

Notice of Meeting and Agenda

Monday 17 June 2019 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 23 April 2019 (circulated) - submitted for approval as a correct record

4 Unaudited Annual Accounts for the Year Ended 31 March 2019– report by the Treasurer (circulated)

5 Treasury Management Annual Report 2018-19 – report by the Treasurer (circulated)

6 Annual Performance Report 2018-19 – report by the Assessor and Electoral Registration Officer (circulated)

7 2018-19 Annual Governance Statement – report by the Assessor and Electoral Registration Officer (circulated)

8 Update on Non Domestic Rates Reform – report by the Assessor and Electoral Registration Officer (circulated)

Andrew Kerr
Chief Executive and Clerk

Membership

The City of Edinburgh Council (9)

Councillor Gavin Corbett
Councillor Phil Doggart
Councillor Karen Doran
Councillor David Key (Convener)
Councillor George Gordon
Councillor Gillian Gloyer
Councillor Ricky Henderson
Councillor Jason Rust
Councillor Norman Work

Midlothian Council (2)

Councillor Kieran Munro
Councillor Margot Russell

West Lothian Council (3)

Councillor Dave King
Councillor Andrew McGuire (Vice-Convener)
Councillor Damian Timson

East Lothian Council (2)

Councillor Jim Goodfellow
Councillor Jane Henderson

Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Committee Services | Strategy and Communications | 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
- (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 .



Please recycle this paper

Lothian Valuation Joint Board

Edinburgh, 23 April 2019

Present:

City of Edinburgh Council – Councillors Key (Convener), Corbett, Doggart, Doran, Gordon, Henderson, Neil Ross (substituting for Councillor Gloyer) and Work.

East Lothian Council – Councillor Goodfellow.

Midlothian Council – Councillor Russell.

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

1. Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 4 February 2019 as a correct record.

2. Appointments

Midlothian Council had appointed Councillor Kieran Munro to serve on the Joint Board in place of Councillor Winchester who had resigned.

Councillor Winchester also served on the Joint Board's Appointment Committee and the Board was now requested to appoint a member from Midlothian Council to fill that vacancy.

Decision

- 1) To note the appointment of Councillor Munro, Midlothian Council to the Joint Board.
- 2) To appoint Councillor Munro, Midlothian Council to the Joint Board's Appointment Committee.

(Reference – report by the Chief Executive and Clerk, submitted)

3. Medium Term Financial Plan 2019-20 to 2022-23 – Progress Update

An update was provided on development of a medium term financial plan for the Joint Board. The plan had been developed in alignment with the Joint Board's Corporate and Service Plan which set out the priorities and commitments it sought to deliver.

Lothian Valuation Joint Board
23 April 2019

Projections had been made for the effect of the anticipated pay award and other inflationary assumptions as well as implementation of the recommendations of the Barclay Review and Individual Electoral Registration.

Following recommendations of the Scottish Budget Review Group, the Scottish Government had indicated that it would bring forward a three year funding settlement for local government from 2020/21 onwards. This would give the Joint Board greater clarity to support medium term financial planning.

Decision

- 1) To note progress on the medium terms financial plan and that further updates would be provided to the Board during 2019/20 in advance of approving a budget for 2020/21.
- 2) To note future cost savings achieved would be required to address cost pressures as set out in paragraph 4.4 of the report.
- 3) To note the Assessor and ERO would update the Board during 2019/20 of any changes to Barclay/Individual Electoral Registration with service and financial implications both within the medium term financial plan and the quarterly Board cycle.

(Reference – report by the Treasurer, submitted)

4. Assessor'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 2018 annual canvass had concluded on 1 December 2018 with the publication of the electoral register. A return rate for household enquiry forms of 75% had been recorded which compared favourably with previous years – 2016 70% and 2017 74%.

Service priorities over the next three months included:

- 2018 Absent Vote personal identifier refresh
- Electoral engagement strategy
- Continue with other engagement activities
- 2020 annual household canvass
- Council tax
- 2017 revaluation appeal disposal
- Commercial rental evidence (CRE) form issue

Lothian Valuation Joint Board
23 April 2019

- Transformation and cultural change programme
- Governance

Decision

To note the updates.

5. Update on Non-Domestic Rates Reform

Members were provided with an update on progress being made both nationally and locally in respect of Non-Domestic Rates (NDR) Reform following the recommendations arising from the 2017 Barclay Review of Non-Domestic Rating.

Details were also given of projects supporting the implementation of NDR Reform including enhancing ICT systems and process improvement, engagement activities and developing training and performance frameworks.

The current anticipated annual funding levels to support the NDR Reform were as follows – 2019/20 £154,000, 2020/21 £279,000, 2021/22 £350,000, 2022/23 £350,000, 2023/24 £358,000 and 2024/25 £379,000.

Members also considered the latest iteration of the NDR Reform Risk Register which detailed the steps taken to mitigate identified risks and any required further action.

Decision

To note the report.

(References – Lothian Valuation Joint Board 4 February 2019 ((item 6); report by the Assessor and Electoral Registration Officer, submitted.)

6. External Audit Plan 2018-19

The External Audit Plan for 2018-19 was presented. Core elements of the Plan included:

- an audit of the 2018/19 annual accounts
- a review, where applicable, of the Joint Board's 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 2018/19.

(Reference – report by the Treasurer, submitted)

Unaudited Annual Accounts for the Year Ended 31st March 2019

17th June 2019

1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2019.

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 2018/19 be presented to the Board no later than 31st August, 2019. The Annual Accounts require to be presented to external audit by 30th June, 2019.
- 2.2 The unaudited Annual Accounts for 2018/19 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 10th June 2019. 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 2018/19 audit* at the Board's meeting on the 2nd September 2019. 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, the Assessor's Certificate of Assurance on internal control and monitoring of controls by Board staff and External Audit.

- 2.6 The outturn for the year shows an under spend of £0.099m. The Management Commentary provides details and the main reasons for this under spend.
- 2.7 The general reserve balance at 31st March 2019 is £0.897m.
- 2.8 The Board should note that there will be a balance sheet adjustment of £0.160m to the Audited Annual Accounts 2018/19 which will be presented for approval in September 2019. This relates to the Pension Assets and Liabilities recognised in the Balance Sheet. It will also require an adjustment to the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account and supporting disclosure notes.
- 2.9 This adjustment relates to pensions information provided by the Actuary which was received after the Unaudited Accounts were prepared and distributed to Constituent Council's to meet group account deadlines. This is a timing issue only and it is anticipated that this type of adjustment will be required on an annual basis. The Board should note that this adjustment affects unusable reserves only so will not change the general reserve balance reported above in paragraph 2.7.

3 Recommendations

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Audited Annual Accounts for 2018/19 will be re-presented to the Board on completion of the external audit.

**Hugh Dunn,
Treasurer.**

Appendices:	Unaudited Annual Accounts for the Year Ended 31st March 2019
Contact/Tel:	Mr. T.MacDonald: 0131 469 3078
Background Papers:	Held at the Office of Treasurer



LOTHIAN VALUATION JOINT BOARD

ELECTORAL REGISTRATION, VALUATION & COUNCIL TAX WITHIN LOTHIAN

Annual Accounts for the year to 31st March 2019

Unaudited



COUNCIL TAX



ELECTORAL REGISTRATION



VALUATION

Lothian Valuation Joint Board
17A South Gyle Crescent
EDINBURGH
EH12 9FL

Visit our website at : www.lothian-vjb.gov.uk

LOTHIAN VALUATION JOINT BOARD

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LOTHIAN VALUATION JOINT BOARD

MEMBERS AND OFFICIALS

Convener: Councillor David Key, City of Edinburgh Council

Vice-Convener: Councillor Andrew McGuire, West Lothian

All Board Members: City of Edinburgh Council (9), East Lothian Council (2), Midlothian Council (2) and West Lothian Council (3)

Edinburgh Council



Councillor Gavin Corbett

Councillor Phil Doggart

Councillor Karen Doran

Councillor David Key

Councillor George Gordon

Councillor Gillian Gloyer

Councillor Ricky Henderson

Councillor Jason Rust

Councillor Norman Work

East Lothian Council



Councillor Jim Goodfellow

Councillor Jane Henderson

Midlothian Council



Councillor Margot Russell

Councillor Kieran Munro

West Lothian Council



Councillor Dave King

Councillor Andrew McGuire

Councillor Damian Timson

Officials

Assessor and Electoral Registration Officer : Graeme Strachan

Chief Executive and Clerk : Andrew Kerr

Treasurer : Hugh Dunn, CPFA

Solicitor : Nick Smith

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

Strategic Report

1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2019. 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.

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 61.14% to The City of Edinburgh Council, 9.23% to Midlothian Council, 10.88% to East Lothian Council, and 18.75% 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, embedded within a Governance Framework, are created that indicate a detailed range of activities and objectives necessary to deliver services. These plans are supported where required with detailed project governance and management, 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. A medium term budget strategy is under construction which aims to provide clarity on the projected financial forecast facing the Board in association with options for mitigation.

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. The Barclay Review of NDR has in the main been adopted by Scottish Government in the form of a national NDR Reform strategy. This shall introduce the biggest changes to NDR services that have been enacted for many years. There are significant changes directly associated with the Valuation Roll function. This shall involve shortening the current 5 year revaluation cycle to a 3 year cycle and introduce significant alterations to the legislation which supports the Valuation Roll appeal process. Primary legislation shall be enacted during 2020 with the principle elements coming into force in 2022. The successful delivery of these changes represent a significant organisational challenge. Within the function of Electoral Registration the cost legacy created by the introduction of Individual Electoral Registration remains an ongoing risk. Cabinet Office shall continue to provide annual funding to cover this additional expenditure until 2020 at which time major changes shall be introduced to the annual household canvass aimed at reducing costs. Until it is established that these changes have been successful in removing additional costs, there remains budgetary risks to the Board in respect of delivery of the Electoral Service. 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 2018/19

5.1 Financial Performance

The Board's expenditure was under requisition income by £0.099m for 2018/19, primarily resulting from the implementation of a new staffing structure from 1st April 2018 which resulted in savings arising from posts being filled partway through the financial year. Detailed variance explanations are provided below.

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
	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
• Employees	4,378	4,234	(144)	59	33	(26)	4,437	4,267	(170)
• Property	520	539	19	0	0	0	520	539	19
• Transport and Plant	96	69	(27)	0	0	0	96	69	(27)
• Supplies and Services	750	786	36	216	186	(30)	966	972	6
• Third Party Payments	82	100	18	0	0	0	82	100	18
• Support services	67	67	0	0	0	0	67	67	0
Total gross expenditure	5,893	5,795	(98)	275	219	(56)	6,168	6,014	(154)
• Sales, fees & charges	(43)	(39)	4	0	0	0	(43)	(39)	4
• IER Grant	0	0	0	(275)	(219)	56	(275)	(219)	56
• IORB	(3)	(8)	(5)	0	0	0	(3)	(8)	(5)
Total income	(46)	(47)	(1)	(275)	(219)	56	(321)	(266)	55
Total net expenditure	5,847	5,748	(99)	0	0	0	5,847	5,748	(99)

For the year ended 31st March 2019, the Board had an under spend against budget on its Comprehensive Income and Expenditure account of £0.099m. Actual is 98.3% of budget.

The Board recorded income totalling £0.591m for 2018/19 in relation to IER grant provided by the Cabinet Office. Expenditure against this grant was £0.219m and therefore £0.372m was carried forward in to financial year 2019/20 to leave a balanced IER position for 2018/19. The carry-forward in to 19/20 mitigates the removal of Cabinet Office funding and legacy ongoing costs arising from IER.

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

• <u>Employees</u>	£'000
At its meeting of 6th February 2017 the Board was advised of the intention to undertake an organisational review exercise. This review was named the Transformation and Cultural Change Programme which resulted in a new staffing structure being implemented on the 1st April 2018. The saving in staffing costs during 2018/19 relates mainly to posts being filled partway through the financial year.	(144)
• <u>Property</u>	19
Mainly due to utility charges, specifically a back-dated charge from the Board's energy provider.	
• <u>Transport costs</u>	(27)
Continuing process review on external survey work allowing a targeted approach which reduces travel expenses.	
• <u>Supplies and Services</u>	36
Primarily resulting from the requirement to replace handsets and telephony software incurring a one-off payment 18/19. There was also minor additional expenditure on ICT equipment.	
• <u>Third Party Payments</u>	18
Mainly additional costs relating to the costs associated with the Valuation Appeal Committee. These costs fluctuate in accordance with the workloads in respect of Revaluation 2017 appeal disposal.	
• <u>Income</u>	(1)
Additional general income.	
Total under spend	(99)

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

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

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 2018 was £0.798m. The £0.099m under spend for financial year 2018/19 has been transferred to the usable reserve. The reserve balance therefore stands at £0.897m.

5.2 Overview of performance targets in 2018/19

During 2018/19 the Board reached a good level of performance as defined by its Key Performance Indicators. The principal of these show that 93.75% (95.93% 2017/18; 93.86% 2016/17) of all new houses were entered onto the Council Tax List within three months following occupation and that 57.86% (63.10% 2017/18; 47.15% 2016/17) of all Valuation Roll amendments were made within three months following completion. During 2018/19 5,194 new houses were added to the Council Tax list while 1,867 value 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 at 31st March 2019 50% of these appeals had been dealt with. The statutory deadline for disposal of all appeals is 31/12/2020.

The Electoral Register during 2018/19 was maintained throughout the year with 39,293 electors added, 38,448 deleted, and 1,309 subject to amendment. The 2018 household canvass continued the current trend of improving returns with a 75% return rate achieved, (74% 2017; 70% 2016).

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 2019 662,308, April 2018 659,519; March 2017 657,858; April 2016 650,531; February 2015 660,030; March 2014 639,401.

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

The main trends and factors likely to affect the development and performance of the Board are those that influence the future direction of service provision. This direction is driven by legislative changes enacted, new case law and following formal reviews. This creates uncertainty and is amplified when placed within the current environment of fiscal constraint that all local authority bodies are facing. Further changes to the Electoral Registration process, the Barclay Review of NDR, and the possibility of further review of Council Tax alternatives are all examples of organisational and service delivery challenges. During 2017/18 a Transformation and Cultural Change Programme was initiated aimed at positioning the Board within a positive forward looking environment where these challenges of change set against fiscal constraint could be properly met. An immediate fiscal gain was secured for 2018/19 creating a reduction in funding requisition of 4.4%. This Programme is ongoing and throughout 2019/20 projects seeking modernisation, process efficiencies, and cultural change shall continue. However, 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, and changing legislative requirement within which services are delivered.

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

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 and is progressing its own NDR Reform strategy. These have far reaching consequences for the Board. In particular the long standing five yearly process of revaluation shall 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. 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. 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 present, 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 due to be introduced during 2020, and at Board level opportunities to consume IER costs within core budget allocation are being assessed and adopted. However this financial risk arising from the introduction of IER remains significant to the Board moving forward until clarity on the financial impact of changes can be properly assessed.
- The 2017 Revaluation gave rise to receipt of 13,000 appeals, 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 while at the same time undertake the annual maintenance activities that support the Valuation Roll (NDR) function .

The Board acknowledges the financial pressures, service delivery 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 in association with developing the medium term Budget 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

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 2019, and its income and expenditure for the year ended 31st March 2019.

Treasurer:
Hugh Dunn, CPFA

Date: 10th June 2019

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.

2017/18 - Previous Year Comparative	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	(7,292)	(6,171)
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(908)	908	0
Net (increase)/decrease before transfers to Other Statutory Reserves	213	(6,384)	(6,171)
(Increase)/Decrease in 2017/18	213	(6,384)	(6,171)
Balance at 31 March 2018 carried forward	(798)	5,567	4,769

2018/19 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2018	(798)	5,567	4,769
Movement in reserves during 2018/19			
(Surplus) or deficit on provision of services	534	0	534
Other Comprehensive Expenditure and Income	0	1,260	1,260
Total Comprehensive Income and Expenditure	534	1,260	1,794
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(633)	633	0
Net (increase)/decrease before transfers to Other Statutory Reserves	(99)	1,893	1,794
(Increase)/Decrease in 2018/19	(99)	1,893	1,794
Balance at 31 March 2019 carried forward	(897)	7,460	6,563

General Fund analysed over:	£'000
Amounts earmarked	0
Amounts uncommitted	(897)
Total General Fund Balance at 31 March 2019	(897)

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.

