

## Notice of Meeting and Agenda

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**10.00am, Monday 15th June 2020**

Virtual Meeting - via Skype

### 1. Order of Business

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

### 2. Declaration of Interests

- 2.1 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. Minutes

- 3.1 Minute of the Lothian Valuation Joint Board of 3 February 2020 – 5 - 8  
submitted for approval as a correct record

### 4. Reports

- 4.1 Assessor's Update Report to the Lothian Valuation Joint Board – 9 - 26  
Report by the Assessor and Electoral Registration Officer
- 4.2 Members Code of Conduct Report – Report by the Assessor and 27 - 42  
Electoral Registration Officer

<b>4.3</b>	Treasury Management Annual Report 2019/20 – Report by the Treasurer	43 - 44
<b>4.4</b>	Unaudited Annual Accounts for the Year Ended 31 March 2020 – Report by the Treasurer	45 - 92
<b>4.5</b>	Recruitment of a New Assessor and Electoral Registration Officer – Report by the Treasurer	93 - 94

## **Andrew Kerr**

Chief Executive

## **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 Jeremy Findlay

Councillor Jim Goodfellow

## **Notes:**

- (1) If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman | 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 4107 | email [rachel.gentleman@edinburgh.gov.uk](mailto:rachel.gentleman@edinburgh.gov.uk)

- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings) .



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## Lothian Valuation Joint Board

Edinburgh, 3 February 2020

### Present:

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

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

**Midlothian Council** – Councillors Munro and Russell.

**West Lothian Council** – Councillor Timson.

### 1 Minute

#### Decision

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

### 2 Annual Treasury Management Strategy

Approval was sought of the Annual Treasury Management Strategy for 2020/21. The Strategy was attached to the report at Appendix 1.

#### Decision

To approve the Annual Treasury Management Strategy at Appendix 1 to the report by the Treasurer.

(Reference – report by the Treasurer, submitted)

### 3 Revenue Budget 2020/21

Information was provided on the revenue budget options which had been developed for 2020/21 in line with the Board's Transformation Programme, including a recommendation to approve a 'flat-cash' council requisition revenue budget. It was noted that a further requisition would be issued to meet the additional costs of Non-Domestic Rates Reform in 2020/21, in line with funding allocated in the Local Government Finance Settlement in 2020/21.

Details were also provided on the indicative budget estimates for 2021/22 and 2023/24. These would be subject to ongoing review and development as the Transformation Programme progressed.

#### Decision

- 1) To approve the proposed core budget for 2020/21, based on Option 2, as detailed at paragraph 4.10.2 and the issue of 'flat-cash' core budget

Lothian Valuation Joint Board  
3 February 2020

requisition requests from the Treasurer to constituent councils as detailed at paragraph 4.27 of the report by the Treasurer.

- 2) To recommend that funding was included in the Local Government Finance Settlement for implementing the recommendations of the Non-Domestic Rates Review be fully passed onto the Board. This may mean a supplementary requisition during 2020/21, dependent on confirmation of funding.
- 3) To note the indicative financial planning estimates included at Appendix 1, Option 2 and that these estimates will be subject of further update to the Board during 2020/21 and beyond, as the Board's Transformation Programme is progressed.

(Reference – report by the Treasurer, submitted)

#### **4 Budget Report 2020-21**

Information was provided aligning budget provision with service delivery during 2020/2021. The Board's Corporate and Service Plans for 2020/21, including additional information on service activities, were attached to the report at Appendix 1.

Details were also provided on the development of the 2020-23 Business Strategy and the implications of this.

##### **Decision**

- 1) To note the report.
- 2) To note the recommendation of a Phased approach to organisational changes over the Business Strategy period.
- 3) To approve Phase 1 implementation of the proposed structure and the associated reduction in staff resources.
- 4) To note that further reports and recommendations would be provided by the Assessor over the Strategy period.

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

#### **5 Period 9 Financial Statement 2019/20**

The projected revenue budget outturn position to 31 March 2020 was presented based on the position at period ending 31 December 2019. The projected outturn indicated a forecast over spend of £0.007m which represented a reduction of £0.010m to that reported to the November 2019 meeting of the Board.

##### **Decision**

Lothian Valuation Joint Board  
3 February 2020

To note the projected outturn position for 2019/20.

(Reference – report by the Treasurer, submitted).

## **6 Recruitment of a new Assessor and Electoral Registration Officer**

The Assessor and Electoral Registration Officer had indicated he planned to retire in June 2020.

The positions on the Board's Appointment Committee held by members from East Lothian and Midlothian Councils were currently vacant and members required to be appointed. A provisional timetable for the meetings of the Committee was attached at Appendix 1 to the report.

### **Decision**

- 1) To note the provisional recruitment timetable in appendix 1 to the report by the Treasurer.
- 2) To note that East Lothian and Midlothian Councils would advise which members were to be appointed to the vacancies on the Appointment Committee.
- 3) To note that the date of the first Appointment Committee meeting would be changed to a date suitable for the Committee members.

(Reference – report by the Treasurer, submitted)

## **7 Future Meeting Arrangements June 2020 to June 2021**

### **Decision**

- 1) To approve the schedule of meetings for the period June 2020 to June 2021 as follows:
  - 10am, Monday 15 June 2020
  - 10am, Monday 7 September 2020
  - 10am, Monday 9 November 2020
  - 10am, Monday 1 February 2021
  - 10am, Monday 19 April 2021
  - 10am, Monday 14 June 2021
- 2) To agree that meetings of the Joint Consultative Group would be held on an 'on request' basis.

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

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## ASSESSOR'S UPDATE REPORT TO THE LOTHIAN VALUATION JOINT BOARD

15 June 2020

### 1.0 INTRODUCTION

- 1.1 The purpose of this report is to provide Board members with an update on the activities of the organisation during the Covid pandemic.
- 1.2 Following Government advice, the organisation went into lockdown as from Monday 23 March 2020 with all staff sent home and office premises closed.
- 1.3 The necessary preparation to allow full remote access to IT systems by staff had been established during the weeks and days before lockdown.
- 1.4 As a result, the majority of staff had immediate access to essential systems at the commencement of working at home (WAH).
- 1.5 Over the following weeks those few staff whose access was limited due to inadequate hardware were brought online as new laptop PC's were sourced and distributed.
- 1.6 During lockdown public recourse to the organisation has been via email and telephone with call centre staff operating from home.
- 1.7 In order to maintain an appropriate service level, once a week two staff have been on site to undertake mail opening, scanning, printing and mail out activities.
- 1.8 During WAH a high level of communication has been maintained throughout the office. The use of Microsoft Teams has allowed a schedule of meetings to be created and executed with excellent levels of participation.
- 1.9 A key focus at this time has been maintaining the health and wellbeing of staff. The office intranet has provided staff with information to assist them through lockdown, giving advice on mental health, physical wellbeing, dealing with isolation, finding the right balance while working at home, and providing links to organisations where professional assistance is available. An Entertainments Committee has also been active, providing an essential "remote coming together" facility for staff.

1.10 From within the management team, a COBRA team was formed, which meets daily to review productivity levels on functional requirements, monitor progress on key statutory deliverables, maintain a focus on staff health and wellbeing, ensure essential governance and audit activity continues, maintain the budgetary process, and now, commence the process to support the Restart Programme.

1.11 All staff have received weekly updates from the Assessor throughout lockdown.

## **2.0 ELECTORAL REGISTRATION – CANVASS 2020**

2.1 All UK Governments have indicated that the new approach to canvass should go ahead during 2020.

2.2 While there may be some minor adjustment to the intended process in order to reflect social distancing requirements there are, at present, no changes proposed to the new canvass process.

2.3 Based on the current timetable the Lothian 2020 Household Canvass shall commence in early August.

2.4 During April the dry run match process went ahead with all electors shown on the register, prior to the December 2019 General Election, being matched to DWP data bases.

2.5 The returned match rate was 67%. It is anticipated that this rate shall rise following matching with local data sets and as a result of using register data that is post 2019 General Election which saw high levels of registration applications processed.

2.6 Those electors/households that are matched follow what is known as the “lighter touch” canvass route which considerably minimises the existing chase requirement.

2.7 The essential planning and timetabling to support the new canvass approach is in place and is subject to periodic reviews and refinements resulting from information received from Cabinet Office and EMS suppliers.

2.8 Plans are under construction to support social distancing and virus containment requirements within the office that specifically reflect the issues arising from handling and processing paper forms during canvass.

## **3 ELECTORAL REGISTRATION – REGISTRATION APPLICATIONS**

3.1 During WAH the registration maintenance process has been ongoing, in fact the vast majority of electoral processes have been maintained very successfully throughout this period.

3.2 The following processing levels have been achieved between the 18 March to 29 May 2020:

- 7,849 online registration applications

- 2,019 paper registration applications
  - 761 paper absent vote applications
  - 9,430 miscellaneous transactions and updates such as name changes, amendments, etc
  - 12,525 ITR's have been issued
  - 234 young person applications have been processed following school visits conducted prior to lockdown
  - 3,542 letters encouraging registration issued to young persons during lockdown.
- 3.3 The statutory requirement to prepare and publish monthly updates to the Register has been fulfilled with copies of updates provided electronically.

#### **4 ELECTORAL REGISTRATION – ELECTIONS**

- 4.1 All notified by-elections prior to the lockdown have been postponed.
- 4.2 Currently, the following revised dates have been released, West Lothian Council Ward 4 Livingston South 1<sup>st</sup> October 2020 and City of Edinburgh Council Ward 14 Craigtinny/Duddingston 12<sup>th</sup> November 2020.
- 4.3 The Elections Management Board are currently considering measures that may have to be taken to ensure the Scottish Parliament Election can take place in May 2021 reflecting any social distancing and virus containment requirements that may be in place at that time.

#### **5 ELECTORAL REGISTRATION – LEGISLATION**

- 5.1 Franchise changes allowing prisoners serving a prison term of 12 months or less to register to vote were legislatively enabled as from 1 April 2020.
- 5.2 The necessary changes to registration application and postal vote forms have been supplied by the Electoral Commission, however to date no application requests have been received.
- 5.3 Further franchise changes allowing all foreign nationals to register are expected to be enacted as from 1 August 2020, in time for the 2020 Household Canvass.

#### **6 NDR – VALUATION ROLL MAINTENANCE ACTIVITIES**

- 6.1 The outturn position in respect of the 2019/20 NDR key performance indicator reflecting the time taken to make amendments to the Valuation Roll indicated that 67.29% of all amendments were made within 3 months of their effective date. This represents an encouraging improvement in performance from 2018/19 where 57.86% was achieved.
- 6.2 Under WAH conditions amendments to the Valuation Roll have continued and from 18 March to 29 May 2020, 836 value changes, by way of amendments, inserts and deletions have been processed, in addition to 2,311 non-value alterations such as name changes.

- 6.3 Additional information have also been provided to all Councils to assist with business support grants and rates relief applications made available to ratepayers during the pandemic.
- 6.4 NDR maintenance activities have been affected during this period due to the inability to conduct external property survey and the cessation of processing of building warrants submitted in paper format by council planning departments. Warrants received in electronic format have continued to be processed.
- 6.5 Obviously, during this period, construction and building alteration works have in the main ceased giving rise to fewer completed alterations and new builds requiring assessment for NDR purposes.

