNN,**  
Treasurer.

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**Appendix**

None

**Contact/tel**

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