2017/18				2018/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,924	(38)	6,886	Core budget	6,248	(39)	6,209
296	(269)	27	Individual electoral registration	234	(219)	16
7,220	(307)	6,913	Cost Of Services	6,482	(258)	6,224
			Financing and Investment Income:			
0	(3)	(3)	Interest & Investment income (Note 10.2)	0	(8)	(8)
1,699	0	1,699	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,588	0	1,588
0	(1,370)	(1,370)	Interest Income on Plan Assets (Note 21.4)	0	(1,423)	(1,423)
1,699	(1,373)	326	Total Financing and Investment Income	1,588	(1,431)	157
			Non-Specific Grant Income:			
0	(6,118)	(6,118)	Constituent council requisitions (Note 25)	0	(5,847)	(5,847)
0	(6,118)	(6,118)	Total Non-Specific Grant Income	0	(5,847)	(5,847)
8,919	(7,798)	1,121	(Surplus) or Deficit on Provision of Services (Note 2)	8,070	(7,536)	534
			Other Comprehensive Income and Expenditure:			
0	(1,935)	(1,935)	Change in Financial Assumptions (Note 21.5)	4,916	0	4,916
53	0	53	Change in Demographic Assumptions (Note 21.5)	0	0	0
0	(6,690)	(6,690)	Other Experience (Note 21.5)	63	0	63
1,280	0	1,280	Return on pension assets excl. amounts included in net int. (Note 21.4)	0	(3,719)	(3,719)
		0	Actuarial gains / losses on pension assets / liabilities			0
10,252	(16,423)	(6,171)	Total Comprehensive Income and Expenditure	13,049	(11,255)	1,794

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 2018 £'000		Notes	31 March 2019 £'000
363	Property, plant and equipment	8.1	304
67	Intangible assets	9	58
79	Long-term debtors	23	73
509	Long term assets		435
135	Short-term debtors	11	125
1,748	Cash and cash equivalents	12	1,715
1,883	Current assets		1,840
(738)	Short-term creditors	13	(645)
(738)	Current liabilities		(645)
(490)	Other long-term liabilities	24	(455)
(5,933)	Other long-term liabilities (Pensions)	21.3	(7,738)
(6,423)	Long-term liabilities		(8,193)
(4,769)	Net liabilities		(6,563)
(798)	Usable reserves	14	(897)
5,567	Unusable reserves	14	7,460
4,769	Total reserves		6,563

The unaudited Annual Accounts were authorised for issue by the Treasurer on the 10th June 2019.

Treasurer: _____
Hugh Dunn, CPFA

Date: _____
10th June 2019

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 2018 £'000	31 March 2018 £'000		31 March 2019 £'000	31 March 2019 £'000
OPERATING ACTIVITIES				
(441)		Cash received for goods and services	(260)	
(5)		Other local authorities	(3)	
(3)		Interest received	(8)	
(6,118)		Other operating cash receipts	(5,847)	
	(6,567)	Cash inflows generated from operating activities		(6,118)
4,579		Cash paid to and on behalf of employees	4,416	
1,749		Cash paid to suppliers of goods and services	1,703	
	6,328	Cash outflows generated from operating activities		6,119
	(239)	Net cash flows from operating activities (Note 15.1)		1
INVESTING ACTIVITIES				
4		Purchase of property, plant and equipment and intangible assets.	32	
	4	Net cash flows from investing activities		32
	(235)	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		33
1st April £'000	1st April £'000		1st April £'000	1st April £'000
1,513		Cash and cash equivalents	1,748	
	1,513			1,748
31st March			31st March	
1,748		Cash and cash equivalents	1,715	
	1,748			1,715
	(235)	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		33

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES

1.1 General

The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice in the United Kingdom (the Code). 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 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 Transport, Premises, ICT, postage and general administration.

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.

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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.

Amortisation:

- 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 has been depreciated based on an assessment of expected useful life.
- The amortisation policy at 31st March 2017 was not to provide for amortisation in the year of an asset's purchase. This has been amended from 1st April 2017 when amortisation has been provided for in the year of acquisition.
- Amortisation 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.

Amortisation:

Amortisation 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 amortisation is charged on freehold land;
- The amortisation policy at 31st March 2017 was not to provide for amortisation in the year of an asset's purchase. This has been amended from 1st April 2017 when amortisation has been provided for in the year of acquisition.
- Amortisation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset;

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.9 Non-Current Assets (Contd.)

b) Property, Plant and Equipment (Contd.)

Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property (Leasehold improvements) - 25 years (currently 13 years remaining) Depreciated over remaining life of asset	13
Vehicles, plant and equipment	5

Measurement:

Property, plant and equipment, and leasehold improvements are measured at depreciated historic cost, this been a proxy for fair value in line with the Code.

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.)

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.)

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 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.

1.19 Revenue Contributions

Revenue contributions from constituent councils have been included in the Annual Accounts on an accruals basis.

1.20 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.

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.21 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, 2019, 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.

1.22 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.

1.23 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.

1.24 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	2017/18		Net Expenditure in the CIES	Net Expend. Chargeable to the General Fund	2018/19	
	Adjustments	Net Expenditure in the CIES			Adjustments	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
6,331	555	6,886	Core Budget	5,748	461	6,209
0	27	27	Individual Electoral Registration	0	15	15
6,331	582	6,913	Net Cost of Services	5,748	476	6,224
			Other Income and Expenditure			
(6,118)	0	(6,118)	Constituent council requisitions	(5,847)	0	(5,847)
0	(3)	(3)	Interest and investment income	0	(8)	(8)
0	329	329	Net pension interest cost	0	165	165
213	908	1,121	(Surplus) or deficit on the provision of services	(99)	633	534
(1,011)			Opening General Fund Balance	(798)		
213			(Surplus) / Deficit on the provision of services	(99)		
(798)			Closing General Fund Balance at 31 March	(897)		

Notes to the Expenditure and Funding Analysis:

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2018/19:

	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	68	364	20	452	8	460
Individual electoral registration	0	16	0	16	0	16
Net Cost of Services	68	380	20	468	8	476
Other Income and Expenditure						
Constituent council requisitions	0	0	0	0	0	0
Interest and investment income	0	0	0	0	(8)	(8)
Net pension interest cost	0	165	0	165	0	165
(Surplus) or deficit on the provision of services	68	545	20	633	0	633

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
Expenditure			
Employee expenses	4,235	33	4,268
Other service expenses	1,493	186	1,679
Support service recharges	67	0	67
Total Expenditure	5,795	219	6,014
Income			
Revenues from external customers	(39)	(219)	(258)
Interest and investment income	(8)	0	(8)
Total Income	(47)	(219)	(266)
Net Cost of Services per EFA	5,748	0	5,748

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:

	2017/18	2018/19
	£000	£000
Expenditure		
Employee expenses	5,321	4,667
Other service expenses	1,720	1,647
Support service recharges	66	67
Depreciation and impairment	113	101
Interest payments	1,699	1,588
Total Expenditure	8,919	8,070
Income		
Fees, charges and other service income	(307)	(258)
Interest and investment income	(1,373)	(1,431)
Income from constituent Councils	(6,118)	(5,847)
Government grants and other contributions	0	0
Total Income	(7,798)	(7,536)
(Surplus) or Deficit on the Provision of Services	1,121	534

LOTHIAN VALUATION JOINT BOARD

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code. For 2018/19 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property,
- Annual Improvements to IFRS Standards 2014-2016 Cycle,
- IFRIC 22 Foreign Currency Transactions and Advance Consideration,
- IFRIC 23 Uncertainty over Income Tax Treatments, and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

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

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

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.)

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 and the figures included in the 2018/19 Annual Accounts reflect the roll-forward position to 31st March 2019. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period. The balance sheet position has worsened over 2018/19. Corporate bond yields are lower at 31 March 2019 than 31 March 2018 which serves to increase the value placed on the obligations. The effect of this will have been partially offset by investment returns being greater than the 31 March 2018 discount rate.

Under accounting guidance, employers are expected to disclose the sensitivity of the valuation to key assumptions.

The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for reporting under the Accounting Standard are the responsibility of the Employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

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%	6,771
0.5% increase in the Salary Increase Rate	2%	1,446
0.5% increase in the Pension Increase Rate	8%	5,153

6. EVENTS AFTER THE REPORTING PERIOD

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.

2018/19 - 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
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(75)	75	0	0	75
Depreciation of intangible assets	(25)	25	0	0	25
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	32	(32)	0	0	(32)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,388)	0	1,388	0	1,388
Employer's pension contributions and direct payments to pensioners payable in the year	843	0	(843)	0	(843)
Adjustments primarily involving the Employee Statutory Adjustment Account					
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	(20)	0	0	20	20
Total Adjustments	(633)	68	545	20	633

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.

2017/18 - 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
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(94)	94	0	0	94
Depreciation of intangible assets	(20)	20	0	0	20
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	4	(4)	0	0	(4)
Adjustments primarily involving the Pensions Reserve					
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)
Adjustments primarily involving the Employee Statutory Adjustment Account					
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)
Total Adjustments	(908)	110	830	(32)	908

LOTHIAN VALUATION JOINT BOARD

8. PROPERTY PLANT AND EQUIPMENT

Movements on balances:

8.1 <u>Current Year Movements in 2018/19</u>	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
Cost or Valuation			
At 1st April 2018	432	340	772
Derecognised assets GBV reversal	0	(68)	(68)
Additions	0	16	16
At 31st March 2019	432	288	720
Accumulated Depreciation			
At 1st April 2018	(185)	(224)	(409)
Derecognised assets depreciation reversal	0	68	68
Depreciation charge	(17)	(58)	(75)
At 31st March 2019	(202)	(214)	(416)
Net Book Value at 31st March 2019	230	74	304

8.2 <u>Previous Year Movements in 2017/18</u>	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
Cost or Valuation			
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
Accumulated Depreciation			
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)
Net Book Value at 31st March 2018	247	116	363

8.3 Depreciation

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

- Leasehold improvements (buildings) - 25 years (currently 13 years remaining)
- Vehicles, plant and equipment - 5 years

LOTHIAN VALUATION JOINT BOARD

8. PROPERTY PLANT AND EQUIPMENT (Contd.)

8.4 Capital Commitments

At 31st March 2019, 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.

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
 - Trustmarque Solutions Ltd - Anti-virus 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. Amortisation of £0.025m was charged to the Comprehensive Income and Expenditure during 2018/19.

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

	2017/18	2018/19
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	136	136
• Accumulated amortisation	(50)	(69)
Net carrying amount at start of year	86	67
Additions	0	16
Amortisation for the period	(19)	(25)
Net carrying amount at end of year	67	58
Comprising:		
• Gross carrying amounts	136	152
• Accumulated amortisation	(69)	(94)
	67	58

LOTHIAN VALUATION JOINT BOARD

10. FINANCIAL INSTRUMENTS

10.1 In accordance with IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation; 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.

10.2 Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Board and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Board.

The Board's financial liabilities held during the year are measured at amortised cost and comprised:

- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Board that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Board. The financial assets held by the Board during the year are accounted for under the following classifications:

Amortised cost comprising:

- Cash in hand,
- Cash and cash equivalents (Loans and receivables). The Board maintains its funds 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.
- Trade receivables for goods and services provided.

10.3 Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories

Financial Liabilities	Non-Current		Current	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£'000	£'000	£'000	£'000
Trade creditors	0	0	(2)	(13)

The creditors lines on the Balance Sheet include £0.013m (2017/18: £0.002m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Cash and Cash Equivalents	Non-Current		Current	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£'000	£'000	£'000	£'000
Loans and receivables	0	0	1,748	1,715
Debtors				
Trade debtors	0	0	0	0

The debtors lines on the Balance Sheet includes no short-term or long-term debtors.

10.4 Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

LOTHIAN VALUATION JOINT BOARD

10. FINANCIAL INSTRUMENTS (Contd.)

10.4 Financial Instruments - Fair Values (Contd.)

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Cash and cash equivalents – actual indebtedness balance. The Board maintains its funds as part of the City of Edinburgh Council's group of bank accounts. 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 short-term instruments, including trade payables and receivables, is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Trade creditors	(2)	(2)	(13)	(13)
Trade debtors	0	0	0	0
Loans and receivables	1,748	1,748	1,715	1,715

10.5 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	Financial Assets
	measured at amortised cost	measured at amortised cost
Total expense and income in Surplus or Deficit on the Provision of services :	31st March 2018	31st March 2019
	£'000	£'000
Interest income	3	8

11. SHORT TERM DEBTORS

	2017/18	2018/19
	£'000	£'000
Debtors:		
• Trade Receivables	14	12
• Prepayments	121	113
	<u>135</u>	<u>125</u>

12. CASH AND CASH EQUIVALENTS

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

	2017/18	2018/19
	£'000	£'000
• Cash held by the Board	1	1
• Other local authorities	1,747	1,714
	<u>1,748</u>	<u>1,715</u>

13. SHORT TERM CREDITORS

	2017/18	2018/19
	£'000	£'000
Creditors:		
• Trade payables	(42)	(56)
• Other payables	(696)	(589)
	<u>(738)</u>	<u>(645)</u>

LOTHIAN VALUATION JOINT BOARD

14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		
	2017/18	2018/19
	£'000	£'000
14.1	General Fund Balance	
	(798)	(897)
	<u>(798)</u>	<u>(897)</u>

<u>UNUSABLE</u>		
	2017/18	2018/19
	£'000	£'000
14.2	Capital Adjustment Account	
	(429)	(361)
14.3	Pension Reserve	
	5,933	7,738
14.4	Accumulated Absence Account	
	63	83
	<u>5,567</u>	<u>7,460</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>	2017/18	2018/19
	£'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	213
2018/19	-	(99)
	<u>(798)</u>	<u>(897)</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.)

	2017/18 £'000	2018/19 £'000
Balance at 1st April	(538)	(429)
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	94	75
• Depreciation of intangible assets	19	25
	<u> </u>	<u> </u>
Net written out amount of the cost of non-current assets consumed in year	(425)	(329)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(4)	(32)
	<u> </u>	<u> </u>
Balance at 31st March	<u>(429)</u>	<u>(361)</u>

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	12,395	5,933
Remeasurements of the net defined benefit liability / (asset)	(7,292)	1,260
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.	1,589	1,388
Employer's pension contributions and direct payments to pensioners payable in the year.	(759)	(843)
	<u> </u>	<u> </u>
Balance at 31st March	<u>5,933</u>	<u>7,738</u>

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.

	2017/18 £'000	2017/18 £'000	2018/19 £'000	2018/19 £'000
Balance at 1st April		94		63
Settlement or cancellation of accrual made at the end of the preceding year	(94)		(63)	
Amounts accrued at the end of the current year	63		83	
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		(31)		20
Balance at 31st March		63		83

15 CASH FLOW STATEMENT

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

	2017/18 £'000	2018/19 £'000
Net (increase)/decrease in the General Fund Balance	213	(99)
Exclude accumulated absences	(31)	20
Exclude revenue contribution to capital	(4)	(32)
	178	(111)
(Decrease)/increase in revenue debtors	(137)	(10)
(Decrease)/increase in long term debtors	(6)	(6)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	(309)	93
Revenue activities net cash flow	(239)	1

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

	2017/18 £'000	2018/19 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,513	1,748
Due by/(to) the City of Edinburgh Council at 1st April	1,748	1,715
(Increase)/decrease in cash	(235)	33

LOTHIAN VALUATION JOINT BOARD

16. MEMBERS ALLOWANCES

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

	2017/18 £000's	2018/19 £000's
Salaries (incl. NI and Pensions)	7	9
Expenses	0	0
Total	7	9

17. EXTERNAL AUDIT COSTS

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

	2017/18 £000's	2018/19 £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 2018/19 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:

	2017/18 £000's	2018/19 £000's
• The City of Edinburgh Council:		
Rates	111	115
Rent	305	305
Central support costs	66	67
Interest on revenue balances	(3)	(8)
Constituent council contribution	(3,741)	(3,575)
Constituent council requisition refund	112	0
Council Tax hearings	2	2
Vehicle hires	2	2
Printing	0	1
Trade Waste/maintenance	17	7
Refund of EU Referendum costs	0	0
Due from City of Edinburgh Council	1,747	1,714
Long term debtor - lease of office	79	73
Convener remuneration	5	6

LOTHIAN VALUATION JOINT BOARD

18. RELATED PARTIES (Contd.)

18.3 Other Parties (Contd.)

	2017/18 £000's	2018/19 £000's
<ul style="list-style-type: none"> • The Cabinet Office 		
IER grant received	(619)	(591)
<ul style="list-style-type: none"> • Midlothian Council 		
Constituent council contribution	(562)	(540)
Constituent council requisition refund	17	0
<ul style="list-style-type: none"> • East Lothian Council 		
Constituent council contribution	(667)	(636)
Constituent council requisition refund	20	0
<ul style="list-style-type: none"> • West Lothian Council 		
Constituent council contribution	(1,148)	(1,096)
Constituent council requisition refund	34	0
Vice Convener remuneration	2	4
<ul style="list-style-type: none"> • Clackmannanshire Council • Fife Council • Glasgow City Council • Renfrewshire Council • HM Revenue and Customs • Convention of Scottish Local Authorities • Lothian Buses PLC • Registers of Scotland • Scottish Court Service 	16 2 3 1 5 1 2 2 (3)	23 0 7 1 4 1 1 2 (3)

19. TERMINATION BENEFITS

No employees left during the 2018/19 incurring termination benefits. Two employees left during the year where exit packages were agreed and accounted for within the 2017/18 Annual Accounts. The Exit Packages note is shown on page 44.

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.