## **7 NDR – APPEALS**

- 7.1 During this period 2017 revaluation appeals already under citation have continued to be dealt with leading to 1,206 appeals being disposed of.
- 7.2 Due to the inability to survey property requests for continuations of appeal discussions to a later date have increased. This has led to around 40% of cited appeals being continued to a date later in the year.
- 7.3 The Valuation Appeal Committee is currently not sitting to hear cases, dealing only with administrative aspects of Committee hearings remotely. It is unclear at what time the Committee shall be in a position to sit and recommence hearing cases.
- 7.4 This continuation of appeals shall create pressure on the schedule of hearings already in place for the autumn and winter period, with the ability to conclude disposal of revaluation appeals by 31 December 2020 put in doubt.
- 7.5 Scottish Government is aware of this pressure which affects all Assessors and consideration is being given to an extension being granted to the statutory disposal date.
- 7.6 In a matter of weeks during March 2020, circa 10,000 material change of circumstance appeals were lodged by ratepayers citing the impact of the pandemic as having a negative impact on value levels.
- 7.7 These appeals are currently being processed with to date 8,371 being validated and 4,978 acknowledged. Work is ongoing to complete this initial administrative process.
- 7.8 In total circa 50,000 mcc appeals have been lodged nationally with the vast majority having a statutory disposal date of 31 March 2021.
- 7.9 Again, the Scottish Government is aware of this additional pressure and discussions are ongoing with interested parties as to the best approach to disposal to be adopted.

- 7.10 It should also be noted that while the date of the next Revaluation, 1 April 2022, remains unchanged, possible alterations to the tone date, upon which values shall be based, is being considered by Scottish Government.

## **8 COUNCIL TAX – MAINTENANCE ACTIVITIES**

- 8.1 Council Tax maintenance activities have continued under WAH conditions with 495 new houses being added to the List during the 18 March to 29 May 2020 period.
- 8.2 In addition, the necessary processes to set up new housing estates has proceeded in anticipation of recommencement of construction and house sale activity.
- 8.3 The level of new house inserts over this period is down by around 50% in comparison to previous years. This is due to a very significant reduction in house sale transactions and the cessation of on-site construction work.
- 8.4 Progress with Council Tax appeals has been made where possible. However, where a property survey is required or requested by the ratepayer it has not been possible to conclude discussions. These appeals shall be concluded when it is deemed safe and there is reduced risk to undertaking property inspections.

## **9 GOVERNANCE AND AUDIT**

- 9.1 The 2019/20 Annual Governance Report is attached at Appendix 1.
- 9.2 This report provides members with an overall assurance that the organisation is delivering services within an appropriate governance and internal control framework.
- 9.3 Information is provided on the governance and internal control measures, and identified improvement plans, associated with the 7 principles of the CIPFA/SOLACE framework for Delivering Good Governance in Local Government.
- 9.4 The report also includes information on the key Quality Assurance activities undertaken during the year, activity on strategic objectives, and primary corporate and service plan deliverables.
- 9.5 Throughout WAH internal Quality Assurance and audit work has continued with all primary process areas continuing to be assessed.
- 9.6 External audit work with both City of Edinburgh Council and Scott Moncrieff has also been progressed.
- 9.7 Corporate, strategic and project risk registers have been maintained and audited, suitably amended to reflect Covid.

- 9.8 During 2020/21 a review of the composition and function of the external LVJB Governance Group shall be undertaken with a view to the creation of a formal terms of reference. This shall involve a series of short interviews with Board members to assess opportunities to improve information provision and governance performance.

## **10 COVID-19**

- 10.1 The senior management team have commenced the necessary preparations and planning that shall allow the office to re-open while following and respecting Government guidelines on minimising risk within the workplace.
- 10.2 Of primary importance and key focus is the health, safety and wellbeing of all staff.
- 10.3 Social distancing, hand hygiene, office cleaning and controlling staff attendance are key elements of the return to work programme.
- 10.4 These issues are reflected in proposals to control staff movement and flow within the office, use of communal facilities, restrictions on meeting room use, desk layouts, sanitiser locations, and signage.
- 10.5 Risk assessments are being undertaken and a Covid Risk Assessment shall be published in due course.
- 10.6 The headline return to work timetable is as follows, implement office preparations by June/July, commence a very limited and controlled return to the office during late July, review effectiveness of office operation and allow greater levels of access by staff to the office during August.
- 10.7 It should be noted that a review of the success of Working at Home shall be undertaken with a view of formalising such an approach and embedding it into the ongoing operation of the office and its way of delivering services.
- 10.8 The return to work programme shall be kept under constant review in order to reflect new Government guidance, particularly in the event of changes to the current pandemic trends.

## **11 RECOMMENDATION**

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

Annual Governance Statement



# Contents

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Governance Assurance Framework.....</b>	<b>4</b>
<b>3. The role of Quality Assurance .....</b>	<b>6</b>
<b>4. What have LVJB delivered? .....</b>	<b>7</b>
<b>5. Corporate and Service Plans .....</b>	<b>8</b>
<b>6. Corporate and Service plans – achievements.....</b>	<b>9</b>
<b>7. Corporate and Service plans – work in progress.....</b>	<b>10</b>
<b>8. Future work in 2020 .....</b>	<b>11</b>

## 1. Introduction

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 has a duty 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 establishes 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.

### 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

LVJB's Governance Group provides internal assurance and quality control over the primary functions and services of the organisation. This group also reports externally to members of the Joint Board. 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.

## 2. Governance Assurance Framework

Our governance framework comprises the culture, values, systems and processes by which the 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 reflects the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

<b>Principle 1</b>	<b>Behave with integrity, has strong ethical values and respects the rule of law</b>
Evidence	The Corporate Leadership Team (CLT) actively promote a culture of integrity and values. Following a recent external audit, we have produced code of conduct for Board members which dovetails with our existing employee code. This, combined with other internal policies such as public interest disclosure, scheme of delegation, data protection, anti-bribery and disciplinary, which all fall under a regular review framework, ensures a clear understanding of the importance of exemplary behaviour and ethics in all areas of the Joint Board's work.
Improvement plan	1) Implement member code of conduct 2) Ensure policy review framework is being adhered to
<b>Principle 2</b>	<b>Ensure openness and comprehensive stakeholder engagement</b>
Evidence	Following the publication of the Barclay review report in 2017, LVJB are making significant efforts to improve the ways in which we engage with our stakeholders. This includes moving to a more accurate 3 yearly valuation model, standardised and easier to understand documentation and improvements to the <a href="http://www.saa.gov.uk">www.saa.gov.uk</a> website. Our first annual Governance statement was produced in 2019 and was presented to the Joint Board and published on our website ( <a href="http://www.lothian-vjb.gov.uk">www.lothian-vjb.gov.uk</a> ) to provide greater clarity on our accountability.
Improvement plan	1) Continue to assess and develop new ways of engaging with stakeholders 2) Consider what additional information can be made available to ratepayers
<b>Principle 3</b>	<b>Seek outcomes in terms of sustainable economic, social, and environmental benefits</b>
Evidence	As part of the Transformation Programme Phase 2, LVJB have created a Business Strategy 2020/2023 which is aimed at meeting the financial position of the Board and challenges in terms of service delivery. Several challenges have been identified which include responding to fiscal constraints, delivering Non-Domestic Rates (NDR) Reform, legislative changes to electoral registration, modernisation, process review and cultural change.
Improvement plan	1) Continue to develop and monitor the implementation of the Business Strategy 2020/2023
<b>Principle 4</b>	<b>Determine interventions necessary to optimise the achievement of intended outcomes</b>
Evidence	LVJB has established a robust project management framework to provide the optimal likelihood of delivering several key projects to enable the delivery of NDR Reform and organisational change. Although KPI performance is satisfactory and selected improvement in the performance management of areas of the organisation has been made, further enhancement is required. The current performance framework is a multi-faceted programme including training, personal development, challenging cultures, Wider Leadership Team (WLT), etc. LVJB operates under a flat cash budget with core costs approved for the 2020-2021 financial year.
Improvement plan	1) Continue to review the performance framework to ensure it is fully imbedded in the organisation

<b>Principle 5</b>	<b>Develop capacity, including the capability of its leadership and the individuals within it</b>
Evidence	The Business Strategy 2020/2023 is integral to not only meeting financial and service delivery challenges, it is also essential to enabling organisational change. The Strategy will introduce more efficient ways of providing service delivery with a more flexible and leaner workforce. Investment in staff training continues with increased internal capability gained through “train the trainer” courses and sustained progress in professional competencies. A Wider Leadership Team (WLT) meets every 2 months to learn and share from each other’s experiences and knowledge.
Improvement plan	1) Continue to expand the role and purpose of the WLT within the organisation
<b>Principle 6</b>	<b>Manage risk and performance through robust internal control and strong financial management</b>
Evidence	The LVJB Risk Management Framework has undergone a recent review to enable more effective identification, assessment and mitigation of risk. Risk is a standing item on both the monthly CLT and bi-monthly Governance Committee meetings. Specific corporate risk, for example NDR and Electoral Registration Reform, are presented to the Joint Board. The organisation is subject to annual internal and external audit reviews with reports identifying any control weaknesses and assurance recommendations produced. The red, amber and green (RAG) status of ongoing projects which are managed under the project framework are reported at monthly CLT meetings to provide evidence of progress or otherwise. LVJB has an internal Governance team who are responsible for ensuring all information compliance and statutory obligations are met. This includes confirming that all information and records management procedures, data sharing agreements, privacy notices, ICT acceptable use, information handling and incident reporting policies, etc. are understood and observed.
Improvement plan	1) In accordance with the Public Records (Scotland) Act undertake a progress update review in 2020 2) Continue to create and review all necessary DSA’s with relevant third parties
<b>Principle 7</b>	<b>Implement good practice in transparency, reporting, and audit to deliver effective accountability</b>
Evidence	LVJB produce and publish a suite of reports on its external website. These include statements on annual corporate & service plans, financial regulations, records management, standing orders, annual corporate assurance statements, etc. Ongoing specific KPI and overall performance statistics and financial statements are presented to the Joint Board. The Annual Governance statement is being developed to more closely align with Corporate Governance Framework compliance requirements. A suite of audit and QA reports (see Section 3) is presented monthly to the CLT providing assurance over key service provision.
Improvement plan	1) Continue to review and enhance the Annual Governance Statement 2) Consider undertaking a Corporate Governance Framework self-assessment exercise

### 3. The role of Quality Assurance

We continue to maintain and promote the role of quality assurance within the organisation. Emphasis is placed on providing stakeholder confidence that the level of service provided meets expectation and offers additional protection against inaccuracies. Assurance is provided both internally to the Corporate Leadership Team and externally by improved information provision and transaction accuracy. The Governance Committee has overall scrutiny of all reported actions and recommendations. The current suite of QA activity checks is shown in the table below.

Function	Task	Description
<b>Council Tax</b>	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.
	Council Tax Assurance Checks	The Council Tax managers carry out a 10% check of all 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. The report is run on a weekly basis for the same period as the interface report but includes additional entries for Point of Sales where the original banding has been retained which are not interfaced.
<b>Valuation Roll</b>	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 100% checks on any business growth accelerator entries and a 10% check on self-verified transactions. QA will carry out follow up assurance check on these as a second line check. Report on any anomalies or transactions incorrectly processed.
	PTO Name Checks	Valuation Roll names updates processed by Technical & Support staff receive a 10% check by Governance.
<b>Electoral Support/Processing Areas</b>	EMS reports	Check system reports to ensure that electors are correctly processed, 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.
<b>Miscellaneous</b>	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 a sample of building warrants and planning permissions each quarter. A full end to end check is carried out. All the filtered cases on sample Planning Permissions are checked 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.

#### 4. What have LVJB delivered?

##### Business Continuity

- Undertook desktop simulation reviews of the LVJB Business Continuity Plan (BCP) which assisted in the organisations response to the Coronavirus outbreak.