	2017/18 £000's	2018/19 £000's
Opening Capital Financing Requirement	0	0
Capital investment		
• Property, Plant and Equipment	4	16
• Intangible assets	0	16
Sources of finance		
• Direct revenue contributions	(4)	(32)
Closing Capital Financing Requirement	0	0

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:

	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
Cost of services, comprising:				
Current service costs	1,247		1,189	
Past service costs	<u>13</u>		<u>34</u>	
		1,260		1,223
Financing and investment income:				
Net interest expense		<u>329</u>		<u>165</u>
Total post employee benefit charged to the surplus on the provision of services		1,589		1,388
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	1,280		(3,719)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(1,882)		4,916	
Other experience	<u>(6,690)</u>		<u>63</u>	
		<u>(7,292)</u>		<u>1,260</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(5,703)</u>		<u>2,648</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>6,462</u>		<u>(1,805)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		679		760
Contributions in respect of unfunded benefits		<u>80</u>		<u>83</u>
		<u>759</u>		<u>843</u>

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:

	2017/18	2018/19
	£000	£000
Fair value of employer assets	52,764	57,833
Present value of funded liabilities	(56,872)	(63,650)
Present value of unfunded liabilities	(1,825)	(1,921)
Net liability arising from defined benefit obligation	<u>(5,933)</u>	<u>(7,738)</u>

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

	2017/18	2018/19
	£000	£000
Opening fair value of scheme assets	52,793	52,764
Interest income	1,370	1,423
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(1,280)	3,719
Contributions from employer	679	760
Contributions from employees into the scheme	207	198
Contributions in respect of unfunded benefits	80	83
Benefits paid	(1,005)	(1,031)
Unfunded benefits paid	(80)	(83)
Closing fair value of scheme assets	<u>52,764</u>	<u>57,833</u>

21.5 Reconciliation of Present Value of the Scheme Liabilities

	2017/18	2018/19
	£000	£000
Present value of funded liabilities	(63,253)	(56,872)
Present value of unfunded liabilities	(1,935)	(1,825)
Opening balance at 1 April	<u>(65,188)</u>	<u>(58,697)</u>
Current service cost	(1,247)	(1,189)
Interest cost	(1,699)	(1,588)
Contributions from employees into the scheme	(207)	(198)
Remeasurement gain / (loss):		
Change in financial assumptions	1,935	(4,916)
Change in demographic assumptions	(53)	0
Other experience	6,690	(63)
Past service cost	(13)	(34)
Benefits paid	1,005	1,031
Unfunded benefits paid	80	83
Closing balance at 31 March	<u>(58,697)</u>	<u>(65,571)</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.

	2017/18 £000	2017/18 %	2018/19 £000	2018/19 %
<u>Equity Securities</u>				
Consumer *	7,229.4	14	6,153.4	11
Manufacturing *	7,855.3	15	7,115.6	13
Energy and Utilities *	3,300.8	6	4,369.0	8
Financial Institutions *	4,687.6	9	4,865.3	8
Health and Care *	2,586.8	5	3,142.1	5
Information Technology *	3,216.8	6	1,883.7	3
Other *	<u>3,311.1</u>	6	<u>5,639.1</u>	10
Sub-total Equity Securities	<u>32,187.8</u>		<u>33,168.2</u>	
<u>Debt Securities:</u>				
Corporate Bonds (non-investment grade)	1,028.0	2	0.0	0
Corporate Bonds (investment grade)	0.0	0	0.0	0
UK Government *	5,115.4	10	5,876.1	10
Other	<u>0.0</u>	0	<u>0.0</u>	0
Sub-total Debt Securities	<u>6,143.4</u>		<u>5,876.1</u>	
<u>Private Equity</u>				
All *	168.2	0	0.0	0
All	<u>795.2</u>	2	<u>784.3</u>	1
Sub-total Private Equity	<u>963.4</u>		<u>784.3</u>	
<u>Real Estate:</u>				
UK Property	3,391.3	6	3,917.1	7
Overseas Property	<u>55.2</u>	0	<u>0.0</u>	0
Sub-total Real Estate	<u>3,446.5</u>		<u>3,917.1</u>	
<u>Investment Funds and Unit Trusts:</u>				
Equities *	507.1	1	571.3	1
Bonds	0.0	0	1,466.1	3
Infrastructure	6,253.4	12	7,178.8	12
Commodities *	0.0	0	0.0	0
Other	<u>120.5</u>	0	<u>0.0</u>	0
Sub-total Investment Funds and Unit Trusts	<u>6,881.0</u>		<u>9,216.2</u>	
<u>Derivatives:</u>				
Foreign Exchange *	<u>24.3</u>	0	<u>14.6</u>	0
Sub-total Derivatives	<u>24.3</u>		<u>14.6</u>	
<u>Cash and Cash Equivalents</u>				
All *	<u>3,117.6</u>	6	<u>4,856.5</u>	8
Sub-total Cash and Cash Equivalents	<u>3,117.6</u>		<u>4,856.5</u>	
Total Fair Value of Employer Assets	<u>52,764.0</u>	<u>100</u>	<u>57,833.0</u>	<u>100</u>

Scheme assets marked with an asterisk (*) have quoted prices in current active markets or were in active markets 2018/19.

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 2019 were those from the beginning of the year (i.e. 31 March 2018) and have not been changed during the year. The main assumptions in the calculations are:

<u>Average future life expectancies at age 65:</u>		2017/18	2018/19
Current pensioners	male	21.7 years	21.7 years
Current pensioners	female	24.3 years	24.3 years
Future pensioners	male	24.7 years	24.7 years
Future pensioners	female	27.5 years	27.5 years
<u>Financial assumptions:</u>		2017/18	2018/19
Pension increase rate		2.4%	2.5%
Salary increase rate		4.1%	4.2%
Discount rate		2.7%	2.4%

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 2019 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 2019:</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	10.0%	6,771
0.5% increase in the Salary Increase Rate	2.0%	1,446
0.5% increase in the Pension Increase Rate	8.0%	5,153

21.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2020

	Assets £000	Obligations £000	Net (liability) / asset	
			£000	% of pay
Current service cost	0	(1,354)	(1,354)	-44.50%
Total Service Cost	0	(1,354)	(1,354)	-44.50%
Interest income on plan assets	1,385	0	1,385	45.50%
Interest cost on defined benefit obligation	0	(1,578)	(1,578)	-51.90%
Total Net Interest Cost	1,385	(1,578)	(193)	-6.40%
Total included in Profit or Loss	1,385	(2,932)	(1,547)	-50.90%

The Board's estimated contribution to Lothian Pension Fund for 2019/20 is £0.665m.

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:

17a South Gyle Crescent - offices		
	2017/18	2018/19
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,526	1,526
• Later than 5 years	2,442	2,137
	<u>4,273</u>	<u>3,968</u>

Car Leases

The Board operates an employee car leasing scheme. There were nine active leases in operation at 31st March 2019 and employees contributed £0.018m during 2018/19 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2017/18	2018/19
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	30	23
• Later than 1 year not later than 5 years	25	27
	<u>55</u>	<u>50</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 £5,720 and £7,902 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. 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.

	2017/18	2018/19
	£000's	£000's
• Cash incentive:		
Balance at 1st April	85	79
Amortised to Comprehensive Income and Expenditure Statement	(6)	(6)
Balance at 31st March	<u>79</u>	<u>73</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.

	2017/18	2018/19
	£000's	£000's
Balance at 1st April	(525)	(490)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(490)</u>	<u>(455)</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 2018/19 £000's	Amount received 2018/19 £000's	Amount due (to)/from Constituent Councils 2018/19 £000's
City of Edinburgh Council	3,575	3,575	0
Midlothian Council	540	540	0
East Lothian Council	636	636	0
West Lothian Council	1,096	1,096	0
	<u>5,847</u>	<u>5,847</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; and
- 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 2019 amounted to £1.715m (2017/18 £1.748m). No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period, the Board held no collateral as security.

LOTHIAN VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

In discharging these overall responsibilities Elected Members and Senior Officers are responsible for implementing proper arrangements for the governance of the Board's affairs and facilitating the effective exercise of its functions, including arrangements for 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 Schedule of Assurance for the Annual Governance Statement is on our website 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 core principles of good governance.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management.

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 and 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.

In May 2018, the Board introduced a Governance, Risk and Best Value Group. The first meeting with external stakeholders was held on 24th October 2018. Further meetings are scheduled during 2019/20. The Governance Group provides formal, transparent arrangements for monitoring corporate reporting, risk management and internal financial and core system controls within Lothian Valuation Joint Board. These arrangements support an appropriate relationship with the Board's external auditors and satisfy internal quality assurance and Joint Board requirements. An annual report by the Board's Head of Governance shall be presented to the Board on 17th June 2019 and will provide information on Governance activity undertaken during 2018/19.

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.)

Review of Effectiveness

The Board has put in place arrangements for monitoring each element of the framework and to provide evidence of compliance. A Principal Officer within Lothian Valuation Joint Board has been nominated to review the effectiveness of the arrangements and to report annually to the 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, based on the delivery of one internal audit review each year, follow-up to confirm effective implementation of previous internal audit findings raised and the status of any open internal audit findings;
- 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 risk management framework and control and 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 delivering one audit each year and providing an opinion on the design and operating effectiveness of the key internal controls established to manage the Board's most significant risks.
- the **External Audit** undertaken by Scott-Moncrieff and reported in the Annual Audit Report to 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 reported quarterly to the Board, financial risks through budget reports and service risks through the Assessors Progress report. This ensures that actions can be considered 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 2019. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

A review was undertaken of the Schedule of Assurance prepared by management. The review did not identify any instances of non-compliance. One instance of partial compliance was identified; this in respect of arrangements in place to encourage 'customer' feedback and engagement. An Improvement Plan is proposed. Work is ongoing on this with some engagement measures already implemented in 2018/19. During 2018/19 no significant Internal Audit findings were raised in relation to the 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

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 2018/19;
- 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 Office. The post of Depute Assessor was removed from 1st April 2018 following the approval of a new staffing structure as part of the Transformation and Cultural Change Programme. The Scottish Joint Negotiating Committee (SJNC) for Local authority Services sets the salaries for the Chief Officials of Scottish local authorities and is responsible for agreeing annual inflationary increases. The post of Assessor and Electoral Registration Officer was reviewed at the creation of the Joint Board in 1996. Advice on such matters is received from the Human Resources division of the City of Edinburgh Council and from the Executive Director of Resources, City of Edinburgh Council.

The salaries of all other employees is set by reference to the Scottish Joint Council for Local Government Employees for all other categories of staff. The Board's Scheme of Delegation provides the Assessor and Electoral Registration Officer with delegated authority to appoint employees within agreed staffing and expenditure levels. The City of Edinburgh Council provides remuneration advice and assistance to the Board on request.

The Convener and Vice-Convener of the Board are remunerated by the Council of which they are a council member. The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015.

The Board has an arrangement with each council that remunerates the Convener and Vice-Convener to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

All other members of the Board are remunerated by the Council of which they are a council member.

The position of Chief Executive is provided and remunerated by the City of Edinburgh Council.

3. Pension Entitlement of Senior Employees

The Board's senior employees participate in the Local Government Pension Scheme administered by the Lothian Pension Fund. This is a final salary pension scheme which means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls in to each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees.

The tiers and members contributions rates for 2018/19 are as follows:

On earnings up to and including £21,300 (5.5%), on earnings above £21,300 and up to £26,100 (7.25%), on earnings above £26,100 and up to £35,700 (8.5%), on earnings above £35,700 and up to £47,600 (9.5%) and on earnings above £47,600 (12%).

LOTHIAN VALUATION JOINT BOARD

REMUNERATION REPORT (Contd.)

3. Pension Entitlement of Senior Employees (Contd.)

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

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 - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

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

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	
	2017/18	2018/19
£50,000 - £54,999	3	3
£55,000 - £59,999	1	-
£60,000 - £64,999	2	1
£65,000 - £69,999	1	2
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	1	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	2	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
£125,000 - £129,999	-	-
£130,000 - £134,999	1	-
Totals	14	8

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 2018	Salary, Fees and Allowances 31 March 2019
	£	£
G. Strachan - Assessor and Electoral Reg Officer	120,747	121,145
N. Chapman - Depute Assessor (Interim) *	97,158	0
Total	217,905	121,145

* appointed interim Depute Assessor from 01.01.17 until 31.03.18. Post removed from 01.04.18 so no remuneration included against this post for 2018/19.

LOTHIAN VALUATION JOINT BOARD

REMUNERATION REPORT (Contd.)

6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2018	For year to 31 March 2019
Name and Post Title		£	£
G. Strachan - Assessor and Electoral Reg Officer		25,120	25,718
N. Chapman - Depute Assessor (Interim) *		20,166	0
<u>Accrued Pension Benefits</u>		As at 31 March 2019	Difference from 31 March 2018
Name and Post Title		£'000	£'000
G. Strachan - Assessor and Electoral Reg Officer			
	Pension	64	3
	Lump sum	128	0

* appointed interim Depute Assessor from 01.01.17 until 31.03.18. Post removed from 01.04.18 so no pension included against this post for 2018/19.

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.

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remun. 2018/19	Total Remun. 2017/18
	£	£	£	£
N.Work - Convener *	0	0	0	965
D.Key - Convener *	4,251	0	4,251	2,595
M. Russell - Vice Convener **	0	0	0	286
A. McGuire - Vice Convener **	3,189	0	3,189	1,956
	<u>7,440</u>	<u>0</u>	<u>7,440</u>	<u>5,802</u>

* N. Work Convener until 21.08.17. Thereafter D.Key appointed Convener
 ** 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

<u>In-year pension contributions</u>	For year to 31 March 2018	For year to 31 March 2019	
<u>Name and Post Title</u>	£	£	
N.Work - Convener (former)	5,503	0	*
D.Key - Convener	4,304	4,631	*
A.McGuire - Vice Convener (not in LPF)	0	0	*
		Difference from 31 March 2018	
<u>Accrued Pension Benefits</u>	As at 31 March 2019		
<u>Name and Post Title</u>			
D.Key - Convener	Pension	3	1
	Lump sum	0	0

* includes full pension entitlement as a Councillor, not just that in respect of Convener/Vice Convener of the Lothian Valuation Joint Board. No pension shown for N. Work 2018/19 as he was no longer the Board's Convener.

9. Exit Packages

The following information details the number, and total cost, of exit packages agreed and approved by 31st March 2019, grouped in rising bands of £20,000 up to £100,000.

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

Exit Packages Band	Number of Employees		Total Cost	
	2017/18	2018/19	2017/18	2018/19
			£	£
£0 - £20,000	4	0	57,059	0
£20,001 - £40,000	4	0	120,236	0
£40,001 - £60,000	3	0	144,386	0
£60,001 - £80,000	1	0	63,422	0
£80,001 - £100,000	1	0	85,404	0
Totals	13	0	470,507	0

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

10. Trade Union (Facility Time Publication Requirements) Regulations 2017

The Lothian Valuation Joint Board is required to report from 1st April 2017 a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2018/19, the equivalent of 0.05 FTE (1 individual) of paid facility time was made available, with an associated cost of £2,813. This sum equates to 0.07% of Lothian Valuation Joint Board's overall paybill. Of the total time made available, no individual spent 100% of time during the year on trade union-related activities, only between 0% and 50%.



Treasury Management Annual Report 2018/19

17 June 2019

1 Purpose of report

The purpose of this report is to provide an Annual Treasury Report for the financial year 2018/19.

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 2019.

3 Investment Out-turn for 2018/19

- 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	£1,747,314.50
30 April 2018	£1,698,183.69
31 May 2018	£1,500,376.88
30 June 2018	£1,575,639.44
31 July 2018	£1,546,010.33
31 August 2018	£1,517,349.46
30 September 2018	£1,447,262.37
31 October 2018	£1,529,826.61
30 November 2018	£1,534,036.67
31 December 2018	£1,658,471.08
31 January 2019	£1,775,059.16
28 February 2019	£1,675,739.93
31 March 2019	£1,715,005.12

3.2 Interest is calculated on the average monthly balance. The interest rate applied was 0.504%, giving an interest amount of £8,062.24, being payable to the Board.

4 Recommendations

4.1 It is recommended that the Board notes the Annual Report for 2018/19.

HUGH DUNN,
Treasurer.

Appendix None

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ANNUAL PERFORMANCE REPORT 2018/19

17th June 2019

1.0 INTRODUCTION

This report accompanies the 2018/2019 unaudited accounts allowing consideration of organisational performance and budgetary outcome.

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

2.0 ELECTORAL REGISTRATION

2.1 2018 Annual Household Canvass

The 2018 annual household canvass concluded on the 1 December 2018 with the publication of the revised electoral register.

The number of Household Enquiry Forms (HEFs) and (Invitation to Register forms) ITRs issued throughout the canvass period was 744,086 HEFs (429,960 initial, 183,709 1st reminders and 130,417 2nd reminders) and 109,554 ITRs (56,102 initial, 32,917 1st reminders and 20,535 2nd reminders).

The overall HEF return rate achieved was 75% which compares with 70% in 2016 and 74% in 2017.

Throughout the canvass period 79,186 household canvass calls were made.

In respect of electronic response to the annual canvass, 148,463 responses were provided broken down as follows; 119,977 on-line (including e-canvass), 15,444 SMS text, 13,042 telephone.

This compares with 106,361 electronic responses in 2016 and 118,256 in 2017.

2.2 Rolling Registration

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, name changes, franchise amendments and alterations to opt out preferences. In total 79,050 changes were made to the register during April 2018 to March 2019.

This compares with a total of 99,264 for the April 2017 to March 2018 which included two major electoral events – The Local Council Elections in May 17 and the snap General Election in June 17.