##### Project Framework

- Responded to the recommendations from the CEC Audit on Barclay Readiness Review. Which included implementing a defined project management approach, creating risks, assumptions, issues and dependency logs for core projects and post implementation reviews.

##### Budget Strategy

- The External Governance Committee has been used as a forum to review the fiscal challenges faced by LVJB. A phased approach was agreed by the Board regards the LVJB Business Strategy for 2020-2023. The Board also approved the proposed core budget for 2020/21.

##### ICT Infrastructure Review

- Successfully migrated core business email and applications to Office 365 software. This included access to Microsoft Teams collaboration tools which has helped support our service response platform for staff working at home.

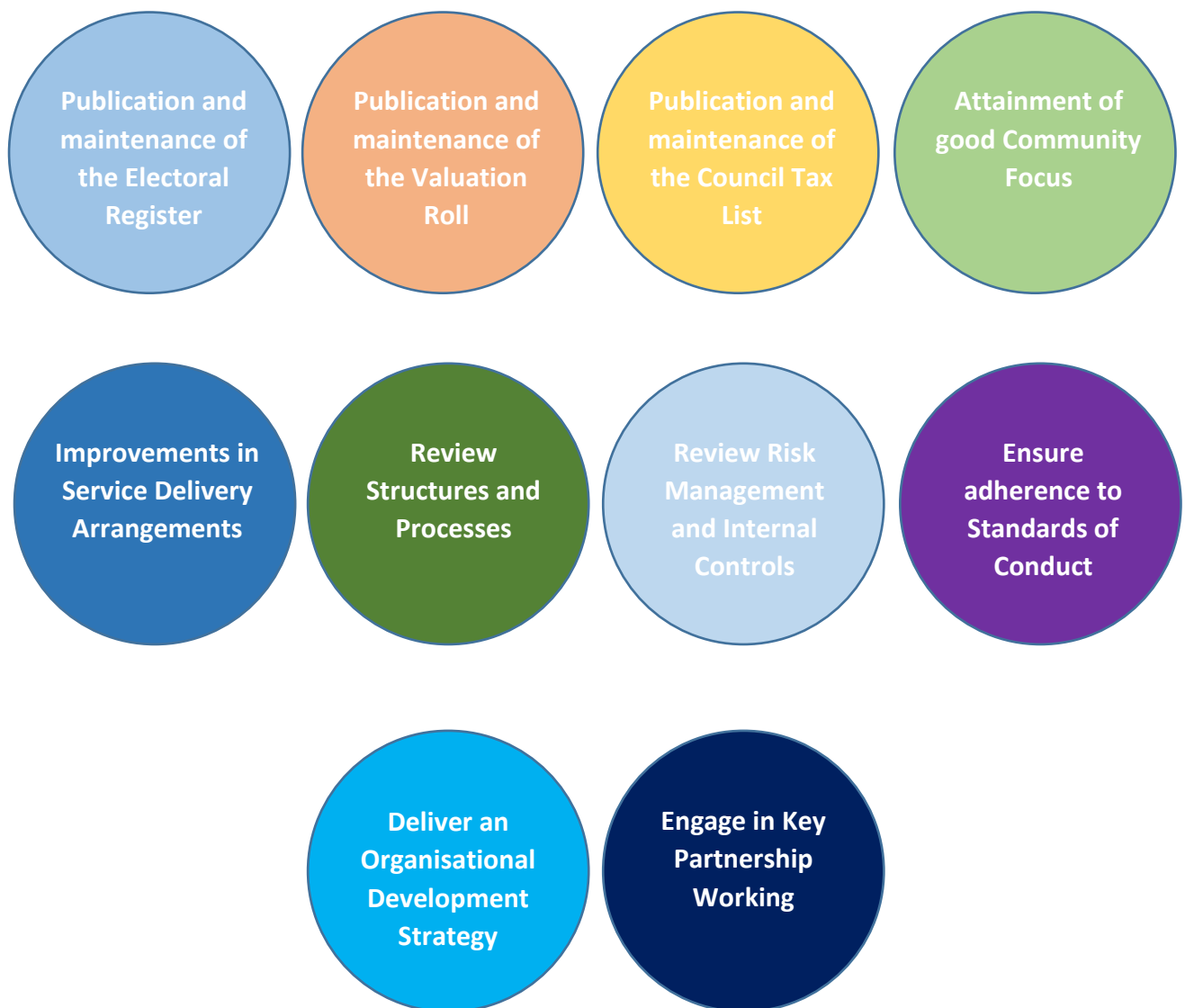
##### Rates Assurance

- Extended the Assurance Framework to encompass Council Tax domestic property valuation, introducing first & second line review by Management and Quality Assurance

## 5. Corporate and Service Plans

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 2019/20 were;



## 6. Corporate and Service plans – achievements

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

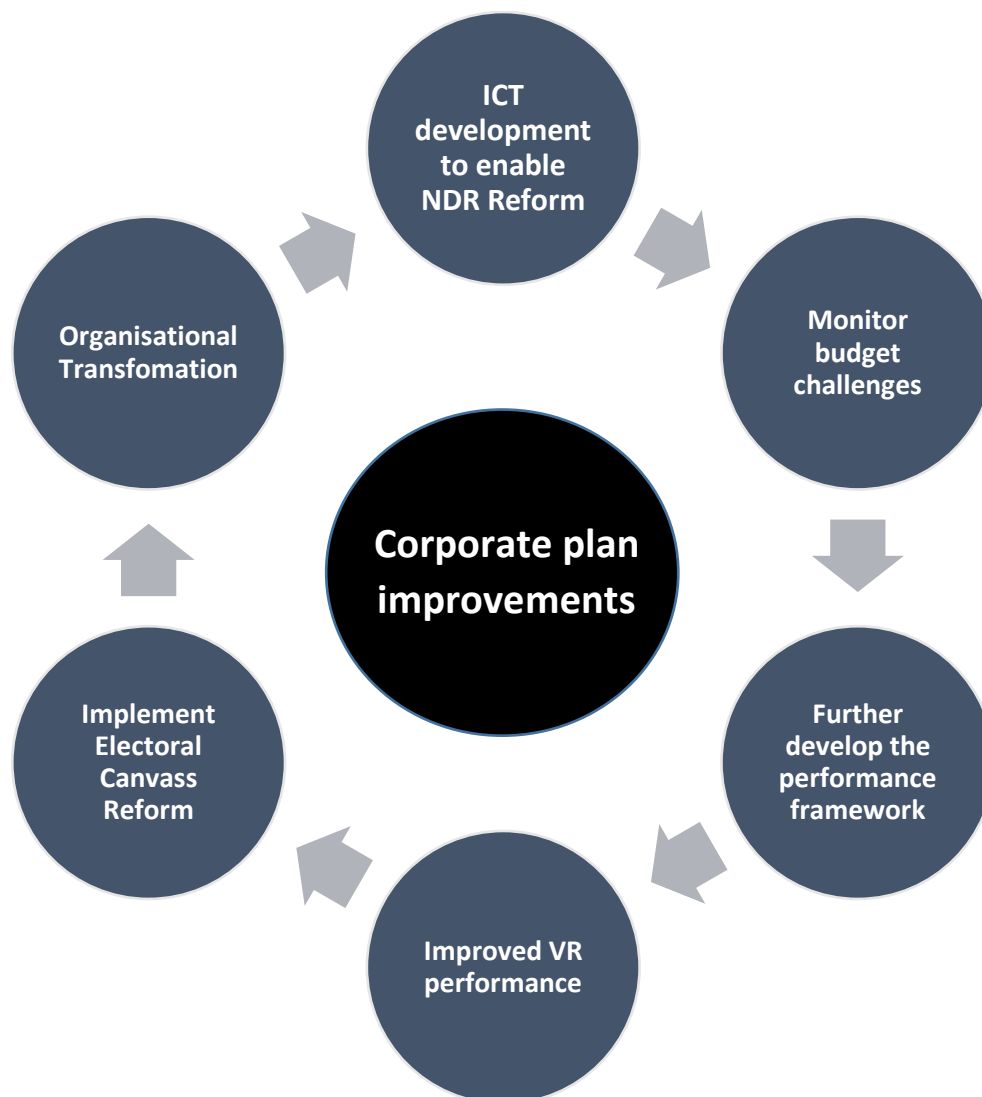
- Mobile survey for the Council Tax List has been implemented. Staff now use iPads to create new housing valuation templates with a single point of data input enabling information to become available to back office systems.
- The 2019 UKPGE was the first December General Election held since 1923. The combination of a high profile UKPGE and the annual canvass resulted in increased pressure on telephone and email enquiries and registration and absent vote applications. To manage this demand, the revised register was published on 14 November, this meant our full resources could be used to deal with the known pressure points in the election timetable, the closing dates for registration and absent vote applications and the election updates to the register.
- A 3-year Business Strategy has been published to respond to ongoing fiscal constraint and accelerate the process of Organisational Transformation involving modernisation, process review and cultural change.



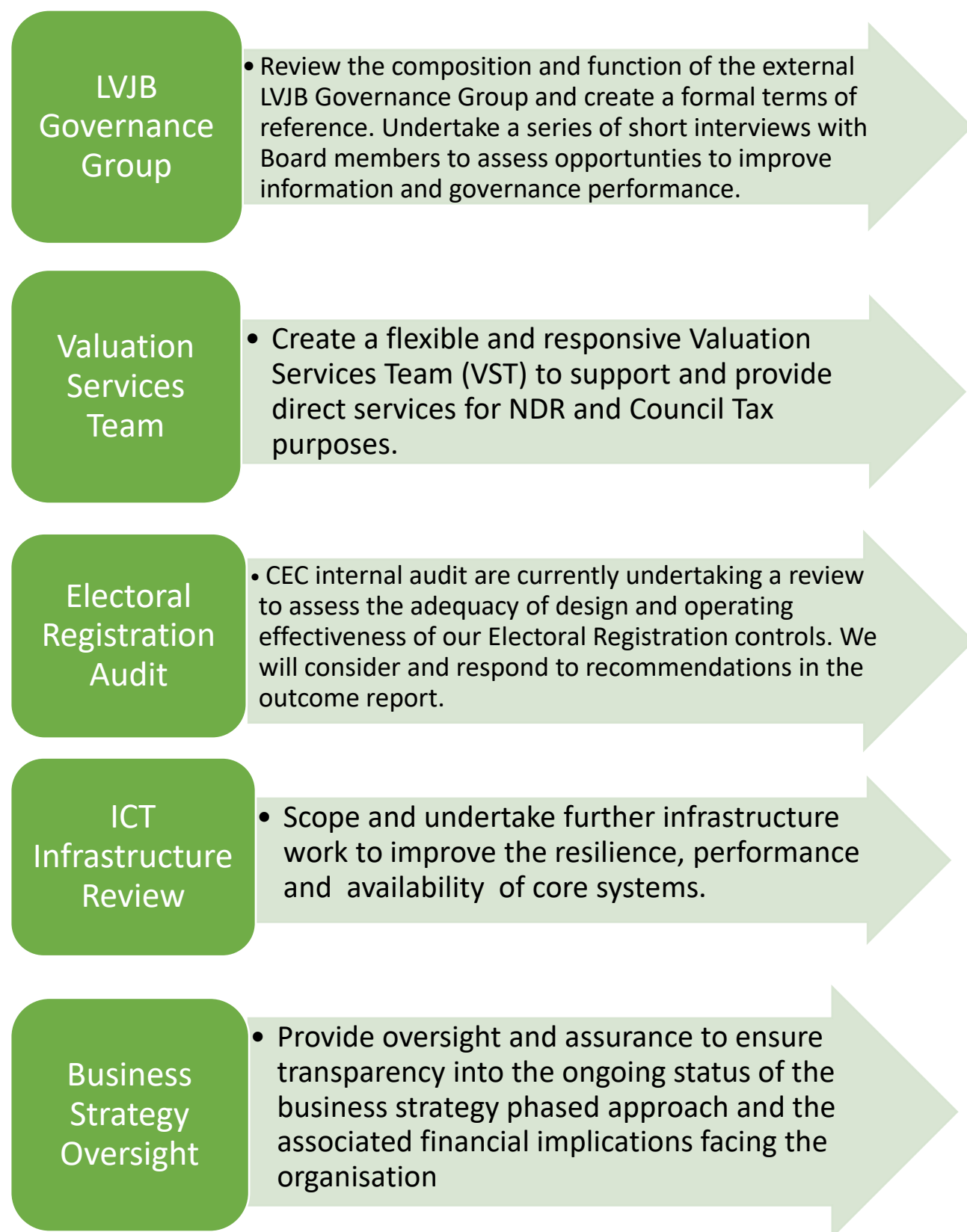
## 7. Corporate and Service plans – work in progress

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 ongoing activities aimed at supporting this process of improvement.



## 8. Future work in 2020



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## MEMBERS CODE OF CONDUCT REPORT TO LOTHIAN VALUATION JOINT BOARD

15 June 2020

### 1 PURPOSE OF REPORT

The purpose of this report is to update the Board on the management action contained in the 2018/19 Annual Audit Report presented by external auditors, Scott-Moncrieff at the LVJB meeting in September 2019.

### 2 MAIN REPORT

#### External Audit Findings

2.1 The report identifies one Grade 3 action plan point, that requires management attention

*“Although relevant disclosures in respect of related party transactions had been made in the annual accounts; improvements could be made over the procedures for collating this information. Once potential related parties have been identified, an exercise should be carried out to review accounting records for transactions associated with those related parties. This part of the process is carried out by the City of Edinburgh Council (the Council) on behalf of the Board and is dependent on potential related parties being identified by management at the Board and reported to the Council.”*

Risk	Recommendation	Management Response
There is a risk that the disclosure within the annual accounts is incomplete.	We would encourage both management at the Board and the Council to review existing procedures to ensure these are carried out in the most efficient and effective way.	A review of existing procedures to identify related parties will be undertaken.

Target date: 31/03/20

Status - Complete

2.2 The recommendation required a review of existing procedures to identify Related Parties ensuring this is carried out in the most efficient and effective way.

- 2.3 The LVJB Governance Team have created a draft Members Code of Conduct (*see Appendix A*) which sets out expectations on declarations of interest.
- 2.4 We request that each Board Member provides a Register of Interests Declaration Form (Annex C in the members code) which should then be regularly maintained and updated.
- 2.5 This information will then be published on our website.

### **3 RECOMMENDATIONS**

- 3.1 That the Board approve the draft Members Code of Conduct.
- 3.2 That the Board agree to provide a Register of Interests Declaration Form and once submitted, the information can then be published on the Lothian Valuation Joint Board website.



# ***Code of Conduct for Board Members***

CODE OF CONDUCT FOR BOARD MEMBERS	
Approved By	LVJB Corporate Leadership Team
Date of Approval	May 2020
Owner	Bernie Callaghan, Head of Governance
Issue & Date	1
Identity	Code of Conduct for Board Members
Location of electronic copy	SharePoint
Location of paper copy	Human Resources
Next Review Date	The policy will be reviewed as and when a change to the existing policy deems this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions or Government Policy or organisational change.

Issue	Author	Date	Details of Change
1	Bernie Callaghan	May 2020	Initial creation

## CONTENTS

SECTION	
1	Introduction
2	Key Principles of the Code
3	General Conduct
4	Registration of Interests
5	Declaration of Interests

ANNEX A	Sanctions available to the Standards Commission for breaches of the Code
ANNEX B	Definitions
ANNEX C	Register of Interests Declaration Form

# CODE OF CONDUCT FOR BOARD MEMBERS

## 1 INTRODUCTION

- 1.1 Within this Code of Conduct Lothian Valuation Joint Board is referred to as “The Board.”
- 1.2 The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties for the public body. You must meet those expectations by ensuring that your conduct is above reproach.
- 1.3 The Ethical Standards in Public Life etc. (Scotland) Act 2000, “the 2000 Act”, provides for Codes of Conduct for local authority Councillors and members of relevant public bodies; imposes on councils and relevant public bodies a duty to help their members to comply with the relevant Code; and establishes a Standards Commission for Scotland, “The Standards Commission” to oversee the new framework and deal with alleged breaches of the Codes.
- 1.4 As a member of The Board, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct.

### **GUIDANCE ON THE CODE OF CONDUCT**

- 1.5 You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, at least annually, your personal circumstances, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.
- 1.6 The Code has been developed in line with the key principles listed below and provides additional information on how the principles should be interpreted and applied in practice. No Code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from the Governance team at LVJB. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.

### **ENFORCEMENT**

- 1.7 Part 2 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 sets out the provisions for dealing with alleged breaches of this Code of Conduct and the sanctions that shall be applied if the Standards Commission finds that there has been a breach of the Code. Those sanctions are outlined in Annex A.

## **2. KEY PRINCIPLES OF THE CODE OF CONDUCT**

### **2.1 The general principles upon which this Code of Conduct is based are:**

- **Public Service**

You have a duty to act in the interests of the public body which you are a member and in accordance with the core tasks of that body.

- **Selflessness**

Members should not take decisions which will result in any financial or other benefit to themselves, their family, or their friends. Decisions should be based solely on the Board's best interests.

- **Integrity**

Members must not place themselves under any financial or other obligation that might reasonably be thought to influence them in the performance of their duties.

- **Objectivity**

Members must make decisions solely on merit when carrying out Board business.

- **Accountability and Stewardship**

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that the public body uses its resources prudently and in accordance with the law.

- **Openness**

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

- **Honesty**

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

- **Leadership**

You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of The Board.

- **Respect**

You must respect fellow members of your public body and employees and the role they play, treating them with courtesy at all times.

### **3 GENERAL CONDUCT**

#### **3.1 Relationship with Employees of The Board**

- 3.1.1 You will treat any staff employed by LVJB with courtesy and respect. It is expected that employees will show you the same consideration in return.

#### **3.2 Allowances**

- 3.2.1 You must comply with any rules regarding remuneration, allowances and expenses.

#### **3.3 Gifts and Hospitality**

- 3.3.1 You must never canvass or seeks gifts or hospitality
- 3.3.2 You are responsible for your decisions connected with the offer or acceptance of gifts or hospitality and for avoiding the risk of damage to public confidence in The Board. As a general guide, it is usually appropriate to refuse offers except:
- (a) isolated gifts of a trivial character or inexpensive seasonal gifts such as a calendar or diary, or other simple items of office equipment of modest value;
  - (b) normal hospitality associated with your duties and which would reasonably be regarded as inappropriate to refuse.
- 3.3.3 You must not accept any offer by way of gift or hospitality which could give rise to a reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term “gift” includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.
- 3.3.4 You must not accept repeated hospitality from the same source. You must record details of any gifts and hospitality received and the record must be made available for public inspection.
- 3.3.5 You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision The Board may be involved in determining, or who is seeking to do business with your organisation, and which a person might reasonably consider could have a bearing on your judgement.
- #### **3.4 Confidentiality Requirements**
- 3.4.1 There may be times when you will be required to treat discussions, documents or other information relating to the work of The Board in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. There are provisions in legislation on the categories of confidential and exempt information and you must always respect and comply with the requirement to keep such information private.

- 3.4.2 It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purpose of personal or financial gain, or used in such a way as to bring The Board into disrepute.

#### **4. REGISTRATION OF INTERESTS**

- 4.1 The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called “Registerable Interests”. You must, at all times, ensure that these interests are registered, when you are appointed and whenever your circumstances change in such a way as to require change or an addition to your entry in The Board’s Register
- 4.2 This Code sets out the categories of interests which you must register. Annex B contains key definitions to help you decide what is required when registering your interests under any particular category. These categories are listed below with explanatory notes designed to help you decide what is required when registering your interests under any particular category.

##### **4.3 Category One: Remuneration**

- 4.3.1 You have a Registerable Interest where you receive remuneration by virtue of being:
- employed;
  - self-employed;
  - the holder of an office;
  - a director of an undertaking;
  - a partner in a firm; or
  - undertaking a trade, profession or vocation or any other work.
- 4.3.2 In relation to 3.3.1 above, the amount of remuneration does not require to be registered and remuneration received as a Member does not have to be registered.
- 4.3.3 If a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under category two, “Related Undertakings”.
- 4.3.4 If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.
- 4.3.5 When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.
- 4.3.6 When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.
- 4.3.7 Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication, and the frequency of articles for which you are paid.

4.3.8 When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and the nature of its business.

4.3.9 Registration of a pension is not required as this falls outside the scope of the category.

#### **4.4 Category Two: Related Undertakings**

4.4.1 You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.

4.4.2 You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.

4.4.3 The situations to which the above paragraphs apply are as follows:

- you are a director of a board of an undertaking and receive remuneration – declared under category one – and;
- you are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

#### **4.5 Category Three: Contracts**

4.5.1 You have a registerable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in paragraph 4.7 below) have made a contract with The Board:

- (i) under which goods or services are to be provided, or works are to be executed; and
- (ii) which has not been fully discharged.

4.5.2 You must register a description of the contract, including its duration, but excluding the consideration.

#### **4.6 Category Four: Houses, Land and Buildings**

4.6.1 You have a registerable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of The Board.

4.6.2 The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to The Board and to the public, or could influence your actions, speeches or decision-making.

#### **4.7 Category Five: Shares and Securities**

4.7.1 You have a registerable interest where you have an interest in shares which constitute a holding in a company or organisation which may be significant to, of relevance to, or bear upon, the work and operation of The Board. You are not required to register the value of such interests.

- 4.7.2 The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in shares and securities could potentially affect your responsibilities to The Board and to the public, or could influence your actions, speeches or decision-making.

#### **4.8 Category Six: Non-Financial Interests**

- 4.8.1 You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of The Board. It is important that relevant interests such as membership or holding office in other public bodies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.
- 4.8.2 The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any non-financial interest could potentially affect your responsibilities to The Board and to the public, or could influence your actions, speeches or decision-making.

### **5 DECLARATION OF INTERESTS**

- 5.1 The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of The Board. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions.
- 5.2 Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in The Board and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.
- 5.3 In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must keep in mind that the test is whether a member of the public, acting reasonably, might think that a particular interest could influence you.
- 5.4 If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution.

#### **Interests which Require Declaration**

- 5.5 Interests which require to be declared may be financial or non-financial. They may or may not be interests which are registerable under this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration.

## **Shares and Securities**

- 5.6 Any financial interest which is registerable must be declared. You may have to declare interests in shares and securities, over and above those registerable under category five of Section 3 of this Code. You may, for example, in the course of employment or self-employment, be engaged in providing professional advice to a person whose interests are a component of a matter to be dealt with by the Board.
- 5.7 You have a declarable interest where an interest becomes of direct relevance to a matter before the Board and you have shares comprised in the share capital of a company or other body and the nominal value of the shares is:
- (i) greater than 1% of the issued share capital of the company or other body; or
  - (ii) greater than £25,000.
- 5.8 You are required to declare the name of the company only, not the size or nature of the holding.

## **Houses, Land and Buildings**

- 5.9 Any interest in houses, land and buildings which is registerable under category four of Section 3 of this Code must be declared, as well as any similar interests which arise as a result of specific discussions or operations of The Board.