2.3 Electoral Registration Statistical Information

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

The following is shown for each ward:-

- HEF Canvass return rate 2017
- HEF Canvass return rate 2018
- Electorate numbers as at 1 December 18 Register Publication
- Electorate numbers as at 16 May 19 (Final Election update)
- Number of Young Persons registered
- Number of households canvassed 2018

CITY OF EDINBURGH

Ward Number and Name	HEF Return% 2017	HEF Return% 2018	1 Dec 18 Electorate	16 May 19 Electorate	YPs – U18s	Number of Households canvassed
1 Almond	76.2	79.4	26105	26535	788	15440
2 Pentland Hills	72.9	64.9	22919	23318	632	16081
3 Drum Brae/Gyle	78.0	80.9	18388	18575	429	11023
4 Forth	66.2	68.6	23299	23723	540	15685
5 Inverleith	76.2	78.5	23631	24114	505	16019
6 Corstorphine/Murrayfield	81.8	83.9	19191	19406	488	11303
7 Sighthill/Gorgie	62.1	63.3	21576	21994	311	16520
8 Colinton/Fairmilehead	80.8	82.2	18892	19048	639	10581
9 Fountainbridge/Craiglockhart	71.9	61.7	16720	17106	283	13593
10 Morningside	72.7	75.8	23034	23985	555	14628
11 City Centre	56.0	46.5	19278	20165	246	21100
12 Leith Walk	62.2	60.9	23727	24462	209	20300
13 Leith	60.6	67.1	17330	18043	222	13033
14 Craightinny/Duddingston	68.5	61.4	22636	23195	367	16269
15 Southside/Newington	70.6	54.4	21097	22183	475	19315
16 Liberton/Gilmerton	75.5	69.6	25740	26234	641	16091
17 Portobello/Craigmillar	73.7	74.7	22993	23563	595	14721

MIDLOTHIAN

Ward Number and Name	HEF Return % 2017	HEF Return% 2018	1 Dec 18 Electorate	16 May 19 Electorate	YPs – U18s	Number of Households canvassed
1 Penicuik	78.0	80.2	11053	11147	296	6291
2 Bonnyrigg	79.4	83.5	13723	13911	420	7501
3 Dalkeith	68.5	74.1	10499	10744	246	6481
4 Midlothian West	77.1	79.8	12288	12469	343	7046
5 Midlothian East	78.3	82.5	11820	12029	306	6748
6 Midlothian South	71.4	76.5	11442	11668	298	6699

EAST LOTHIAN

Ward Number and Name	HEF Return % 2017	HEF Return% 2018	1 Dec 18 Electorate	16 May 19 Electorate	YPs – U18s	Number of Households canvassed
1 Musselburgh	74.9	71.4	15783	16069	420	10403
2 Preston, Seton and Gosford	80.3	82.8	14476	14624	391	8322
3 Tranent, Wallyford and Macmerry	74.1	78.5	14442	14586	385	8373
4 North Berwick Coastal	82.8	83.9	10792	11012	364	6616
5 Haddington and Lammermuir	79.9	82.6	14184	14435	418	8283
6 Dunbar and East Linton	76.8	80.9	11185	11392	371	6735

WEST LOTHIAN

Ward Number and Name	HEF Return % 2017	HEF Return% 2018	1 Dec 18 Electorate	16 May 19 Electorate	YPs – U18s	Number of Households canvassed
1 Linlithgow	82.7	83.8	12311	12427	430	6776
2 Broxburn, Uphall and Winchburgh	75.2	77.9	15500	15728	407	9204
3 Livingston North	70.4	76.8	17681	17867	579	9809
4 Livingston South	70.6	76.8	18091	18356	720	9651
5 East Livingston and East Calder	72.7	75.4	16404	16694	461	9555
6 Fauldhouse and the Breich Valley	70.7	72.5	12089	12214	335	7159
7 Whitburn and Blackburn	70.1	70.7	15667	15980	444	9860
8 Bathgate	71.4	74.8	17540	17769	479	10588
9 Armadale and Blackridge	71.7	71.9	12379	12549	337	7313

2.4 By-Elections

Although these Elections fall out with the April 18 to March 19 period they are worthy of a mention due to the work undertaken in preparation to help deliver them.

Edinburgh Ward 12 Leith Walk By-Election – 11 April 2019

The polling day electorate for this by-election was 24,197.

Turnout was 30.3%.

East Lothian Ward 5 Haddington & Lammermuir By-Election – 9 May 2019

The polling day electorate for this by-election was 14,229.

Turnout was 44.2%

For these by-elections the opportunity was taken to increase our organisational resilience during election periods and use them as training events for less experienced members of the electoral registration and elections team. Working under supervision it allowed additional staff to become more familiar with the specific and detailed process requirements surrounding these events.

2.5 European Parliamentary Elections 23 May 2019

The late announcement that the UK was to take part in the EU Elections created considerable additional pressure. In a very short time frame polling schemes were obtained from Council's in order to create the data for Poll Cards and EU voter registration forms were issued to 40,000 registered EU citizens. If an EU citizen wished to vote at the Elections in this country they had to complete and return this form to us by the closing date for applications on 7 May. These forms were issued by email, if possible, or by post.

8,000 forms were received from EU electors by the closing date. It is not possible to quantify how many EU citizens chose to make arrangements to vote in their own country.

On election-day issues arose, mostly in England, regarding the disenfranchisement of EU citizens due to forms not being received or lack of awareness that an additional form had to be completed.

Whilst a small number of enquiries and complaints regarding the issue of these forms was dealt with, very positive feedback from individual electors and also from the European Movement in Scotland was received.

The electorate figures shown in the table above indicate the increase from register publication in December to the final election update on 16 May. The number of postal

voters rose from around 114,000 following the annual absent vote personal identifier update in January to 119,424 on polling day. Over 1000 telephone calls to our call centre on the day of the poll were handled and our election managers also dealt with around 130 calls directly from polling station staff.

The overall turnout in Scotland was 39.9%.

The turnout figures for our four constituent councils were –

The City of Edinburgh 50.2% (The highest in the UK)

East Lothian 42.9%

Midlothian 38.2%

West Lothian 38.5%

The turnout, particularly in Edinburgh, confirms that this was a significant test of our election procedures and processes. Post-election reviews are underway identifying areas where improvements can be made.

3.0 ELECTORAL REGISTRATION ENGAGEMENT ACTIVITY

In order to improve the profile of the organisation and its activities the appointment of a dedicated Engagement Officer has allowed a greater focus on engagement with the general public, drawing attention to the accessibility of the online registration process, particularly in underrepresented sections of the electorate.

3.1 By-Elections

Working in partnership with the Communications departments of each of the four constituent councils, useful contacts and potential opportunities for holding registration events throughout the year have been identified. These relationships prove particularly important in the lead up to election events such as recent by-elections in Leith Walk and Haddington & Lammermuir, where a consistent message can be developed between the council's elections team and the ERO using both traditional and online marketing techniques. Additionally, local registration events were organised to promote voter registration in the lead up to closing dates for those by-elections.

3.2 Social Media

The popularity of social media in today's society continues to shape the way that people communicate and obtain information. To this end the launch and development of both the redesigned website and new twitter feed for the ERO is an opportunity for the organisation to improve its online presence, providing a platform for electors to engage in meaningful dialogue with the ERO whilst allowing greater control of online engagement messaging.

3.3 Schools

Working with schools to promote voter registration is one of the main drives of the engagement role. Electoral registration staff visited a higher number of schools than in the previous year, allowing pupils of the participating schools the opportunity to register to vote. The average registration rate of schools that accepted the invite of a visit increased at a higher rate than those who did not. In addition to conducting school visits, every pupil not already registered has been issued with registration forms using data mining programs. An additional letter has been issued to non-respondents to encourage registration through the gov.uk website. For details of registration rates across the four constituent councils see the table below.

Constituent Council	Eligible Students	Total Registered	% Registered	% Increase
City of Edinburgh	8132	6729	82.75	23.19
East Lothian	2432	2116	87.01	22.58
Midlothian	2031	1610	79.27	22.63
West Lothian	4678	4073	87.07	24.15
Total	17273	14528	84.11	23.14

3.4 Universities

With 4 universities in the Edinburgh and East Lothian council areas, registration of students provides a unique challenge for electoral administrators. Working closely with the Students Associations, electoral registration staff attended Fresher's week events and other events throughout the year at the University of Edinburgh and Queen Margaret University to register new students at term-time addresses and provide information on any other matters relating to electoral registration. Additionally, an e-mail was issued to all students appearing on lists provided by each of the universities, inviting those who had not already done so to register to vote via the gov.uk website. Engagement activities throughout the year have contributed to an increased electorate in wards such as the City Centre and Southside/Newington, areas with a high number of student properties.

3.5 Other Engagement Activities

Throughout the year a range of other engagement activities are carried out in order to further support the overarching commitment to provide a complete and accurate Electoral Register, an example of these activities are detailed below:-

- Registration of newly qualified electors at British Citizenship Ceremonies – 434 new electors.
- TV and social media advertising campaigns to promote National Democracy Week and encourage return of annual canvass forms.

- ITR's issued to new council tax payers using data mining program (approx. 45,000 potential electors identified).
- Online & print advertising using a range of various websites and publications – e.g. ESPC website & weekly newspaper.
- Registration events held in each of the council areas to allow people to check their registration status and update their details as necessary.
- Worked in partnership with ELREC to promote voter registration in the BME community.
- Attendance at Glencorse Barracks Information Day to provide information on armed forces registration, and other available options, such as absent voting.

3.6 EU Parliamentary Election

Electoral events provide a natural focal point for the electorate's engagement with the registration process. Whilst the recent European elections fall outwith the reporting period, the short time-scale for preparation and challenges surrounding registration of EU citizens for the election provided a significant test of the ERO's engagement channels. In this regard a positive response was received with the European Movement commending the clear messaging on the website and turnout in each of the council areas exceeding the UK average (37%). Although, due to the limited timeframe, engagement event opportunities were restricted, we worked in partnership with Edinburgh University Student Association's Communities Officer to provide a pop-up registration stall at the Main Library in George Square in the week leading up to the closing date for registration.

4.0 NON-DOMESTIC RATING 2018/19

4.1 2017 Revaluation Appeal Disposal

During the 2018/19 financial year a total of 4,652 revaluation appeals were disposed of, along with 351 running roll appeals. The tables below gives a more detailed breakdown of the revaluation appeals that have been resolved during this period.

Council	Type	Total No.	WID	%	ADJ	%	Dismissed	%
C.E.C.	RV	3,536	2,598	73.5%	832	23.5%	106	3.0%
Midlothian	RV	113	73	64.6%	39	34.5%	1	0.9%
West Lothian	RV	750	599	79.9%	128	17.1%	23	3.0%
East Lothian	RV	242	193	79.7%	44	18.2%	5	2.1%
Total	RV	4,641	3,463	74.6%	1,043	22.5%	135	2.9%

Of the total number of 4,641 resolved the types of property included;

Offices & Car Parks/Spaces	2717
Shops	179
Industrial	404
Public Houses	345

For information a further 1,208 appeals have been resolved between 1st April and 31st May 2019.

To the 1st June 2019 the total loss on appeal set against the total rateable value of all appealed subjects is 1.85%.

The total number of outstanding 2017 appeals, both revaluation and running roll, stands as at 3rd June 2019;

Edinburgh	3,887
Midlothian	750
West Lothian	1,522
East Lothian	637
Total	6,796

The target is to resolve a further 4,500 appeals before the end of 2019.

4.2 Non-Domestic Running Roll

For the period 1st April 2018 to 31st March 2019 3,227 amendments were made to the Valuation Roll. With regard to inserts, amendments to existing entries and deletions the split between the 4 authorities are shown below.

01/04/18 – 31/03/19	Inserts	Amends	Deletions
City of Edinburgh	908	1,496	744
Midlothian	67	123	45
West Lothian	172	339	222
East Lothian	115	137	50

For comparative purposes the last 5 years cumulative figures for Lothian and the associated performance levels are shown below.

	Total	< 3 mths	%	3-6 mths	%	> 6 mths	%
2018/19	3,227	1,867	57.86	705	21.85	655	20.30
2017/18	4,127	2,501	60.60	779	18.48	847	20.52
2016/17	4,200	1,960	46.67	933	22.21	1,307	31.12
2015/16	3,098	2,234	72.11	476	15.36	388	12.52
2014/15	3,489	2,644	75.78	469	13.44	376	10.78

Moving forward the aim is to improve the performance with regard to running roll despite the change to 3 yearly revaluations and the challenges that in itself will bring. Existing work practices have recently been amended seeking to establish a more

proactive approach to this activity. The target being to achieve 70-75% of amendments to the roll being implemented within 3 months of the date of completion.

Looking ahead the new St. James Centre is scheduled to open in October 2021. A mixed use development, it shall comprise of approximately 85 retail units, 30 licensed subjects, a hotel, serviced apartments, a cinema and 1,600 public car spaces. Initial discussions have taken place with the developer and we are hopeful that pre agreement can be reached with regard to the 2022 Revaluation.

Also the Edinburgh tramway extension works will add to our workload over the next 2-3 years. Discussions are ongoing with the City of Edinburgh Council communications and marketing team and we intend where possible to be proactive in dealing with ratepayers concerns. There is, however, likely to be increased appeal activity associated with the tram way extension.

4.3 Commercial Rental Evidence (CRE)

During 2018/19 we introduced an automated CRE form issue process. Previously the issue of CRE forms was an annual bulk process. This led to considerable pressures on resources required to undertake the necessary application and analysis of returned forms. This automation is proving to be very successful allowing the CRE process to be incorporated into business as usual activity. This shall support one of the key NDR Reform deliverables as it shall take less time to assess rental property values movements at any point in time.

Since the 1st April 2018 we have issued 15,463 forms with an additional 4,931 reminders. Of these 6,444 have been returned and analysed. There remains the issues around low levels of return, however further engagement with ratepayers, supported by possible legislative changes, is aimed at promoting the need to return information.

5.0 COUNCIL TAX

For the period 1st April 2018 to 31st March 2019 the number of entries added to the council tax list is shown below. These figures include self-catering units reverting back to domestic use which totalled 328 for 2018/19 of which 288 related to Edinburgh, 8 to Midlothian, 7 to West Lothian and 25 to East Lothian.

Band	Edinburgh	Midlothian	West Lothian	East Lothian	Total
A	229	5	47	0	281
B	514	12	117	28	671
C	412	118	155	114	799
D	719	137	263	127	1,246
E	552	97	158	127	934

Band	Edinburgh	Midlothian	West Lothian	East Lothian	Total
F	329	152	151	111	743
G	371	140	76	214	801
H	59	8	3	6	76
Total	3,185	669	970	727	5,551

The table below shows the total number of new houses and of Point of Sale Band Changes over the last 5 years.

Valuation List	New Houses	Point of Sale Band Changes
2018/19	5,551	250
2017/18	5,715	281
2016/17	4,826	254
2015/16	4,688	270
2014/15	4,409	257

The table below shows performance over the past 5 years

Year	< 3 months	3-6 months	> 6 months
2018/19	93.75%	5.31%	0.94%
2017/18	95.93%	2.93%	1.14%
2016/17	93.86%	4.25%	1.89%
2015/16	96.46%	2.98%	0.56%
2014/15	95.73%	2.77%	1.50%

6.0 OTHER ORGANISATIONAL INFORMATION

6.1 Transformation & Cultural Change Programme (TCCP)

Following the first phase of the TCCP a new organisational structure was implemented effective from 1st April 2018. It took until September 2018 for all the necessary staff adjustment and recruitment to be completed.

This change has been supported by an increased level of communication with staff aimed at increasing involvement with the ongoing process of change both at an organisational level and in respect of efficiencies within service delivery. Emphasis has also been placed upon leadership, empowerment, change and performance.

During 2018/19 the organisation moved into the second phase of the TCCP. While the overall objectives remain the same, this phase is being driven by the challenges resulting from major legislative change.

The second phase is dominated by 6 main projects. Two major ICT projects aimed at supporting the delivery of key NDR Reform requirements, another focused on

improving ratepayer engagement, and 3 projects underpinning the organisational modernisation and change process. All projects progressed in accordance with their implementation plan during 2018/19 and shall remain active throughout 2019/20 and beyond.

These projects are in essence multi-functional as regards the desired outcomes. While delivering on essential legislative change they also provide focus on modernisation, efficiency, improved ways of working and changing attitudes.

6.2 2018/19 Budget & Associated Risks

Primarily as a result of part year recruitment the 2018/19 unaudited accounts indicate a year end budget under spend of £100k.

The 1st phase of the TCCP resulted in the 2018/19 allocated budget reflecting a 4.4% reduction from the 2017/18 allocation. Throughout 2018/19 expenditure restraint has been exercised with every opportunity taken to identify possible savings opportunities within non-employee expenditure. This action shall continue throughout 2019/20 in addition to identifying opportunities for savings arising from the 2nd phase of the TCCP which may impact on future year's budget requirement.

During 2019/20 a budget strategy aimed at identifying sustainable savings opportunities shall continue to be developed.

Notwithstanding this, and as previously advised to the Board, it is anticipated that the 2019/20 year end budget position, due to inescapable growth, shall reflect an over spend of circa £170k. As an early expedient to mitigate this position it is recommended that the identified 2018/19 underspend be set aside specifically within the reserve fund to partially offset this expected budget out turn.

During 2018/19 a number of major risks have been identified and the Board has received regular reports on these issues. The most major of these relate to changes to key service areas and include the NDR Reform programme, changes to the annual electoral registration household canvass, the impact of unexpected or multiple electoral events, and the ongoing uncertainty surrounding Council Tax. For both NDR Reform and Electoral Registration preparations are underway to ensure that risks are being identified and mitigated. As possible changes to the Council Tax system remain unclear no action can be taken at present.

6.3 Human Resources

HR throughout 2018/19 have been active in supporting the recruitment process following the introduction of the revised organisational structure. As a number of positions were filled by internal candidates this created an additional recruitment requirement which contributed to the overall time taken to complete the installation of the new structure.

An Absence Management Policy operates within the organisation with HR providing guidance to staff and management as appropriate. Noted below are the absence levels recorded for 2018/19 compared to the previous year.