## **Non-Financial Interests**

- 5.10 If you have a registered non-financial interest under category six of Section 3 of this Code you have recognised that it is significant. There is therefore a very strong presumption that this interest will be declared where there is any link between a matter which requires your attention as a member of The Board and the registered interest. Non-financial interests include membership or holding office in other public bodies, clubs, societies, trade unions and organisations including voluntary organisations. They become declarable if and when members of the public might reasonably think they could influence your actions, speeches or votes in the decisions of The Board.
- 5.11 You may serve on other bodies as a result of express nomination or appointment or otherwise by virtue of being a member of a public body. You must always remember the public interest points towards transparency particularly where there is a possible divergence of interest between different public authorities.
- 5.12 You will also have other private and personal interests and may serve, or be associated with, bodies, societies and organisations as a result of your private and personal interests and not because of your role as a member of The Board. In the context of any particular matter you will have to decide whether to declare a non-financial interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is irrelevant or without significance. In reaching a view you should consider whether the interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member as opposed to the interest of an ordinary member of the public.

### **Interests of Other Persons**

- 5.13 The Code requires only your interests to be registered. You may, however, have to consider whether you should declare an interest in regard to the financial interests of your spouse or cohabitee which are known to you. You may have to give similar consideration to any known non-financial interest of a spouse or cohabitee. You have to ask yourself whether a member of the public acting reasonably would regard these interests as effectively the same as your interests in the sense of potential effect on your responsibilities as a member of a public body.
- 5.14 The interests known to you, both financial and non-financial, of relatives and close friends may have to be declared. This Code does not attempt the task of defining “relative” or “friend”. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of a public body.

### **Making a Declaration**

- 5.15 You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.
- 5.16 The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words “I declare an interest”. The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

### **Effect of a Declaration**

- 5.17 Declaring a financial interest has the effect of prohibiting any participation in discussion and voting. A declaration of a non-financial interest involves a further exercise of judgement on your part. You must consider the relationship between the interests which have been declared and the particular matter to be considered and relevant individual circumstances surrounding the particular matter.
- 5.18 In the final analysis the conclusive test is whether, in the particular circumstances of the item of business, and knowing all the relevant facts, a member of the public acting reasonably would consider that you might be influenced by the interest in your role as a member of a public body and that it would therefore be wrong to take part in any discussion or decision-making. If you, in conscience, believe that your continued presence would not fall foul of this objective test, then declaring an interest will not preclude your involvement in discussion or voting. If you are not confident about the application of this objective yardstick, you must play no part in the discussion and must leave the meeting room until the discussion of the particular item is concluded.

### **Dispensations**

- 5.19 In very limited circumstances dispensations can be granted in relation to the existence of financial and non-financial interests which would otherwise prohibit you from taking part and voting on matters coming before The Board. Applications for dispensations will be considered by the Standards Commission and should be made as soon as possible in order to allow proper consideration of the application in advance of meetings where dispensation is sought. You should not take part in the consideration of the matter in question until the application has been granted.

## ANNEX A

### SANCTIONS AVAILABLE TO THE STANDARDS COMMISSION FOR BREACH OF THE CODE

- (a) Censure – the Commission may reprimand the member but otherwise take no action against them;
- (b) Suspension – of the member for a maximum period of one year from attending one or more, but not all, of the following:
  - i) all meetings of The Board;
  - ii) all meetings of one or more committees or sub-committees of The Board;
  - iii) all meetings of any other public body on which that member is a representative or nominee of The Board of which they are a member.
- (c) suspension – for a period not exceeding one year, of the member’s entitlement to attend all of the meetings referred to in (b) above;
- (d) disqualification – removing the member from membership of The Board for a period of no more than five years.

Where a member has been suspended, the Standards Commission may direct that any remuneration or allowance received from membership of The Board be reduced, or not paid.

Where the Standards Commission disqualifies a member of The Board, it may go on to impose the following further sanctions:

- (a) where the member of The Board is also a councillor, the Standards Commission may disqualify that member (for a period of no more than five years) from being nominated for election as, or from being elected, a councillor. Disqualification of a councillor has the effect of disqualifying that member from The Board and terminating membership of any committee, sub-committee, joint committee, joint board or any other body on which that member sits as a representative of their local authority.
- (b) direct that the member be removed from membership, and disqualified in respect of membership, of any other devolved public body (provided the members’ code applicable to that body is then in force) and may disqualify that person from office as the Water Industry Commissioner. Full details of the sanctions are set out in Section 19 of the Act.

## ANNEX B

### DEFINITIONS

1. **“Remuneration”** includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.
2. **“Undertaking”** means:
  - a) a body corporate or partnership; or
  - b) an unincorporated association carrying on a trade or business, with or without a view to a profit.
3. **“Related Undertaking”** is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.
4. **“Parent Undertaking”** is an undertaking in relation to another undertaking, a subsidiary undertaking, if
  - a) it holds a majority of the voting rights in the undertaking; or
  - b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or
  - c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or
  - d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of the voting rights in the undertaking.
5. **“Group of companies”** has the same meaning as “group” in section 262(1) of the Companies Act 1985. A “group”, within s262(1) of the Companies Act 1985, means a parent undertaking and its subsidiary undertakings.
6. **“Public body”** means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000.
7. **“A person”** means a single individual or legal person and includes a group of companies.
8. **“Any person”** includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.
9. **“Spouse”** does not include a former spouse or a spouse who is living separately and apart from you.
- 10 **“Cohabitee”** includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.
11. **“Chair”** includes Board Convener or any person discharging similar functions under alternative decision making structures.

# Register of Interests Declaration Form

As a member of the Lothian Valuation Joint Board you are required to complete this form if you consider that you, a family member, or a personal contact, has a private, personal or financial interest or involvement in outside activities, which may relate to your position with The Board and could result in a perceived or actual conflict of interest.

## Section 1: Personal Details

Name of Member	
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## Section 2: Category of Interest (please tick as appropriate)

Remuneration	<input type="checkbox"/>	
--------------	--------------------------	--

Related Undertakings	<input type="checkbox"/>	
----------------------	--------------------------	--

Contracts	<input type="checkbox"/>	
-----------	--------------------------	--

Houses, Land or Buildings	<input type="checkbox"/>	
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Share and Securities	<input type="checkbox"/>	
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Gifts and Hospitality	<input type="checkbox"/>	
-----------------------	--------------------------	--

Non-Financial Interests	<input type="checkbox"/>	
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## Section 3: Explanation of Potential Conflict

Please provide as much detail as possible and explain why you consider this is or could be interpreted as a conflict of interest (continue on a separate page if necessary).

## Declaration

I declare that any entry above is the to the best of my knowledge accurate at the date of completion. I undertake promptly to notify the Clerk to The Board of any material changes which may occur between now and the next occasion on which the register is updated.

Signature	
-----------	--

Date	
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Please return this form to [governance@lothian-vjb.gov.uk](mailto:governance@lothian-vjb.gov.uk)



## Treasury Management Annual Report 2019/20

15th June 2020

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### 1 Purpose of report

The purpose of this report is to provide an Annual Treasury Report for the financial year 2019/20.

### 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 2020.

### 3 Investment Out-turn for 2019/20

- 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 2019/20 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	£1,715,005.12
30 April 2019	£1,530,455.18
31 May 2019	£1,434,296.60
30 June 2019	£1,533,331.90
31 July 2019	£1,411,654.47
31 August 2019	£1,740,972.94
30 September 2019	£1,677,499.56
31 October 2019	£1,643,828.04
30 November 2019	£1,699,395.00
31 December 2019	£1,479,739.10
31 January 2020	£1,533,275.94
29 February 2020	£1,519,866.86
31 March 2020	£1,491,143.51

- 3.2 Interest is calculated on the average monthly balance. The interest rate applied was 0.532%, giving an interest amount of £8,396.97, being payable to the Board.

## **4 Recommendations**

4.1 It is recommended that the Board notes the Annual Report for 2019/20.

**HUGH DUNN,**  
Treasurer.

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<b>Appendix</b>	None
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<b>Contact/tel</b>	Innes Edwards, Tel: 0131 469 6291 ( <a href="mailto:innes.edwards@edinburgh.gov.uk">innes.edwards@edinburgh.gov.uk</a> )
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## Unaudited Annual Accounts for the Year Ended 31st March 2020

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15<sup>th</sup> June 2020

### 1 Purpose of report

The purpose of this report is to present the unaudited Annual Accounts for the year ended 31st March 2020.

### 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 2019/20 be presented to the Board no later than 31<sup>st</sup> August, 2020. The Annual Accounts require to be presented to external audit by 30<sup>th</sup> June, 2020.
- 2.2 The unaudited Annual Accounts for 2019/20 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 5<sup>th</sup> June 2020. 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 2019/20 audit* at the Board's meeting on the 7<sup>th</sup> September 2020. 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 For the year ended 31st March 2020, the Board's expenditure was incurred in-line with the budget and the Management Commentary provides details on the main reasons for budget variances between subjective group headings.
- 2.7 The general reserve balance at 31<sup>st</sup> March 2020 therefore remains at £0.897m.

### **3 Recommendations**

It is recommended that the Board:

- 3.1 Notes the report;
- 3.2 Notes that the Audited Annual Accounts for 2019/20 will be re-presented to the Board on completion of the external audit.
- 3.3 Note that a pension adjustment of £0.124m will be made in the Audited Annual Accounts due to a timing issue on receipt of pension information. The pension liability will increase from £6.453m to £6.577m as a result of the return on assets figure being revised from an estimate to an actual. The Board were previously advised of this ongoing annual adjustment between unaudited and audited accounts. This adjustment only affects unusable reserves so will not change the general reserve balance reported in paragraph 2.7.

**Hugh Dunn,  
Treasurer.**

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<b>Appendices:</b>	Unaudited Annual Accounts for the Year Ended 31st March 2020
<b>Contact/Tel:</b>	Mr. T.MacDonald: 0131 469 3078
<b>Background Papers:</b>	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 2020**

### **Unaudited**



COUNCIL TAX



ELECTORAL REGISTRATION



VALUATION

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

Visit our website at : [www.lothian-vjb.gov.uk](http://www.lothian-vjb.gov.uk)

## CONTENTS

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	Page
List of Members and Officials	1
Management Commentary	2 - 5
Statement of Responsibilities for the Annual Accounts	6
<u>Annual Accounts:</u>	
1. Movement in Reserves Statement for the year ended 31st March 2020	7
2. Comprehensive Income & Expenditure Statement for the year ended 31st March 2020	8
3. Balance Sheet as at 31st March 2020	9
4. Cash Flow Statement for the year ended 31st March 2020	10
Statement of Accounting Policies	11 - 16
Notes to the Annual Accounts	17 - 38
Annual Governance Statement	39 - 40
Remuneration Report	41 - 44

# LOTHIAN VALUATION JOINT BOARD

## MEMBERS AND OFFICIALS

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**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 Daggart

Councillor Karen Doran

Councillor David Key (Convener)

Councillor George Gordon

Councillor Gillian Gloyer

Councillor Ricky Henderson

Councillor Jason Rust

Councillor Norman Work

### East Lothian Council



Councillor Jim Goodfellow

Councillor Jeremy Findlay

### Midlothian Council



Councillor Margot Russell

Councillor Kieran Munro

### West Lothian Council



Councillor Dave King

Councillor Andrew McGuire (Vice-Convener)

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

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### Strategic Report

#### 1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2020. 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 61.29% to The City of Edinburgh Council, 9.14% to Midlothian Council, 10.70% to East Lothian Council, and 18.87% 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. The second phase of a Transformation Programme has commenced aimed at containing budget growth over the 2020/21 to 2022/23 period. This shall introduce organisational changes in association with process and procedural review. The impact of Covid-19 shall be assessed in terms of its impact on the Transformation Programme and any appropriate adjustments considered.