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

Year	Short Term Absence Days	Short Term Absence %	Long Term Days Absent	Ong Term % Absent Rate
2016/2017	391	1.53%	141	0.55%
2017/2018	463	1.82%	355	1.39%
2018/2019	419	1.55%	430	1.59%

During 2018/19 the provision of HR Policies on the staff intranet was reviewed leading to a restructuring of the material provided allowing easier identification and access for staff. In addition a schedule for the review of all policies was commenced and is currently ongoing. Any significant changes to policy shall be subject to Trade Union consultation prior to Board approval. In this regard both the Lone Working Policy and Flexible Working Hours Scheme are currently under review and discussion.

The HR Manager is also responsible for building maintenance as supported by the Facilities Management contract. During 2018/19 various issues have arisen including repairs to the air conditioning system, the installation of back-up heating in part of the office to tackle cold temperatures, measures to tackle water ingress from the roof, and the replacement of the gas boiler providing heat to toilets and communal areas.

Certain types of enquiries are recorded either as a legislative requirement or to ensure timeous replies are provided. Below is a note of the numbers received during 2018/19 in the different categories;

Complaints: 3 (2 Council Tax, 1 Electoral)

Freedom of Information/Data Protection: 11 (2 Council Tax, 4 Electoral, 3 Valuation Roll, 2 Other)

VIP (elected members): 22 (11 Council Tax, 4 Electoral, 7 Valuation Roll)

1 Complaint passed to the Scottish Ombudsman

7.0 RECOMMENDATION

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

Graeme Strachan
ASSESSOR & ERO



2018/19 ANNUAL GOVERNANCE STATEMENT

17th June 2019

1.0 INTRODUCTION

- 1.1 This report is the first Annual Governance Statement prepared by the organisation's internal Governance Team.
- 1.2 The aim is to provide assurance to the Board of the organisational commitment to the creation and ongoing maintenance of an effective and resilient Governance Framework.
- 1.3 The Framework provides for the proper governance of the discharge of the Assessor and ERO functions including the identification and mitigation of risk.
- 1.4 The Governance Framework is supported by the audit activities of both City Of Edinburgh Council Audit Section and external auditors, Scott Moncrieff.

2.0 SCOPE

- 2.1 The report provides information on the manner in which the Governance Framework is constructed and operated within the organisation
- 2.2 In addition Governance activity during 2018/19 is highlighted including an indication of planned action for 2019/20.

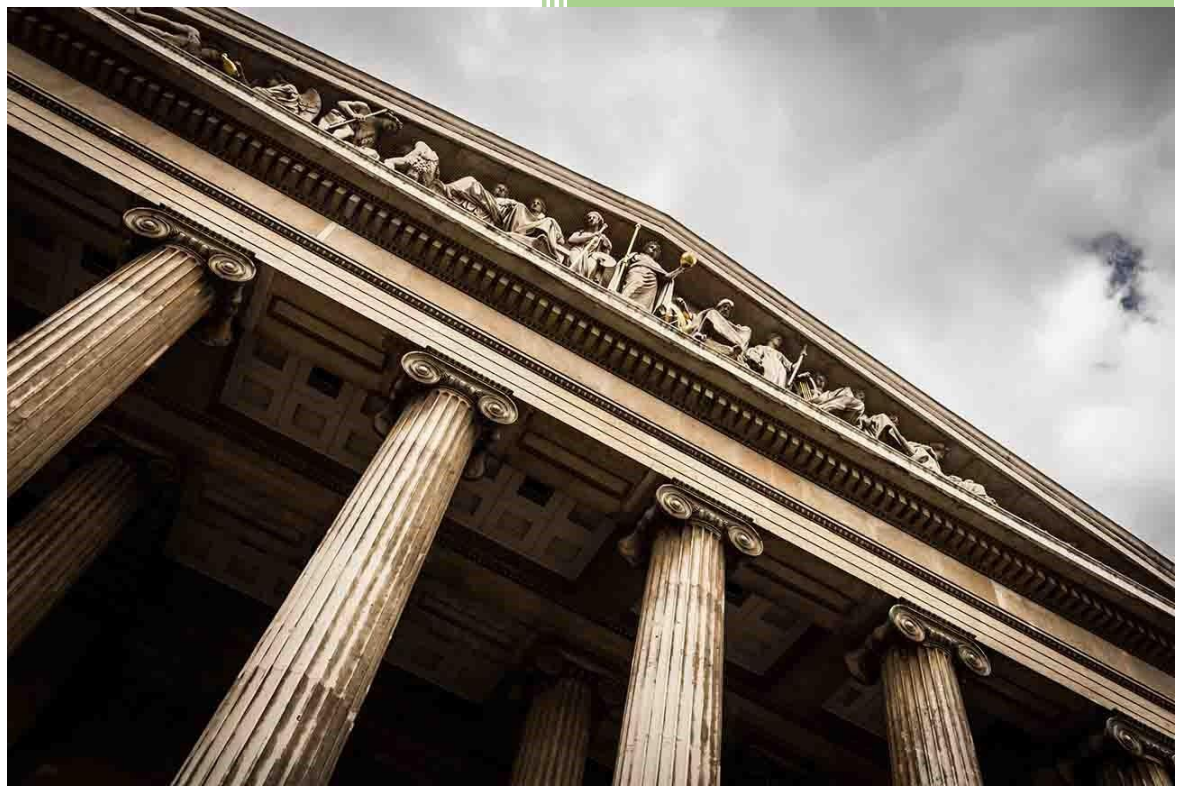
3.0 RECOMMENDATION

- 3.1 The Board is asked to note the report.

Graeme Strachan
ASSESSOR & ERO

2018/19

Annual Governance Statement



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1. Scope of Responsibility

Lothian Valuation Joint Board (LVJB) takes responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively. LVJB also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, LVJB is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

LVJB acknowledges its responsibility for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance that defines 3 main principles of accountability, transparency and effectiveness & efficiency that support its governance arrangements.

The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge, is City of Edinburgh Council (CEC) Internal Audit and external auditors Scott Moncrieff. LVJB also operates an internal and external facing Governance Committee which underpins the delivery of these key principles

2. What is Governance?

Governance is about how the LVJB ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, transparent and accountable manner.

Good governance leads to effective:

- leadership and management
- performance and risk management
- public engagement and outcomes for our service users and stakeholders

3. What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which our organisation is directed and controlled. It enables the LVJB to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services in an efficient manner.

Internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, LVJB:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud and properly accounted
- has effective arrangements for the management of risk (*see Appendix 1- LVJB Risk Management Cycle, Register Summary & Examples*);
- seeks continuous improvement in the way that it operates;
- enables resources to be managed efficiently and effectively;
- properly maintains records and information

4. What are the key elements of LVJB's Governance Framework?

Accountability

- as a public body we are held accountable to citizens and stakeholders
- we implement good practice in reporting, quality assurance and auditing

Transparency

- processes, procedures and data are directly accessible to those who need them, and enough information is provided to understand and monitor them
- we engage with our stakeholders and help them understand the services we provide

Effectiveness & efficiency

- the organisation produces results that meet service delivery needs while making the best use of its resources
- we operate in a manner to secure an environment of continuous improvement

5. What is a Governance Assurance Framework?

Assurance provides confidence, based on evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. A Governance Assurance Framework is a structure within which the LVJB Corporate Leadership Team (CLT), with additional external scrutiny, can identify the principal risks to meeting its key objectives. Through this we can map out both the key controls to manage them and how we have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

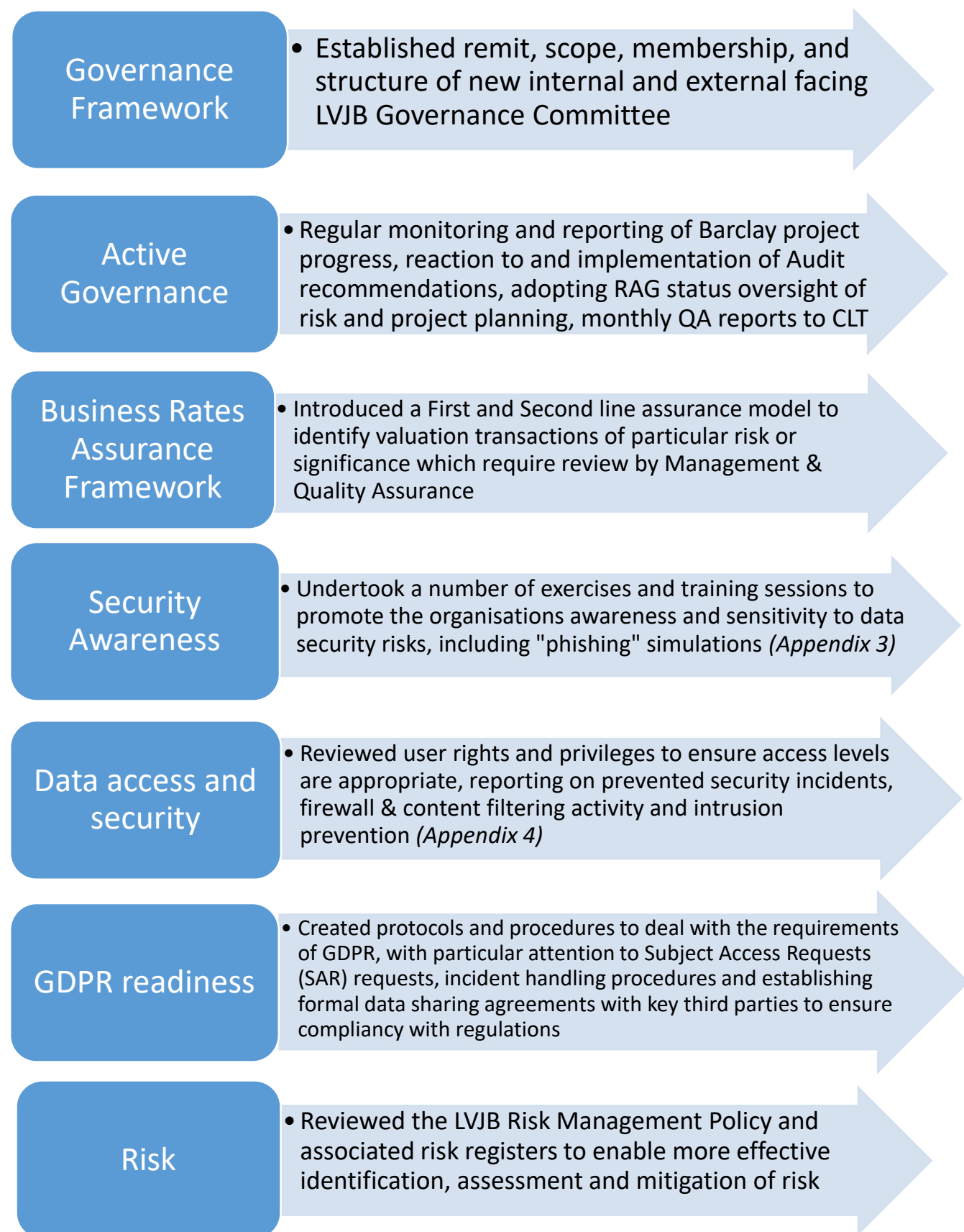
A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within LVJB (*See Appendix 2 - LVJB's governance assurance framework*). This includes internal Governance Committee overview and oversight and robust challenge by our internal and external auditors and ultimately, the Board.

In addition, 'the three lines of defence assurance model' is in place which helps staff and the CLT to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

Assurance can come from many sources within LVJB. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. Defining these sources into three categories (*see below*), helps the LVJB understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

- **First Line**- functions that own and manage risks e.g. staff, management and supervisory controls
- **Second Line**- functions that oversee risks e.g. Quality Assurance, Governance Committee & Risk Management
- **Third Line**- functions that provide independent assurance on the management of risks e.g. Internal/External Audit, Board

6. What have we delivered to date?

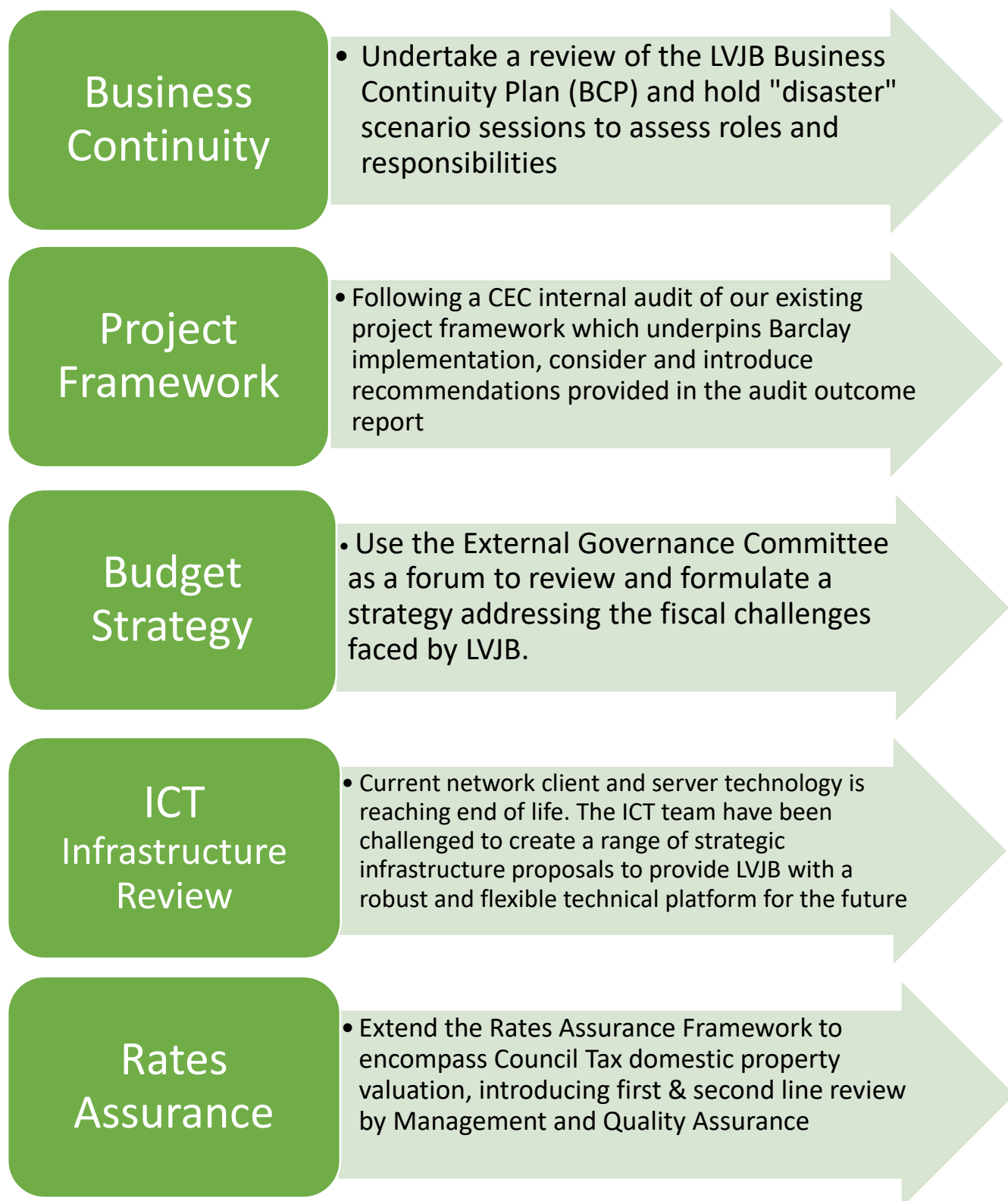


7. The role of Quality Assurance

We have worked hard throughout the year to enhance the role of quality assurance within the organisation. Focus is placed on providing confidence that the level of service provided meets stakeholder expectation and offers an additional layer of protection against errors. Assurance is provided both internally to management, demonstrated through reporting and follow up actions, and externally to customers by improved information provision and transaction accuracy. The Governance Committee has overall scrutiny of all reported actions and recommendations. The table below describes the current QA suite of activity checks.

Function	Task	Description
Council Tax	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Point of Sale Reports	Weekly check for the same period as the interface report. Confirm accuracy of sales date which is applied as the effective and liability date for any change in banding.
	Self-verification Checks	Carry out quality assurance checks on 10% of all self-verified transactions on the Valuation List. Report on any anomalies or transactions incorrectly processed. Currently the report is run on a monthly basis.
Valuation Roll	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Business Rate Assurance Checks	The Principal Surveyors will carry out a 10% check on certain self-verified transactions. QA will carry out an assurance check on 10% of all self-verified and verified transactions as a second line check. Report on any anomalies or transactions incorrectly processed.
	PTO Name Checks	Valuation Roll names updates processed by the Technical staff receive a 10% check by Governance.
Electoral Support/Processing Areas	EMS reports	Check system reports to ensure that electors are correctly processed and absent voting arrangements are applied correctly and ensure the accuracy of the register. A quality assurance check will take place on 10% of the reports produced for electoral activities.
Miscellaneous	KPI Stat Review	Produce monthly KPI stats for review by CLT & Technical Divisions
	Building Warrant/Planning Permission Checks	QA carry out a 10% check on filtered cases to ensure that they are removed in accordance with procedure
	Revaluation Appeal Stats Quarterly Return	Validate the quarterly return of RVAPP stats provided to Scottish Government.