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 has been enacted during 2020 with the principle elements coming into force in 2022. Additional supporting legislative regulations is currently under consideration. The emergence of Covid-19 has resulted in a review, which is currently ongoing, into a number of the key dates within the NDR Reform agenda. Once these changes have been confirmed internal organisational timetables and proposed system developments shall be reviewed to support the effective delivery of the NDR Reform agenda. Within the function of Electoral Registration the cost legacy created by the introduction of Individual Electoral Registration remains an ongoing risk. During 2020 national revisions to the annual household canvass process shall be introduced aimed at reducing costs while maintaining accuracy and completeness within the Register. The Cabinet Office have indicated that supportive additional funding may be available during 2020 to support the transition to the new process. Until it is established whether the canvass changes shall provide the necessary cost savings and that any required funding shall be available 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 2019/20

#### 5.1 Financial Performance

The Board's expenditure was on budget for 2019/20. 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
	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
• Employees	4,532	4,534	2	44	97	53	4,576	4,631	55
• Property	540	507	(33)	0	0	0	540	507	(33)
• Transport and Plant	76	71	(5)	0	0	0	76	71	(5)
• Supplies and Services	750	767	17	216	219	3	966	986	20
• 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	6,047	6,046	(1)	260	316	56	6,307	6,362	55
• Sales, fees & charges	(43)	(37)	6	0	0	0	(43)	(37)	6
• IER Grant	0	0	0	(260)	(316)	(56)	(260)	(316)	(56)
• IORB	(3)	(8)	(5)	0	0	0	(3)	(8)	(5)
Total income	(46)	(45)	1	(260)	(316)	(56)	(306)	(361)	(55)
Total net expenditure	6,001	6,001	0	0	0	0	6,001	6,001	0

For the year ended 31st March 2020, the Board's expenditure was incurred in-line with the budget.

The Board recorded income totalling £0.600m for 2019/20 in relation to IER grant provided by the Cabinet Office. Expenditure against this grant was £0.316m and therefore £0.284m was carried forward in to financial year 2020/21 to leave a balanced IER position for 2019/20. The carry-forward in to 20/21 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:

	£'000
• <u>Employees</u>	2
The core employee budget was marginally over budget with VR/turnover factor being managed through vacancy control due to the ongoing transformation programme.	
• <u>Property</u>	(33)
General repairs, maintenance and utilities costs under budget.	
• <u>Transport costs</u>	(5)
Ongoing review of external survey requirements gave rise to savings.	
• <u>Supplies and Services</u>	17
Mainly increased postage expenditure due to additional work associated with the 2019 General Election.	
• <u>Third Party Payments</u>	18
Greater than expected activity surrounding the disposal of Revaluation 2017 appeals which increases costs associated with the Valuation Appeal Committee.	
• <u>Income</u>	1
Minor under-recovery.	
<b>Total under spend</b>	<b>0</b>

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2019/20 (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 2019 was £0.897m which remains the same as at 31st March 2020.

#### 5.2 Overview of performance targets in 2019/20

During 2019/20 the Board reached a good level of performance as defined by its Key Performance Indicators. The principal of these show that 91.21% (93.75% 2018/19; 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 67.39% (57.86% 2018/19; 63.10% 2017/18; 47.15% 2016/17) of all Valuation Roll amendments were made within three months following completion. During 2019/20 6,004 new houses were added to the Council Tax list while 3,819 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 2020 over 80% of these appeals had been dealt with. The statutory deadline for disposal of all appeals is 31/12/2020.

The Electoral Register during 2019/20 was maintained throughout the year with 76,404 electors added, 49,998 deleted, and 100,311 subject to amendment. The 2019 household canvass which was impacted by the December 2019 UK Parliament General Election maintained the current trend with a 74.2% return rate achieved, (75% 2018; 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 2020 698,145; 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. Changes to the Electoral Registration process, the NDR Reform agenda, 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 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%. The second Phase of this Programme is ongoing aimed at constraining budget growth during the 2020/21 to 2022/23 period. This phase aims to create organisational savings while establishing increased modernisation, process efficiencies, and cultural change. 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 aimed at supporting changing legislative requirement within which services are delivered. While it is unlikely that the emergence of Covid-19 shall derail any of the expected changes to statutory service delivery requirements it is possible certain details may be reviewed and the likely manner in which the organisation and its staff operate shall be subject to review and change. A full risk assessment shall be undertaken and mitigation action taken as necessary. At the current point in time the organisation is in lockdown and under working at home conditions. Early indications are that a high level of continuing service delivery across all statutory functions is being achieved.

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

- The Scottish Government has adopted the main recommendations contained within the 2017 Barclay Review of NDR and is a NDR Reform strategy. This strategy has 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 associated legislative changes has required that 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 systems developments have already commenced. Covid -19 and its impact on the NDR Reform Agenda is currently being assessed and while the overall objectives of the agenda shall be unaltered it is possible that certain key dates may be reviewed. Should this occur internal corresponding timetables and associated planning shall be reviewed to reflect these changes. An appropriate risk register shall be compiled with corresponding mitigation action to reflect this change circumstance. It should be noted that additional funding has been made available by Scottish Government within the annual national budget dispersal process to support the introduction of the NDR Reform agenda. 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.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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

- Volatility within Government means that the risk of snap elections and referendums cannot be discounted. Many major national and international issues could give rise to electoral events. During 2019 an EU Election and snap UK Parliamentary General Election took place, both of which were either unexpected in terms of the normal schedule of elections. This uncertainty over the timing of major electoral events 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. Since 2014 additional funding provided direct to the Board by the Cabinet Office reflects these ongoing costs. Mitigating action is being taken both at a national level, where changes to the annual household canvass process are due to be introduced during 2020, and at Board level opportunities to consume IER costs within core budget allocation are being adopted where possible. However the financial risk arising from the introduction of IER remains significant to the Board moving forward until the new processes have been introduced and a financial impact assessment undertaken.
- The 2017 Revaluation gave rise to receipt of 13,000 appeals, the highest ever following a revaluation exercise. 2020 is the final year in which these appeals must be concluded and disposal scheduling, pre-covid, was in place to ensure that was achieved. The current disposal level is around 85%. Post covid the disposal schedule may be significantly reduced. This shall impact on the deployment of resources within the organisation with a possible impact on other areas of service delivery. In addition the emergence of Coronavirus has resulted in the receipt of circa 10,000 additional appeals that shall, on current timetables, require to be disposed of by 31st March 2021. While it can be anticipated that a number of these shall be dealt with quickly, this represents another significant body of work which shall place additional pressure on resources.

### 7. COVID-19 pandemic

At the time of preparation of these accounts the Board is currently operating under lockdown conditions as a result of the Coronavirus outbreak. From the end of March 2020 all Board staff commenced working from home. The vast majority of staff have remote access to organisational IT systems. This has resulted in a high level of service delivery across all statutory functions being maintained. This is only restricted where access to paper material is required, where the flow of necessary information from third parties has been disrupted, or where a physical inspection of properties is required. During the lockdown period, and led by the organisations temporary COBRA group, a high level of communication amongst all staff levels has been maintained. This has been essential in terms of maintaining and supporting staff wellbeing, and ensuring that productivity levels remained at acceptable levels. Access to the organisation via email and telephone for the public and other stakeholders has also been maintained. Health and wellbeing of staff during this time is paramount and considerable additional information has been made available to staff through regular updates on the internal staff intranet. Currently a Restart Programme is under construction which anticipates a level of return to work during a reducing covid infection period. The Programme reflects the initial period resulting in a concentration on two elements; the application of social distancing and virus containment within the workplace and a review of service delivery priorities identifying areas where prompt recovery of service is required. This Programme shall be subject to regular revision to reflect national guidance both prior to and during initial return to work by staff. Due to the high level of success during working from home conditions a second phase of the Restart Programme shall be initiated to reflect on any organisational improvements, efficiencies, and process and procedural reviews that can be made. In addition changes within the wider community shall be assessed in situations where contact with third parties concerning the delivery of statutory services was normally required pre-covid. It is anticipated that adjustments, possibly supported by a wider adoption of technology allowing remote contact, shall require to be made. A Covid-19 risk register shall be constructed focusing on any area where a resumption of "normal" service is not possible with options for alternative approaches identified. This shall also reflect changes in the receipt of goods and services relied upon pre-covid identified during the initial period of resumption of return to work. At this stage it is not possible to forecast any long term budgetary impacts arising from Covid-19 however to date apart from minor contained expenditure on additional IT equipment to support home working no major additional expenditure has resulted.

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

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### The Board's Responsibilities

The Board is required:

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

### The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

### The Annual Accounts

The Annual Accounts present a true and fair view of the financial position of the Board as at 31st March 2020, and its income and expenditure for the year ended 31st March 2020.

**Treasurer:**  
Hugh Dunn, CPFA

**Date:** 5th June 2020

## LOTHIAN VALUATION JOINT BOARD

### MOVEMENT IN RESERVES STATEMENT

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

	Usable Reserves	Unusable Reserves	Total Board Reserves
2018/19 - Previous Year Comparative	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2018	(798)	5,567	4,769
<b>Movement in reserves during 2018/19</b>			
(Surplus) or deficit on provision of services	1,520	0	1,520
Other Comprehensive Expenditure and Income	0	1,420	1,420
<b>Total Comprehensive Income and Expenditure</b>	<b>1,520</b>	<b>1,420</b>	<b>2,940</b>
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(1,619)	1,619	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>(99)</b>	<b>3,039</b>	<b>2,940</b>
(Increase)/Decrease in 2018/19	(99)	3,039	2,940
<b>Balance at 31 March 2019 carried forward</b>	<b>(897)</b>	<b>8,606</b>	<b>7,709</b>

	Usable Reserves	Unusable Reserves	Total Board Reserves
2019/20 - Current Financial Year	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2019	(897)	8,606	7,709
<b>Movement in reserves during 2019/20</b>			
(Surplus) or deficit on provision of services	936	0	936
Other Comprehensive Expenditure and Income	0	(3,309)	(3,309)
<b>Total Comprehensive Income and Expenditure</b>	<b>936</b>	<b>(3,309)</b>	<b>(2,373)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(936)	936	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>0</b>	<b>(2,373)</b>	<b>(2,373)</b>
(Increase)/Decrease in 2019/20	0	(2,373)	(2,373)
<b>Balance at 31 March 2020 carried forward</b>	<b>(897)</b>	<b>6,233</b>	<b>5,336</b>

<b>General Fund analysed over:</b>	<b>£'000</b>
Amounts earmarked	0
Amounts uncommitted	(897)
<b>Total General Fund Balance at 31 March 2020</b>	<b>(897)</b>

# LOTHIAN VALUATION JOINT BOARD

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with the generally accepted accounting practices, rather than the amount to be funded from requisitions. The Board receives requisitions to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2018/19				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,222	(39)	7,183	Core budget	6,738	(37)	6,701
233	(219)	14	Individual electoral registration	340	(316)	24
<b>7,455</b>	<b>(258)</b>	<b>7,197</b>	<b>Cost Of Services</b>	<b>7,078</b>	<b>(353)</b>	<b>6,725</b>
			<b>Financing and Investment Income:</b>			
0	(8)	(8)	Interest & Investment income (Note 10.5)	0	(9)	(9)
1,601	0	1,601	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,603	0	1,603
0	(1,423)	(1,423)	Interest Income on Plan Assets (Note 21.4)	0	(1,382)	(1,382)
<b>1,601</b>	<b>(1,431)</b>	<b>170</b>	<b>Total Financing and Investment Income</b>	<b>1,603</b>	<b>(1,391)</b>	<b>212</b>
			<b>Non-Specific Grant Income:</b>			
0	(5,847)	(5,847)	Constituent council requisitions (Note 25)	0	(6,001)	(6,001)
<b>0</b>	<b>(5,847)</b>	<b>(5,847)</b>	<b>Total Non-Specific Grant Income</b>	<b>0</b>	<b>(6,001)</b>	<b>(6,001)</b>
<b>9,056</b>	<b>(7,536)</b>	<b>1,520</b>	<b>(Surplus) or Deficit on Provision of Services (Note 2)</b>	<b>8,681</b>	<b>(7,745)</b>	<b>936</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
4,915	0	4,915	Change in Financial Assumptions (Note 21.5)	0	(6,684)	(6,684)
0	0	0	Change in Demographic Assumptions (Note 21.5)	0	0	0
63	0	63	Other Experience (Note 21.5)	0	(294)	(294)
0	(3,558)	(3,558)	Return on pension assets excl. amounts included in net int. (Note 21.4)	3,669	0	3,669
<b>14,034</b>	<b>(11,094)</b>	<b>2,940</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>12,350</b>	<b>(14,723)</b>	<b>(2,373)</b>

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

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

31 March 2019 £'000		Notes	31 March 2020 £'000
304	Property, plant and equipment	8.1	268
58	Intangible assets	9	43
73	Long-term debtors	23	68
435	<b>Long term assets</b>		379
125	Short-term debtors	11	125
1,715	Cash and cash equivalents	12	1,492
1,840	<b>Current assets</b>		1,617
(645)	Short-term creditors	13	(459)
(645)	<b>Current liabilities</b>		(459)
(455)	Other long-term liabilities	24	(420)
(8,884)	Other long-term liabilities (Pensions)	21.3	(6,453)
(9,339)	<b>Long-term liabilities</b>		(6,873)
(7,709)	<b>Net liabilities</b>		(5,336)
(897)	Usable reserves	14	(897)
8,606	Unusable reserves	14	6,233
7,709	<b>Total reserves</b>		5,336

The unaudited Annual Accounts were authorised for issue by the Treasurer on the **5th June 2020**.

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

**Date:** \_\_\_\_\_  
5th June 2020

## 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 2019 £'000	31 March 2019 £'000		31 March 2020 £'000	31 March 2020 £'000
<b>OPERATING ACTIVITIES</b>				
(260)		Cash received for goods and services	(357)	
(3)		Other local authorities	(1)	
(8)		Interest received	(9)	
(5,847)		Other operating cash receipts	(6,001)	
	<b>(6,118)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,368)</b>
4,416		Cash paid to and on behalf of employees	4,732	
1,703		Cash paid to suppliers of goods and services	1,826	
	<b>6,119</b>	<b>Cash outflows generated from operating activities</b>		<b>6,558</b>
		<b>1 Net cash flows from operating activities (Note 15.1)</b>		<b>190</b>
<b>INVESTING ACTIVITIES</b>				
32		Purchase of property, plant and equipment and intangible assets.	33	
	<b>32</b>	<b>Net cash flows from investing activities</b>		<b>33</b>
	<b>33</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>223</b>
<b>1st April £'000 1,748</b>	<b>1st April £'000 1,748</b>	Cash and cash equivalents	<b>1st April £'000 1,715</b>	<b>1st April £'000 1,715</b>
<b>31st March 1,715</b>		Cash and cash equivalents	<b>31st March 1,492</b>	<b>1,492</b>
	<b>33</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>223</b>

# LOTHIAN VALUATION JOINT BOARD

## 1. STATEMENT OF ACCOUNTING POLICIES

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### 1.1 General

The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice in the United Kingdom (the Code). This is to ensure that the Annual Accounts "present a true and fair view" of the financial position and transactions of the Board.

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.)

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### 1.7 Short Term Debtors and Short Term Creditors

The revenue and capital transactions of the Board are recorded on an accruals basis which means that amounts due to or from the Board, but still outstanding at the year end, are included in the accounts. Where there was insufficient information to provide actual figures, estimates have been included.

### 1.8 Value Added Tax

Value Added Tax is excluded from the Annual Accounts unless it is not recoverable from HM Revenues and Customs.

### 1.9 Non-Current Assets

#### a) *Intangible Assets*

##### **Recognition:**

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

##### **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.)

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

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

##### Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property (Leasehold improvements) - 25 years (currently 12 years remaining) Depreciated over remaining life of asset	12
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.)

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### 1.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

#### a) Finance Leases

##### *Leased-in assets*

The Board has not identified any leased-in assets that fall under the definition of finance leases.

##### *Leased-out assets*

The Board has not identified any leased-out assets that fall under the definition of finance leases.

#### b) Operating Leases

##### *Leased-in assets*

Rental payments, net of benefits received, under operating leases are charged to the Comprehensive Income and Expenditure statement on a straight line basis over the life of the lease.

##### *Leased-out assets*

The Board has not identified any leased-out assets that fall under the definition of operating leases.

### 1.13 Provisions

Provision is made within the Annual Accounts when the board has a present legal or constructive obligation as a result of a past event, there is a probability of a transfer of economic benefit and a reliable estimate can be made of the obligation. Provisions are charged to the Comprehensive Income and Expenditure Statement in the year in which the Board becomes aware of the obligation.

### 1.14 Contingent Liability

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

### 1.15 Contingent Assets

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

### 1.16 Employee Benefits

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

# LOTHIAN VALUATION JOINT BOARD

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

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### 1.17 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate employees' employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to either terminating the employment of an employee or making an offer to encourage voluntary redundancy.

### 1.18 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, 2020, 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 £000	2018/19 Adjustments £000	Net Expenditure in the CIES £000		Net Expend. Chargeable to the General Fund £000	2019/20 Adjustments £000	Net Expenditure in the CIES £000
5,748	1,434	7,182	Core Budget	6,001	700	6,701
0	15	15	Individual Electoral Registration	0	24	24
<b>5,748</b>	<b>1,449</b>	<b>7,197</b>	<b>Net Cost of Services</b>	<b>6,001</b>	<b>724</b>	<b>6,725</b>
<b>Other Income and Expenditure</b>						
(5,847)	0	(5,847)	Constituent council requisitions	(6,001)	0	(6,001)
0	(8)	(8)	Interest and investment income	0	(9)	(9)
0	178	178	Net pension interest cost	0	221	221
<b>(99)</b>	<b>1,619</b>	<b>1,520</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>0</b>	<b>936</b>	<b>936</b>
(798)			Opening General Fund Balance	(897)		
(99)			(Surplus) / Deficit on the provision of services	0		
<b>(897)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(897)</b>		

Notes to the Expenditure and Funding Analysis:

#### 2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2019/20:

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000	Presentation Adjusts. £000	Total Adjusts. £000
Core budget	50	633	8	691	9	700
Individual electoral registration	0	24	0	24	0	24
<b>Net Cost of Services</b>	<b>50</b>	<b>657</b>	<b>8</b>	<b>715</b>	<b>9</b>	<b>724</b>
<b>Other Income and Expenditure</b>						
Constituent council requisitions	0	0	0	0	0	0
Interest and investment income	0	0	0	0	(9)	(9)
Net pension interest cost	0	221	0	221	0	221
<b>(Surplus) or deficit on the provision of services</b>	<b>50</b>	<b>878</b>	<b>8</b>	<b>936</b>	<b>0</b>	<b>936</b>

# LOTHIAN VALUATION JOINT BOARD

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

### Notes to the Expenditure and Funding Analysis:

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

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

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

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

	Core Budget	Individual Electoral Registration	Total
	£000	£000	£000
<b>Expenditure</b>			
Employee expenses	4,534	96	4,630
Other service expenses	1,445	220	1,665
Support service recharges	68	0	68
<b>Total Expenditure</b>	<b>6,047</b>	<b>316</b>	<b>6,363</b>
<b>Income</b>			
Revenues from external customers	(41)	(316)	(357)
Income from recharges for services	4	0	4
Interest and investment income	(9)	0	(9)
<b>Total Income</b>	<b>(46)</b>	<b>(316)</b>	<b>(362)</b>
<b>Net Cost of Services per EFA</b>	<b>6,001</b>	<b>0</b>	<b>6,001</b>

#### 2.3 Expenditure and Income Analysed by Nature

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

	2018/19	2019/20
	£000	£000
<b>Expenditure</b>		
Employee expenses	5,640	5,295
Other service expenses	1,647	1,631
Support service recharges	67	68
Depreciation and impairment	101	84
Interest payments	1,601	1,603
<b>Total Expenditure</b>	<b>9,056</b>	<b>8,681</b>
<b>Income</b>		
Fees, charges and other service income	(258)	(353)
Interest and investment income	(1,431)	(1,391)
Income from constituent Councils	(5,847)	(6,001)
Government grants and other contributions	0	0
<b>Total Income</b>	<b>(7,536)</b>	<b>(7,745)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1,520</b>	<b>936</b>

## LOTHIAN VALUATION JOINT BOARD

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

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The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code. For 2020/21 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures,
- Annual Improvements to IFRS Standards 2015–2017 Cycle, and
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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

### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is high degree of uncertainty about future levels of funding for local government, however, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to reduce levels of service provision.
- Local Government Pension Scheme - Guaranteed minimum pension (GMP). The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single State Pension in 2016 has resulted in a recalculation of pension liabilities relating to the estimated impact of GMP indexation changes. The increased liability (£0.187m at 31st March 2019) has been reflected in the roll-forward pension liability as at 31st March 2020 as a past service cost (refer to Note 21 Defined Benefit Pension Schemes). This is an estimate which will be revised at the upcoming valuation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. Legislation requires the LGPS to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities). The Board's actuary has included an estimate within the pension liability as a past service cost (refer to Note 21 Defined Benefit Pension Schemes) which will be subject to future revision as the outcome of the judgement becomes clearer. No further adjustment for McCloud is included in the 2019/20 calculations i.e. for those employers who already made an estimated McCloud allowance in 2018/19, we do not believe there is any significant new information about the possible McCloud remedy to justify further changes to the figures (and further costs to employers).

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

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

#### 5.1 Property, Plant and Equipment

##### *Uncertainties*

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

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

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

## LOTHIAN VALUATION JOINT BOARD

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

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#### 5.2 Pension Liabilities

##### *Uncertainties*

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

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

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. For 31 March 2020, it is difficult to comment on how a 'typical' LGPS employer's balance sheet may compare to March 2019. For all LGPS Funds, investment returns have been significantly lower than expected (particularly in the last 2 months of the accounting period) which has served to worsen the balance sheet position. The effect of this will have been at least partly offset by a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

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%	6,396
0.5% increase in the Salary Increase Rate	2%	1,319
0.5% increase in the Pension Increase Rate	8%	4,952

### 6. EVENTS AFTER THE REPORTING PERIOD

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There will be numerous issues that will impact on the Board as a result of the COVID-19 pandemic. The most substantial of these began in March 2020 when Board staff moved to remote working which was before the end of the reporting period. It is likely that the impact on the Board's Annual Accounts as a result of the pandemic will be non-adjusting, however the short, medium and long-term consequences which give rise to changes in service provision (including a transactional review of COVID-19) will be considered and reported to the Board during 2020/21. Further narrative to the pandemic and impact to the Board is referenced within the Management Commentary.