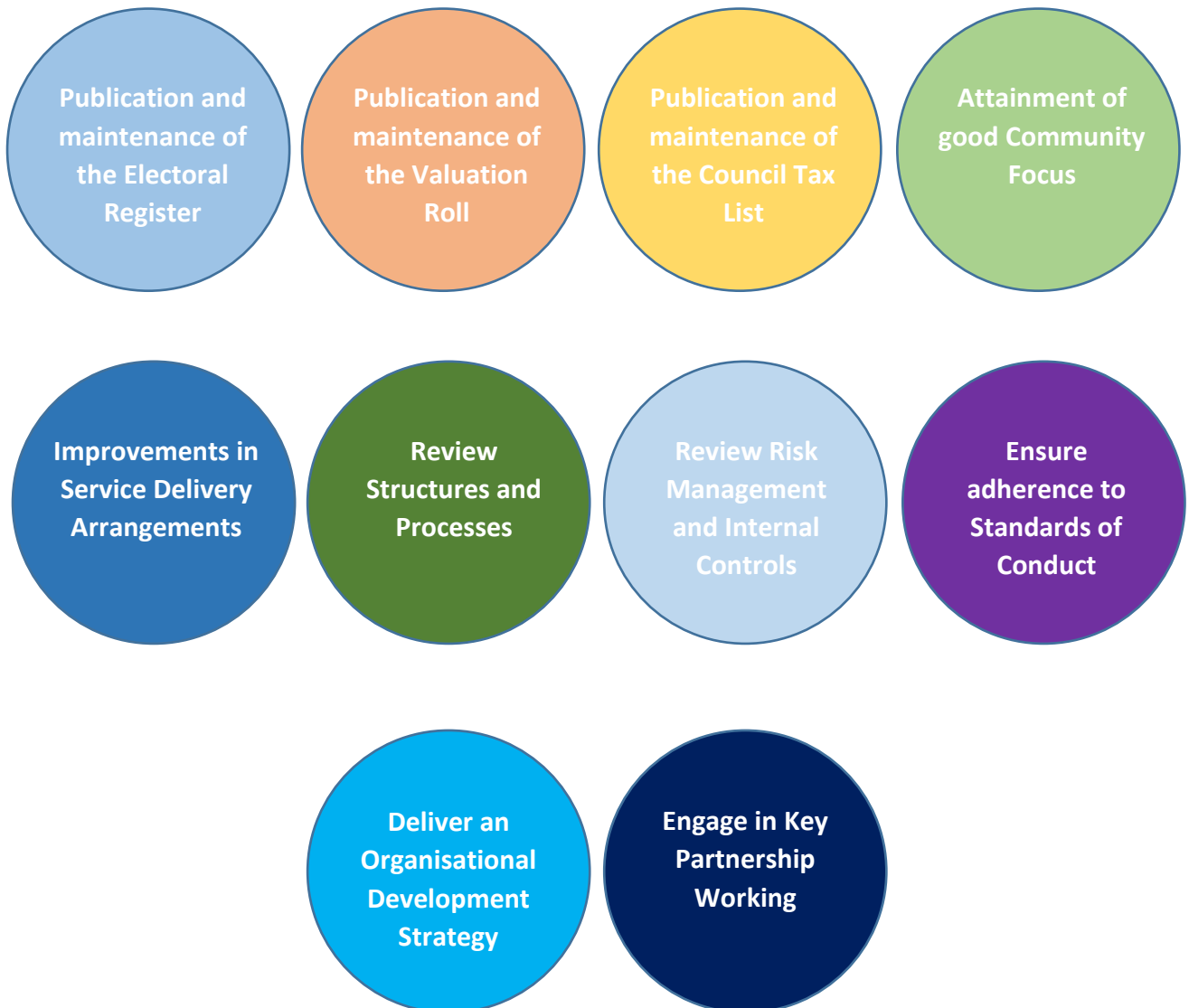
8. Future work in 2019



9. Corporate and Service plans – how have we performed?

Corporate and Service plans are annual business plans developed by LVJB. The plans set out the key activities and outcomes that we will deliver within the financial year and the way in which we will measure our performance.

Our key Corporate and Service priorities for 2018/19 were;



10. Corporate and Service plans – achievements

A number of objectives realised by the organisation that support our key activities and outcomes are shown below. In particular;

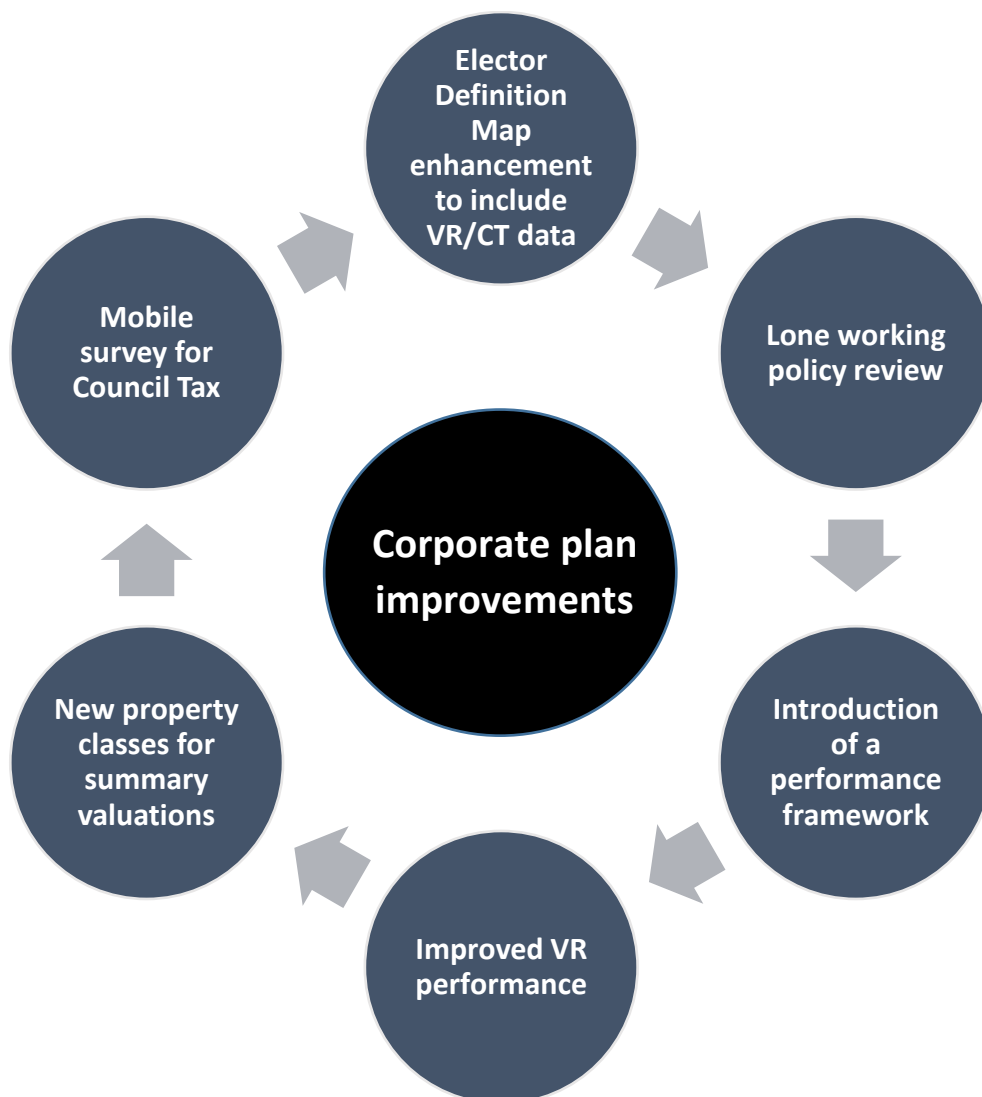
- Progress has been made at the initial point of contact with ratepayers by providing clearer explanation of why a rateable value has been created or amended, providing direct contact details of the member of staff responsible for that change.
- Internal Quality Assurance (QA) activity has been reviewed and enhanced, supporting the introduction of transformational efficiency objectives, such as self- verification for certain types of valuation updates and enabling more streamlined first and second line assurance activities to be undertaken.
- Elements of our training strategy have been implemented to ensure that the skillset of staff, essential to deliver Barclay recommendations, meets organisational requirements.



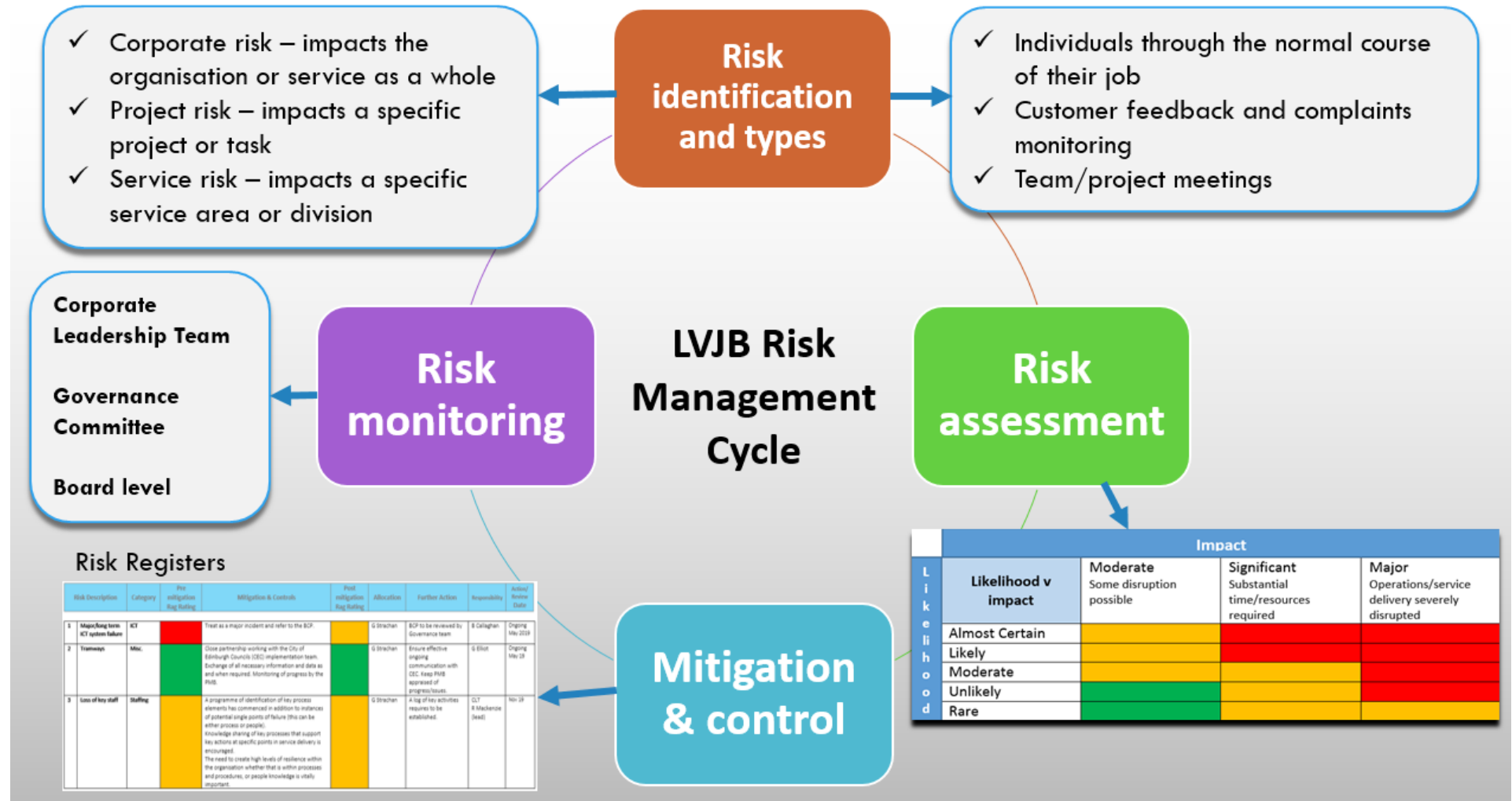
11. Corporate and Service plans – work in progress

LVJB recognises the importance of continually seeking to deliver improvements in organisational efficiency and performance. We acknowledge that the organisation must continue to challenge traditional ways of working and reflect on how well we function both internally and when engaging with stakeholders.

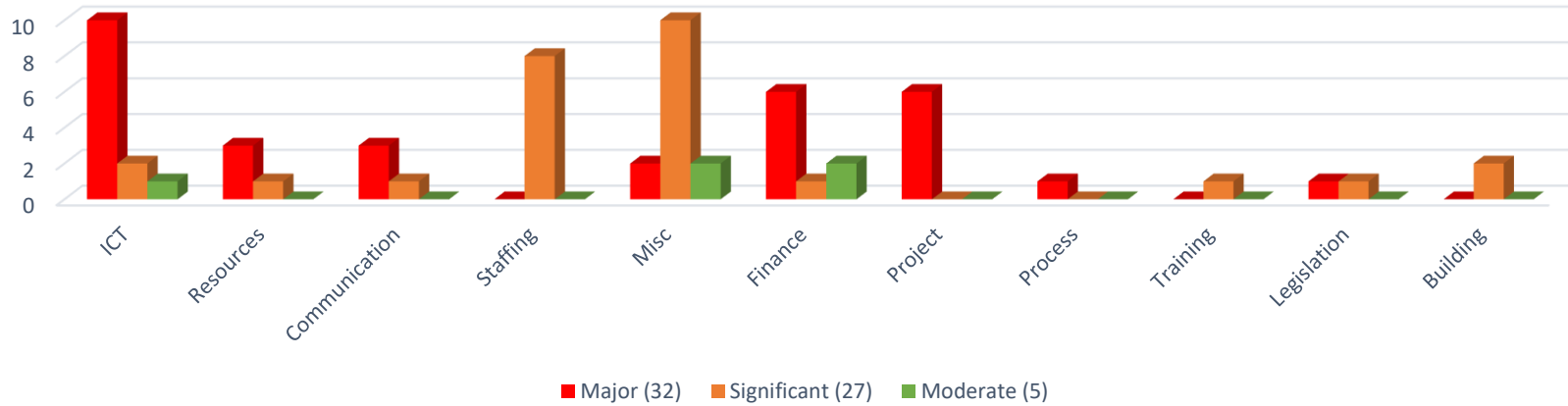
Below are a number of ongoing activities aimed at supporting this process of improvement.



Appendix 1 –Risk Management Cycle, Register Summary & Examples



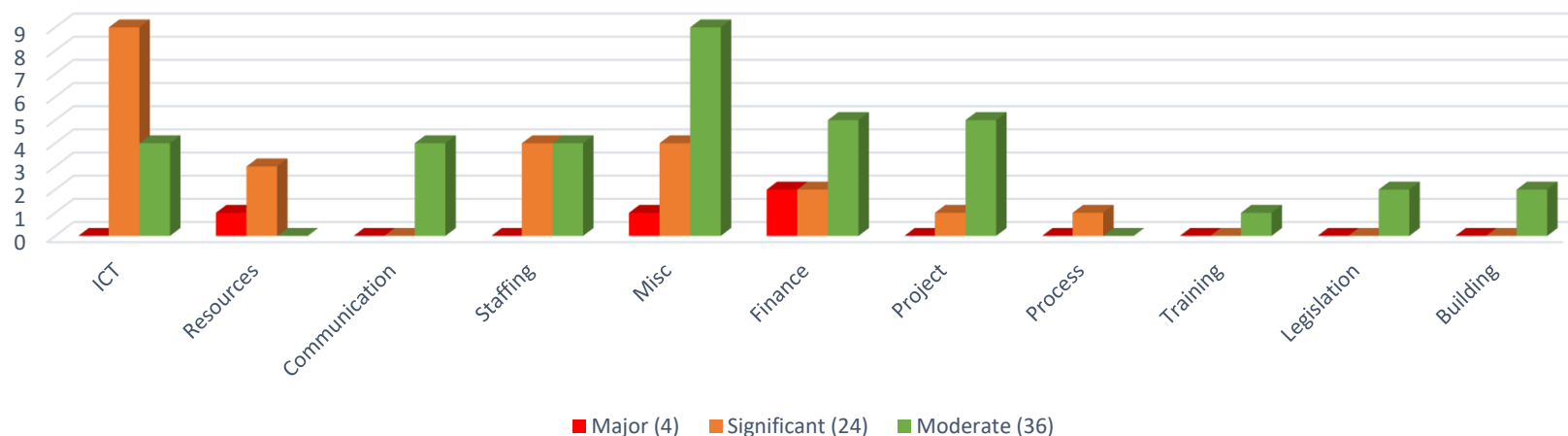
Summary of Corporate, Project & Service Risk Registers (pre mitigation)



Examples of major risks

Risk Description	Category	RAG rating
Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times	ICT	Red
Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding	Finance	Red
Project Board failure to ensure implementation of Barclay Roadmap	Project	Red
Lack of Technical staff resource to deliver Barclay requirements	Resources	Red
Lack of external communication throughout delivery process	Communication	Red

Summary of Corporate, Project & Service Risk Registers (post mitigation)

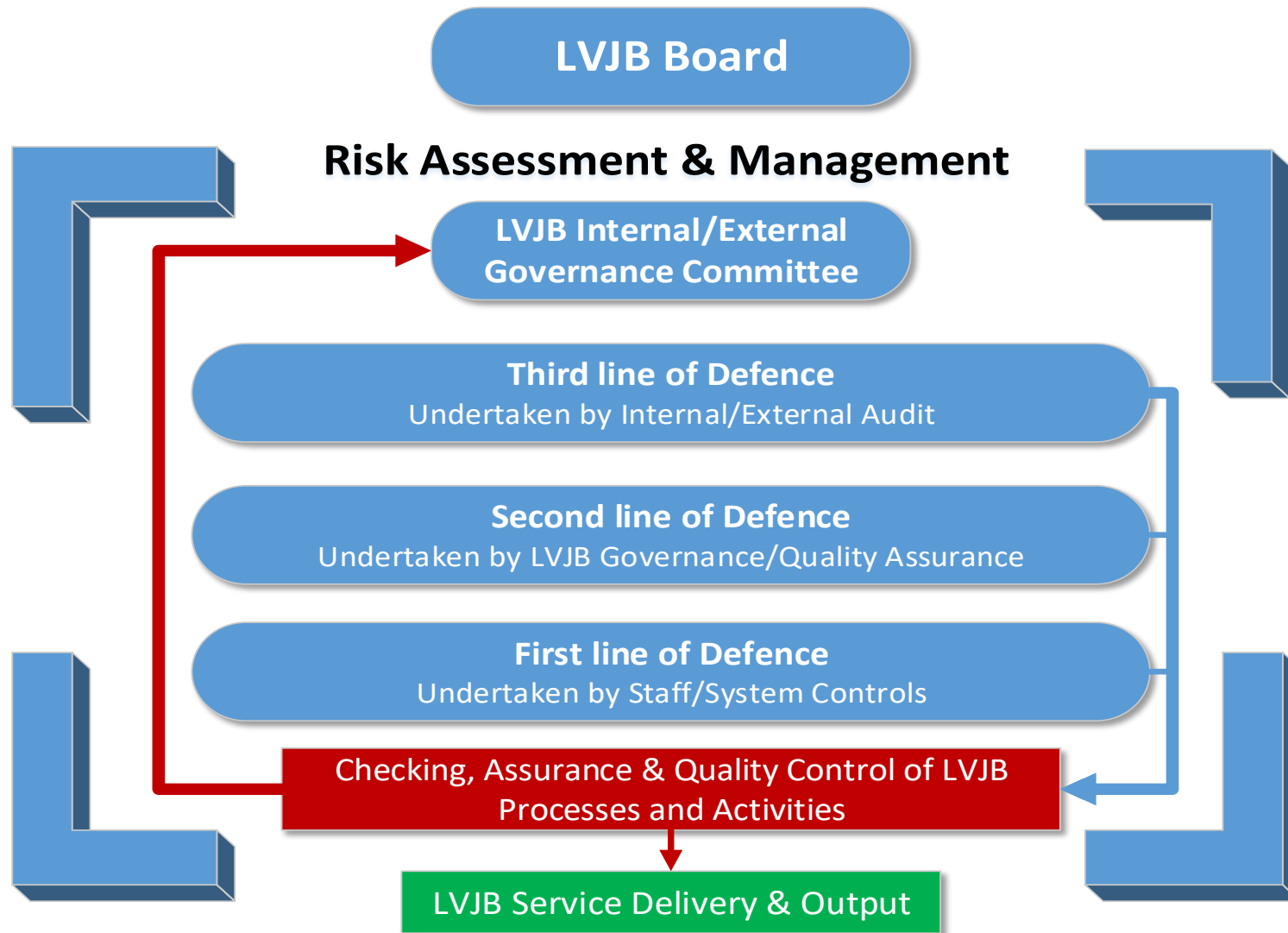


Examples of mitigated major risks

Risk Description	Category	Mitigation & Controls	RAG rating
Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times	ICT	Anti-virus and associated software continually updated. Firewall; Network/application controls; Quality assurance procedures and Business Continuity Plan (BCP). Compliance with PSN security protocols and the introduction of Sophos Intercept X have increased our resilience to this risk. This has also been enhanced by our achievement of the Cyber Essential Plus certification.	Yellow
Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding	Finance	Fiscal constraint and the need to reduce budgets is a constant within local authorities. The statutory nature of LVJB services provides some mitigation against this but there remains a requirement to establish budget levels at a sustainable level. This being stated by Audit Scotland. During 2017/18. A Transformation and Cultural Change Programme was commenced, one of the outcomes being a revised staffing level and structure. A net 4.4% budget saving was achieved.	Yellow
Project Board failure to ensure implementation of Barclay Roadmap	Project	The Barclay Roadmap represents a set of milestone dates for key deliverables. The map is underpinned by a series of internal projects aimed at ensuring the required	Green

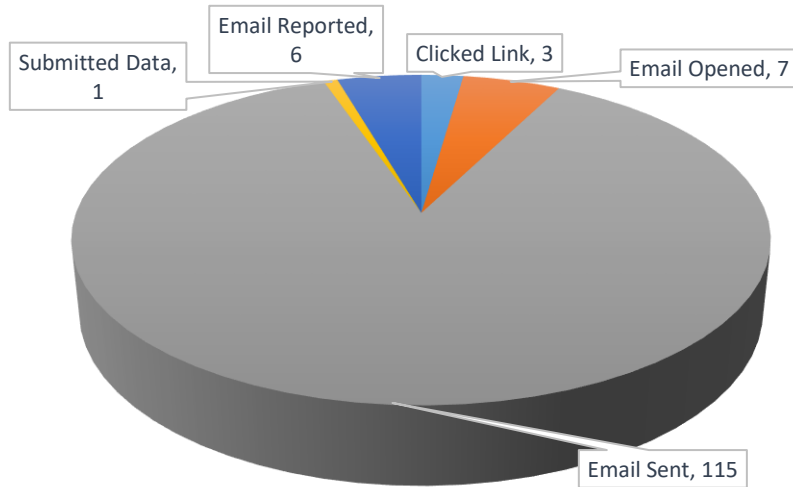
		objectives are met. The map is subject to regular review and as clarity develops from discussion with SG throughout 2019 it shall be modified accordingly. The PMB supports the delivery of key project objectives with overall governance and intervention lying with the Assessor. Current project progress is in line with individual project plans.	
Lack of Technical staff resource to deliver Barclay requirements	Resources	Delivery of primary Barclay requirements is a combination of ICT development, additional funding, and optimum organisational deployment of available technical resources reflecting all service delivery demands. Through the Barclay Roadmap and associated material, all of these elements are currently under progress, review, discussion and consideration. When total granularity emerges on all key deliverables each of these elements shall be assessed to ensure they are fully supportive of the required outcome.	
Lack of external communication throughout delivery process	Communication	Communication to the Board is currently provided through the existing reporting mechanisms by the Assessor. Any additional meetings can be provided as necessary.	

Appendix 2 – Governance Assurance Framework



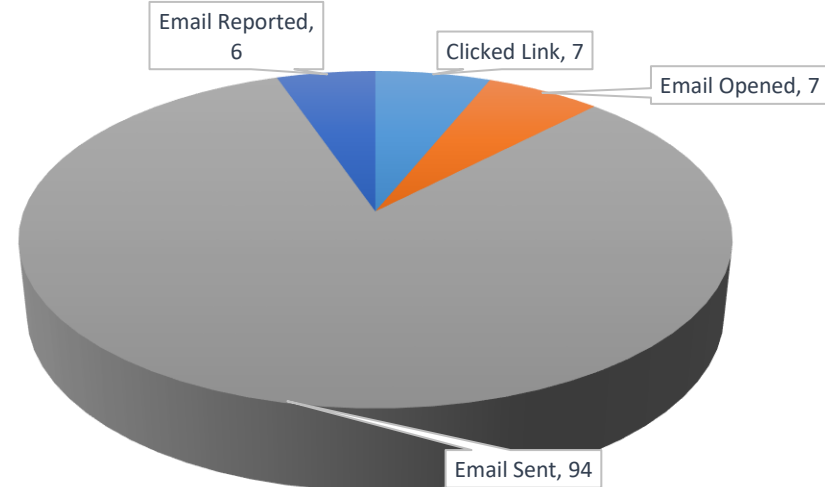
Appendix 3 – Phishing Simulation Results

LVJB External Phishing Exercise (Sept 18)



The above results were obtained from a phishing email with the external address of accounts@linkedin.co.uk. If the link was clicked the user was directed to a dummy linkedin landing page, hence the instance of submitted login data.

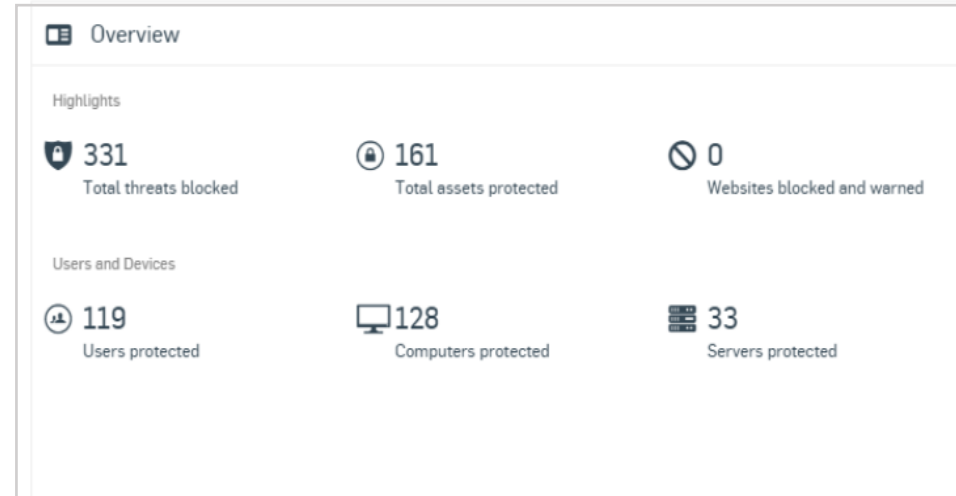
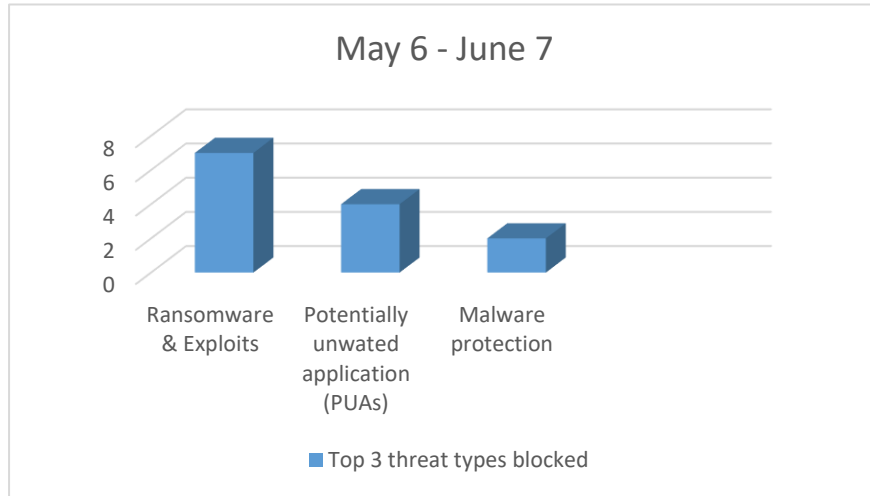
LVJB Internal Phishing Exercise (Apr 19)



The above results were obtained using a phishing email with a spoofed internal address IT@lothian-vjb.gov.uk. A higher number of clicked links were recorded as the originating email address misled more staff.

Appendix 4 – Security Incident Prevention

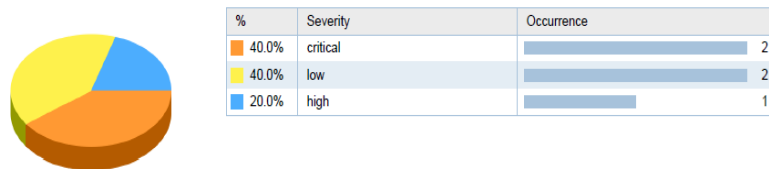
Endpoint Protection Summary



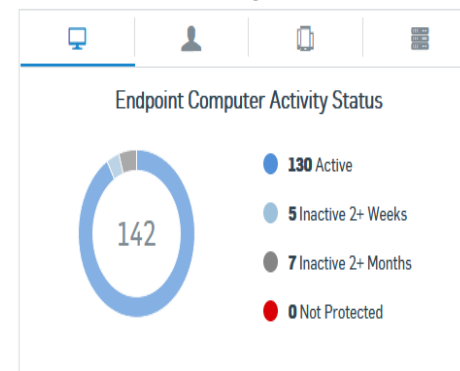
Intrusions Blocked

#	Intrusion Name	Counts
1	ThinkPHP.Controller.Parameter.Remote.Code.Execution	2
2	BuleHero.Trojan.Downloader	1
3	Snort.TCP.SACK.Option.DoS	1
4	TCP.Window.Size.Zero.DoS	1

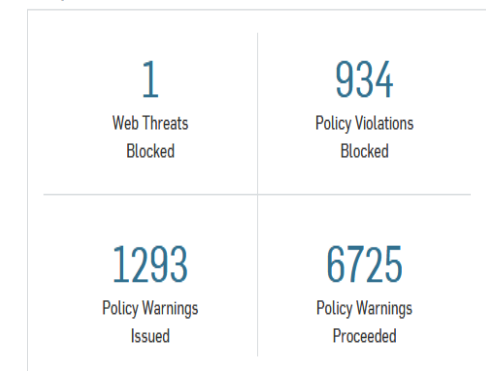
Intrusions By Severity



Devices and users: summary [See Report](#)



Endpoint and server web control [See Reports](#)



last 30 days



UPDATE ON NON DOMESTIC RATES REFORM

17th June 2019

1.0 INTRODUCTION

This report provides an update on the progress being made at both a national and local level in respect of NDR Reform.

2.0 LEGISLATION

2.1 The Non Domestic Rating Reform (Scotland) Bill is currently under parliamentary scrutiny. The Scottish Assessors Association appeared before the Local Government and Communities Committee on the 29th May 2019 to provide verbal and written evidence. The Committee's findings, in terms of the general principles of the Bill, shall be debated by Parliament as Stage 1 of the scrutiny process by the 30 October 2019.

2.2 The Scottish Government Barclay Implementation Advisory Group Appeals Sub Group has scheduled a series of meetings throughout the summer and autumn. The aim of which is to discuss how best statutory regulations should be framed that support the new proposal/appeal framework provided for in the NDR Reform Bill. Some of the issues under discussion include the release dates for draft valuation notices, methods of communication, the provision of additional information to ratepayers, the proposal disposal schedule and notification process, the proposal discussion period, the exchange of information during the discussion period, and how to progress to appeal.

3.0 NDR REFORM IMPLEMENTATION PROGRESS

3.1 At an organisational level work progresses on the identified ICT system development aimed at supporting delivery of the 3 yearly revaluation cycle, the development of a training framework that supports existing trainee staff to complete their training period and associated qualifications in readiness for the next revaluation in 2022, and a performance framework investigating current processes and procedures ensuring the best use of available resources.

- 3.2 The senior management team are currently considering the detail surrounding the additional recruitment needed to support the NDR Reform requirements. This includes the posts to be recruited to, their number and timing of recruitment, and exploring alternatives options such as the better use of existing resources.
- 3.3 The NDR Reform Risk Register, presented to the Board at previous meetings, is currently under review and re-iteration, aiming to reflect current issues and project progress.

4.0 CEC INTERNAL AUDIT – LVJB BARCLAY READINESS REVIEW

- 4.1 As part of their 2018/19 schedule of work CEC Internal Audit carried out an audit on the current state of readiness in connection with implementation of NDR Reform arising from the Barclay Review. The final report was received on the 14th May 2019 and is attached as an appendix to this report.
- 4.2 The report indicated an overall amber rating of “generally adequate with enhancements required” further defined as “areas of weakness and non-compliance in the control environment and governance and risk management framework that may put the achievement of organisational objectives at risk”.
- 4.3 The detailed audit findings, which are summarised below, highlighted the follow;
- Limited project management skills within the project manager group and a lack of project governance oversight.
 - The Project Board requires terms of reference.
 - A change management process is required to monitor and approve scope changes within projects.
 - Project costs and benefits should be monitored on an ongoing basis.
 - RAID’s logs should be created and maintained for each project.
 - Where appropriate detailed test plans are required for projects which incorporate user acceptance testing and documented test plan outcomes.
 - Create a schedule for formal project post implementation reviews
- 4.4 Management has provided responses to each of the audit findings, summarised below;

- The project definitions have been revisited with project managers ensuring there is absolute clarity on required project outcomes. Project managers are fully supported by the Project Board, and a schedule of regular Project Governance meetings has been initiated. The current roles and responsibilities of the Assistant Assessors have been reviewed to support their project manager activity.
- Project Board terms of reference have been established.
- A change management process to monitor project scope changes is under construction.
- Project costs and benefits shall be monitored as part of the Project Board function with any significant issues escalating to the senior management group.
- RAID's log shall be implemented for the appropriate projects and monitored by the Project Board.
- The existing testing plan shall be reviewed and enhanced reflecting the audit recommendations.
- Formal Post Implementation reviews shall be introduced at relevant project milestones and project end.

5.0 RECOMMENDATION

5.1 The Board is asked to note this report.

Graeme Strachan
ASSESSOR & ERO

The City of Edinburgh Council

Internal Audit

Lothian Valuation Joint Board – Barclay Readiness Review

Final Report

14th May 2019

LVJB1801

Overall report rating:

**Generally Adequate
with enhancements
required**

Areas of weakness and non-compliance in the control environment and governance and risk management framework that may put the achievement of organisational objectives at risk.

Contents

1. Background and Scope	2
2. Executive summary	3
3. Detailed findings	4
Appendix 1 - Basis of our classifications	9
Appendix 2 - Follow up of audit recommendations	10

This internal audit review is conducted for the Lothian Valuation Joint Board (LVJB) and is designed to help the LVJB assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the LVJB. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

1. Background and Scope

Background

The Lothian Valuation Joint Board (LVJB) is a statutory entity established under the 1995 Valuation Joint Boards Order, providing a range of specialist valuation and electoral registration services for the Edinburgh; East Lothian; West Lothian; and Mid Lothian local authorities, and is responsible for the management and ongoing administration of their Business Rates Valuation Rolls; Council Tax Valuation Lists; and Electoral Registers.

LVJB delivers these services on an operating budget of £5.847m, but generates circa £600m of Business Rate and Council Tax revenue across four local authorities.

In August 2017, a review commissioned by the Scottish Government on non-domestic rates culminated in the Barclay report that included 30 recommendations designed to improve the current non-domestic (business) rates systems to better reflect economic conditions and support investments and growth.

Subsequently, the Barclay Implementation Advisory Group was formed, consisting of 12 members from various localities (including LVJB) affected by the Barclay report, to discuss and share best practice in implementing the recommendations from the review. It is expected that the most significant impact will be the proposed change to move from a five year to a three year revaluation cycle with effect from 2022.

It is expected that this reduction in the valuation cycle will also have a significant impact on the appeals process, as all appeals will need to be finalised in advance of the next three year cycle. Following the 2017 revaluation, LVJB received a total of 13,000 appeals, and it is likely that a similar (or potentially increased) volume may now have to be addressed in a much shorter timeframe.

Following completion of the Scottish Government consultation, it is expected that the Barclay proposals will be incorporated into legislation, with primary legislation effective from 1 April 2020 and secondary legislation finalised by 2022.

The Scottish Government has provided £2.6M of indirect funding via Local Authorities to the 14 Scottish valuation boards to support implementation of the Barclay recommendations, to be distributed using a Scottish Government funding allocation model.

Management has advised that to support implementation of the Barclay recommendations, a roadmap has been established through to 2025 that comprises 6 projects, and includes two significant technology projects (the basic rate evaluator; and the revaluation management system). An established project governance framework also supports Barclay project implementation, with monthly project board meetings, and a risk register.

Scope

Barclay Project Review

The scope of this review assessed the design adequacy and operating effectiveness of the project management framework and its application to the Barclay project established by LVJB to support implementation of the Barclay recommendations,

Follow-up of previously raised Internal Audit findings

The review also included follow up of previously raised Internal Audit findings.

A total of 32 findings were raised in the Data and Records Management Framework (4 High; 16 Medium; and 2 Low) and Business Rates Internal Assurance Framework reviews (8 Medium; and 2 Low) completed in 2017/18.

A sample of 10 findings and their supporting agreed management actions were selected and reviewed to confirm that they had been effectively implemented and sustained. The sample included:

- Data and Record Management Framework – 2 High and 4 Medium; and
- Business Rates Internal Assurance Framework - 4 Medium.

2. Executive summary

Total number of findings: 1

Summary of finding raised

Medium

1. Application of the Project Management Framework

Opinion

Review outcomes

Our review of the design of the Lothian Valuation Joint Board (LVJB) project management framework and its application across the Barclay project (the Project) and its six underlying workstreams confirmed that it is generally adequate with enhancements required.

LVJB has established an appropriately designed project management framework that is based on PRINCE 2 (projects in controlled environments) project management methodology that is used widely across both the UK public and private sector.

Whilst the project management framework is appropriately designed, our review confirmed that it is not being consistently and effectively applied to support the Barclay project, which could potentially impact its successful implementation.

Consequently, one medium rated finding has been raised reflecting the need to ensure that the established project management framework is consistently applied, most notably in relation to ensuring that changes made to existing systems are fully tested prior to their implementation.

Management has advised that LVJB could still meet the new Barclay requirements using existing processes and procedures, and that Barclay is being used as a vehicle for change and improvement across the organisation.

Whilst acknowledging that there is currently no established systems testing framework and that testing processes could be improved, management has confirmed that LVJB employs a dedicated internal development team that is experienced and knowledgeable, and has previously deployed a number of successful system changes.

Management has also advised that there are no anticipated costs associated with implementation of the Barclay recommendations as all planned systems changes will be developed and implemented by the internal development team.

Areas of good practice

Some areas of good practice across the Barclay project were also noted. These include:

- effective ongoing internal and external stakeholder engagement in relation to the Barclay changes and the LVJB project;
- effective risk management with 3 risk registers to record and manage operational risks (service level risk register); project risks; and corporate risks. The risk registers are discussed at the relevant boards / governance forums; and
- Scottish Government funding has been secured to support Barclay project implementation.

Follow-up on previously raised Internal Audit findings

A total of 32 findings were raised from the Data and Records Management Framework and Business Rates Internal Assurance Framework reviews completed by Internal Audit in 2018/19.

Management has advised that 28 of these have now been addressed; with 2 medium rated findings in progress, relating to the update of key performance indicators (Data and Records Management Framework) and documenting current processes used (Business Rates Internal Assurance Framework); and a further 2 medium rated findings from the Data and Records Management Framework review (the potential requirement for more detailed process mapping; and data loss prevention software) where management has agreed to accept the risk,

Our review of a sample of 10 findings and their supporting agreed management actions confirmed that they had been effectively implemented and sustained.

3. Detailed findings

1. Application of the Project Management Framework

Medium

Whilst the Lothian Valuation Joint Board (LVJB) has an established project management framework that is based on PRINCE 2 (projects in controlled environments) project management methodology that is used widely across both the UK public and private sector, our review confirmed that it is not being consistently applied to support the Barclay project (the Project) and its six underlying workstreams. Specifically:

- Project management skills and experience – the Project is being delivered by project managers who have ongoing operational responsibilities, and limited project management skills and experience. Additionally, there is no established feedback mechanism to provide feedback on how effectively project managers are performing;
- Project Board – no terms of reference have been established detailing the authority, roles, and responsibilities of the Project board;
- Change management process – the Project scope is detailed in project initiation documents (PIDs), however there is no established change management process to ensure that subsequent scope changes are recorded and updates provided to the Board;
- Project costs and benefits have been considered and recorded in PIDs, but are not being monitored and reported on an ongoing basis to the Board;
- Risks, issues, and dependencies – whilst Project risks are recorded in the project risk register and subject to regular review, project issues (risks that have crystallised to become live issues) and key delivery dependencies have not been identified;
- Systems testing – the Project Management Framework includes the requirement to create a test plan and conducting testing under the ‘Develop and Test’ section.

Our review established that system testing is being performed by team members responsible for

designing and implementing the system changes, with no independent user acceptance testing. Additionally, there is no documented testing plan and testing outcomes are not being recorded and prioritised for resolution.

- Post-implementation reviews - the Project Management Framework includes the requirement to complete post-implementation reviews (PIRs) with the objective of 'reviewing the success or otherwise of the project against the agreed requirements and reporting any lessons learned'.
Review of Project plans established that post implementation reviews have not been scheduled for completion. Management has advised that PIRs are generally informal, and the outcomes are not documented.

Risks

The potential risks related to the findings are:

- The Project may not deliver on time or project deliverables may not be at the expected level of quality;
- Ineffective Project governance and decision making, including approval of any significant scope changes;
- Project overspends and failure to deliver anticipated benefits are not identified and effectively managed;
- Significant issues and dependencies that could impact Project delivery are not identified and managed; and
- System defects and anomalies are not identified and resolved prior to live implementation.

1.1 Recommendation – Project Manager Skills and Experience

- expectations of the appointed project and the overall Project Managers should be recorded (refer recommendation 1.2 below - Project Board terms of reference); communicated and discussed with appointed project / Project Managers;
- Project Manager performance should be monitored with feedback provided on an ongoing basis; and
- Project Manager skills and capacity should be recorded as a risk on the Project risk register with any issues identified that could adversely impact the project escalated to the Project Board for discussion and resolution.

Agreed management action - Project Manager Skills and Experience

Project definitions shall be revisited and clarified with the Project Manager ensuring a revised and appropriate implementation plan underpins the required project outcome. Project Managers shall be subject to monthly governance overview where feedback on performance shall be provided. Where necessary direct intervention shall be applied where risk of project failure emerges. Project Managers skills and capacities shall be supported through the Project Board and Governance functions. Recent changes have been made to responsibilities for Assistant Assessors (Project Managers) that shall allow greater focus on project work. This change shall be supported by the actions noted above.

Owner: Graeme Strachan, Assessor
Contributors: Bernie Callaghan, Head of Governance

Implementation Date:
1/7/19

1.2 Recommendation – Project Board Terms of Reference

A terms of reference should be established to clearly define the roles and expectations of the Barclay project board and the governance to be applied across the project This should include, but not be limited to:

- Board decision making responsibilities (for example approval of scope changes; additional costs and changes to expected benefits delivery);
- Roles and responsibilities of Board members and project managers;
- an overview of Project progress;
- ongoing review of Project risks; issues and dependencies to ensure that these are being effectively managed; and
- review and approval of system testing plans and outcomes escalation, and responsibilities in relation to 'go / no go' decisions prior to implementation of significant systems changes.

Agreed Management Action - Project Board Terms of Reference

Project Board terms of reference will be created to ensure clear definition of remit, roles, and expectations, including the overall governance to be applied across the project programme.

Owner: Graeme Strachan, Assessor

Contributors: Bernie Callaghan, Head of Governance

Implementation Date:

17/6/19

1.3 Recommendation – Project Change Management

A Change Management process should be established and applied to ensure that any significant scope changes are documented and approved by the Project Board. This should include, but not be restricted to:

- Version controlled documents that show the changes and reasons for them; and
- Approval of changes from the Project Board.

Agreed Management Action - Project Change Management

A Change Management procedure shall be introduced including a Project Board approval process.

Owner: Graeme Strachan, Assessor

Contributors: Bernie Callaghan, Head of Governance

Implementation Date:

2/9/19

1.4 Recommendation - Project costs and benefits

- ongoing monitoring of Project costs and benefits should be implemented, with monitoring and reporting performed at both individual workstream and overall Project level; and
- reports on project costs and benefits should be provided on a regular (for example monthly) basis to the Project Board to enable review and approval of any significant changes.

Agreed management action – Project costs and benefits

The Project Board shall identify and monitor with Project Managers any costs arising from project activity and ongoing costs following delivery of project outcomes. At this stage no such costs have been identified other than those identified and provided for by Scottish Government in pursuance of the long term delivery of the NDR Reform requirements. Any project costs identified shall be escalated to the Assessor and CLT for consideration and set against the overall benefits of the project itself. Overall project benefits have already been identified within project initiation documents however as project

progress is made these shall be further defined and monitored by the Project Board and Project Manager.

Owner: Graeme Strachan, Assessor
Contributors: Bernie Callaghan, Head of Governance

Implementation Date:
1/7/19

1.5 Project Risks; Issues; and Dependencies

- a consolidated risks; issues; and dependencies (RAIDS) log should implemented to ensure that all issues and dependencies that could potentially impact Project delivery are identified; recorded; and effectively managed;
- all risks; issues; and dependencies should be assessed based on their significance and potential impact (for example, using a red; amber; and green assessment) and allocated to appropriate individuals with timeframes agreed for their resolution; and
- the RAIDS should be included in Project Board report to enable Board review and challenge.

Agreed Management Action - Project Risks; Issues; and Dependencies

Consolidated risks; issues; and dependencies (RAIDS) logs shall be implemented for the three key software development work streams under the NDR reform requirements. Once created they shall be maintained by Project Managers and scrutinised at Project Board level.

Owner: Bernie Callaghan, Head of Governance
Contributors: Kier Murray, IT Development Manager

Implementation Date:
26/8/19

1.6 Recommendation - Systems Testing

A system testing plan should be developed and reviewed and approved by the Project Board. The testing plan should include (but should not be restricted to):

- details of the testing to be performed by the systems development team and system end users (user acceptance testing). Testing details should be aligned with and cover all changes made to systems;
- how system capacity will be tested (i.e. how the maximum number of simultaneous users will be identified);
- regression testing to be performed to ensure that system changes will not adversely impact any other aspects of the system or network prior to live implementation;
- responsibility for completion of testing (system developers and end users);
- details of how testing defects will be recorded and rated / assessed;
- details of how testing defects will be addressed and retested prior to implementation of system changes; and
- details of the system 'back out plan' to ensure that changes can be reversed and the system restored if implementation is unsuccessful.

The Change Board should also be requested to specify their requirements to support a 'go / no go' implementation decision based on an acceptable volume and significance of unresolved system defects that will be addressed post implementation.

Agreed Management Action – Systems Testing

A formal systems testing framework shall be created for approval by the Project Board.

Owner: Bernie Callaghan, Head of Governance
Contributors: Kier Murray, IT Development Manager

Implementation Date:
4/11/19

1.7 Recommendation – Post Implementation Reviews

Post implementation reviews (PIRs) should be scheduled for each of the six workstreams and at overall project level.

The PIRs should include Project Board members; project managers; and users of the new / refreshed processes delivered by the Project.

The PIRs should consider whether:

- the Project / workstream delivered its objectives on time and within budget;
- anticipated benefits have been delivered;
- risks, issues, and dependencies were effectively managed;
- the new system / processes delivered are operating effectively and as designed, and any improvements / enhancements that could be made; and
- any lessons have been learned that should be incorporated into future projects.

PIR outcomes should be recorded and used as reference for future projects.

Agreed Management Action – Post Implementation Reviews

Post implementation reviews (PIRs) will be introduced at relevant stages of work stream maturity to enable accurate reflection on objective delivery & benefits, effective RAIDs management, expected system/process operation and identification of any lessons learned.

Owner: Graeme Strachan, Assessor
Contributors: Bernie Callaghan, Head of Governance

Implementation Date:
2/12/19

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 - Follow up of audit recommendations

<i>Item</i>	<i>Review</i>	<i>Reference</i>	<i>Grade</i>	<i>Recommendation</i>	<i>Follow Up</i>	<i>Status</i>
1	Review of Data & Records Mgmt Framework	Data & Records Management Governance Framework – 1.5.2	Medium	Establish a more detailed and comprehensive 'technology and data risk register' to record new and emerging risks and the controls in place to manage them.	Risks captured on Service Risk Register and Corporate Risk Register.	Closed
2	Review of Data & Records Mgmt Framework	Training & Awareness – 2.6.1	High	Consider performing a simulated 'phishing' exercise to assess levels of employee risk awareness and effectiveness cyber security controls by October 2018.	Implemented, with testing completed on effectiveness as part of Cyber Essentials Plus review.	Closed
3	Review of Data & Records Mgmt Framework	Data Retention & Destruction – 4.2.1	Medium	A review should be performed to confirm whether data is archived and destroyed in line with retention schedules.	A Retention & Disposal Schedule has now been created and is used.	Closed
4	Review of Data & Records Mgmt Framework	Data Access & Security – 5.3.1	Medium	Regular clean desk checks should be performed on an ongoing basis, with any personal data identified during the exercise appropriately secured, and feedback provided to the relevant team / employees.	Clean Desk & Clear Screen Policy has now been developed and walk arounds are conducted to ensure implementation, with follow up.	Closed
5	Review of Data & Records Mgmt Framework	Third Party Data Sharing Arrangements – 7.1.1	High	Establish formal data sharing agreements with key third parties to ensure that the process applied is compliant with applicable regulations and secure. These should include (but not be restricted to): <ul style="list-style-type: none"> Clearly defined roles and responsibilities for the data sharing process; A clearly defined escalation and resolution process to be applied in the event of any issues or breaches; The Board should be made aware of all significant data sharing arrangements with third parties. 	Data Sharing Agreements and now in place for third party suppliers.	Closed

<i>Item</i>	<i>Review</i>	<i>Reference</i>	<i>Grade</i>	<i>Recommendation</i>	<i>Follow Up</i>	<i>Status</i>
6	Review of Data & Records Mgmt Framework	Data Breaches – 8.1.1	Medium	Update / modify the ITMS Policy to include the process to be applied in the event of a significant data breach or data loss incident, but not be restricted to: <ul style="list-style-type: none"> • Roles and responsibilities of employees and senior officers; • Responsibility for reporting significant breaches to the Information Commissioner's Office; • The process for communicating the breach to any impacted third parties; and • Frequency of testing incident plans. 	Data Breach Policy now in place.	Closed
7	Review of LVJB Business Rates Internal Assurance Framework	Business Rates Assurance Framework – 1	Medium	LVJB should develop and implement an appropriate risk based business rates valuation assurance framework that is applied across...	Business Rates Assurance Framework now created.	Closed
8	Review of LVJB Business Rates Internal Assurance Framework	Governance Framework – 2	Medium	The new Governance Committee should be constituted in line with Audit Committee good practice – a number of 'good practice' and...	A Terms of Reference has now been created for the Governance Committee.	Closed
9	Review of LVJB Business Rates Internal Assurance Framework	Local Authority Source Data Filtering – 4	Medium	Management should ensure that the new process for manually filtering planning permission, building warrant and completion...	A process is not in place for Quality Assurance checks for Building Warrants and Planning Permissions.	Closed
10	Review of LVJB Business Rates Internal Assurance Framework	Spreadsheet Model Guidance and Oversight – 6	Medium	LVJB should establish general guidance on creating, maintaining, and reviewing spreadsheet models.	Alternative Valuation Model Guidance has now been created.	Closed