## 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.

2019/20 - Current Financial Year	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(64)	64	0	0	64
Depreciation of intangible assets	(20)	20	0	0	20
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	34	(34)	0	0	(34)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,683)	0	1,683	0	1,683
Employer's pension contributions and direct payments to pensioners payable in the year	805	0	(805)	0	(805)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	0	0	8	8
<b>Total Adjustments</b>	<b>(936)</b>	<b>50</b>	<b>878</b>	<b>8</b>	<b>936</b>

## LOTHIAN VALUATION JOINT BOARD

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

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

2018/19 - Previous Year Comparative	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(75)	75	0	0	75
Depreciation of intangible assets	(25)	25	0	0	25
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	32	(32)	0	0	(32)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,374)	0	2,374	0	2,374
Employer's pension contributions and direct payments to pensioners payable in the year	843	0	(843)	0	(843)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(20)	0	0	20	20
<b>Total Adjustments</b>	<b>(1,619)</b>	<b>68</b>	<b>1,531</b>	<b>20</b>	<b>1,619</b>

## LOTHIAN VALUATION JOINT BOARD

### 8. PROPERTY PLANT AND EQUIPMENT

#### Movements on balances:

8.1	<b>Current Year Movements in 2019/20</b>	Leasehold	Vehicles	Total
		Improvements	Plant and	Property
		£000's	Equipment	Plant and
	<b>Cost or Valuation</b>		£000's	Equipment
				£000's
	At 1st April 2019	432	288	720
	Derecognised assets GBV reversal	0	(80)	(80)
	Additions	0	28	28
	At 31st March 2020	432	236	668
	<b>Accumulated Depreciation</b>			
	At 1st April 2019	(202)	(214)	(416)
	Derecognised assets depreciation reversal	0	80	80
	Depreciation charge	(18)	(46)	(64)
	At 31st March 2020	(220)	(180)	(400)
	<b>Net Book Value at 31st March 2020</b>	<b>212</b>	<b>56</b>	<b>268</b>

8.2	<b>Previous Year Movements in 2018/19</b>	Leasehold	Vehicles	Total
		Improvements	Plant and	Property
		£000's	Equipment	Plant and
	<b>Cost or Valuation</b>		£000's	Equipment
				£000's
	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
	<b>Accumulated Depreciation</b>			
	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)
	<b>Net Book Value at 31st March 2019</b>	<b>230</b>	<b>74</b>	<b>304</b>

#### 8.3 Depreciation

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

- Leasehold improvements (buildings) - 25 years (currently 12 years remaining)
- Vehicles, plant and equipment - 5 years

## LOTHIAN VALUATION JOINT BOARD

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

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#### 8.4 Capital Commitments

At 31st March 2020, 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:
- 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
  - FMP HR and Payroll Software Limited - Software
- 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 £0.020m was charged to the Comprehensive Income and Expenditure during 2019/20.

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

	2018/19 £'000	2019/20 £'000
Balance at start of year:		
• Gross carrying amounts	136	152
• Accumulated amortisation	(69)	(94)
<b>Net carrying amount at start of year</b>	<b>67</b>	<b>58</b>
Additions	16	5
Amortisation for the period	(25)	(20)
<b>Net carrying amount at end of year</b>	<b>58</b>	<b>43</b>
Comprising:		
• Gross carrying amounts	152	157
• Accumulated amortisation	(94)	(114)
	58	43

# 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:

	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2019	2020	2019	2020
Financial Liabilities	£'000	£'000	£'000	£'000
Trade creditors	0	0	(13)	0

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

	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2019	2020	2019	2020
Cash and Cash Equivalents	£'000	£'000	£'000	£'000
Loans and receivables	0	0	1,715	1,492
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 2020, 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 2020, 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 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Trade creditors	(13)	(13)	0	0
Trade debtors	0	0	0	0
Loans and receivables	1,715	1,715	1,492	1,492

### 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 measured at amortised cost	Financial Assets measured at amortised cost
	31st March 2019	31st March 2020
	£'000	£'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	8	9

## 11. SHORT TERM DEBTORS

	2018/19	2019/20
	£'000	£'000
Debtors:		
• Trade Receivables	12	12
• Prepayments	113	113
	<u>125</u>	<u>125</u>

## 12. CASH AND CASH EQUIVALENTS

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

	2018/19	2019/20
	£'000	£'000
• Cash held by the Board	1	1
• Other local authorities	1,714	1,491
	<u>1,715</u>	<u>1,492</u>

## 13. SHORT TERM CREDITORS

	2018/19	2019/20
	£'000	£'000
Creditors:		
• Trade payables	(56)	(50)
• Other payables	(589)	(409)
	<u>(645)</u>	<u>(459)</u>

## LOTHIAN VALUATION JOINT BOARD

### 14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		2018/19	2019/20
		£'000	£'000
14.1	General Fund Balance	(897)	(897)
		<u>(897)</u>	<u>(897)</u>

<u>UNUSABLE</u>		2018/19	2019/20
		£'000	£'000
14.2	Capital Adjustment Account	(361)	(311)
14.3	Pension Reserve	8,884	6,453
14.4	Accumulated Absence Account	83	91
		<u>8,606</u>	<u>6,233</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>	2018/19	2019/20
	£'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)	(99)
2019/20	0	0
	<u>(897)</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.)

	2018/19 £'000	2019/20 £'000
<b>Balance at 1st April</b>	(429)	(361)
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	75	64
• Depreciation of intangible assets	25	20
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in year	(329)	(277)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(32)	(34)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	(361)	(311)

#### 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.

	2018/19 £'000	2019/20 £'000
<b>Balance at 1st April</b>	5,933	8,884
Remeasurements of the net defined benefit liability / (asset)	1,420	(3,309)
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.	2,374	1,683
Employer's pension contributions and direct payments to pensioners payable in the year.	(843)	(805)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	8,884	6,453

## 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.

	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000
<b>Balance at 1st April</b>		63		83
Settlement or cancellation of accrual made at the end of the preceding year	(63)		(83)	
Amounts accrued at the end of the current year	83		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		20		8
<b>Balance at 31st March</b>		83		91

### 15 CASH FLOW STATEMENT

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

	2018/19 £'000	2019/20 £'000
Net (increase)/decrease in the General Fund Balance	(99)	0
Exclude accumulated absences	20	8
Exclude revenue contribution to capital	(32)	(34)
	(111)	(26)
(Decrease)/increase in revenue debtors	(10)	0
(Decrease)/increase in long term debtors	(6)	(5)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	93	186
Revenue activities net cash flow	1	190

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

	2018/19 £'000	2019/20 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,748	1,715
Due by/(to) the City of Edinburgh Council at 1st April	1,715	1,492
(Increase)/decrease in cash	33	223

## LOTHIAN VALUATION JOINT BOARD

### 16. MEMBERS ALLOWANCES

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

	2018/19 £000's	2019/20 £000's
Salaries (incl. NI and Pensions)	9	9
Expenses	0	0
Total	9	9

### 17. EXTERNAL AUDIT COSTS

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

	2018/19 £000's	2019/20 £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 2019/20 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:

	2018/19 £000's	2019/20 £000's
• <b>The City of Edinburgh Council:</b>		
Rates	115	117
Rent	305	305
Central support costs	67	68
Interest on revenue balances	(8)	(9)
Constituent council contribution	(3,575)	(3,678)
Council Tax hearings	2	4
Vehicle hires	2	1
Printing	1	2
Trade Waste/maintenance	7	4
Due from City of Edinburgh Council	1,714	1,492
Long term debtor - lease of office	73	68
Convener remuneration	6	6
Legal fees	0	6

## LOTHIAN VALUATION JOINT BOARD

### 18. RELATED PARTIES (Contd.)

#### 18.3 Other Parties (Contd.)

	2018/19 £000's	2019/20 £000's
<ul style="list-style-type: none"> <li>• <b>The Cabinet Office</b> IER grant received</li> </ul>	(591)	(600)
<ul style="list-style-type: none"> <li>• <b>Midlothian Council</b> Constituent council contribution CT liability hearings</li> </ul>	(540) 0	(549) (2)
<ul style="list-style-type: none"> <li>• <b>East Lothian Council</b> Constituent council contribution</li> </ul>	(636)	(642)
<ul style="list-style-type: none"> <li>• <b>West Lothian Council</b> Constituent council contribution Vice Convener remuneration</li> </ul>	(1,096) 4	(1,132) 4
<ul style="list-style-type: none"> <li>• Clackmannanshire Council</li> </ul>	23	36
<ul style="list-style-type: none"> <li>• Fife Council</li> </ul>	0	2
<ul style="list-style-type: none"> <li>• Glasgow City Council</li> </ul>	7	7
<ul style="list-style-type: none"> <li>• Renfrewshire Council</li> </ul>	1	1
<ul style="list-style-type: none"> <li>• HM Revenue and Customs</li> </ul>	4	5
<ul style="list-style-type: none"> <li>• Convention of Scottish Local Authorities</li> </ul>	1	1
<ul style="list-style-type: none"> <li>• Lothian Buses PLC</li> </ul>	1	1
<ul style="list-style-type: none"> <li>• Registers of Scotland</li> </ul>	2	2
<ul style="list-style-type: none"> <li>• Scottish Court Service</li> </ul>	(3)	(4)

### 19. TERMINATION BENEFITS

Three employees left during 2019/20 incurring termination benefits. The Exit Packages note is shown within the Remuneration Report.

### 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.

	2018/19 £000's	2019/20 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
<ul style="list-style-type: none"> <li>• Property, Plant and Equipment</li> </ul>	16	28
<ul style="list-style-type: none"> <li>• Intangible assets</li> </ul>	16	6
Sources of finance		
<ul style="list-style-type: none"> <li>• Direct revenue contributions</li> </ul>	(32)	(34)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

# LOTHIAN VALUATION JOINT BOARD

## 21. DEFINED BENEFIT PENSION SCHEMES

### 21.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Board makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Board has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Board participates in the following post employment scheme:

- Local Government Pension Scheme (LGPS) - a funded defined benefit statutory scheme as administered by the City of Edinburgh Council's Lothian Pension Fund. The LGPS is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The Local Government Pension Scheme (LGPS) changed from a final salary scheme to a career average scheme on the 1 April 2015. All benefits built up in the LGPS for membership after 31 March 2015 are worked out under the rules of the new career average scheme. Before 1 April 2015 benefits were built up based on a final salary scheme. A funded defined benefit scheme, requires the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### 21.2 Transactions Relating to Post-employment Benefits

The Board recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	1,189		1,462	
Past service costs	<u>1,007</u>		<u>0</u>	
		2,196		1,462
<b>Financing and investment income:</b>				
Net interest expense		<u>178</u>		<u>221</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		2,374		1,683
<b>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</b>				
<b>Remeasurement of the net defined liability, comprising:</b>				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(3,558)		3,669	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	4,915		(6,684)	
Other experience	<u>63</u>		<u>(294)</u>	
		<u>1,420</u>		<u>(3,309)</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>3,794</u>		<u>(1,626)</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(2,951)</u>		<u>2,431</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		760		720
Contributions in respect of unfunded benefits		<u>83</u>		<u>85</u>
		<u>843</u>		<u>805</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:

	2018/19	2019/20
	£000	£000
Fair value of employer assets	57,672	55,217
Present value of funded liabilities	(64,635)	(59,902)
Present value of unfunded liabilities	(1,921)	(1,768)
Net liability arising from defined benefit obligation	<u>(8,884)</u>	<u>(6,453)</u>

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

	2018/19	2019/20
	£000	£000
Opening fair value of scheme assets	52,764	57,672
Interest income	1,423	1,382
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	3,558	(3,669)
Contributions from employer	760	720
Contributions from employees into the scheme	198	218
Contributions in respect of unfunded benefits	83	85
Benefits paid	(1,031)	(1,106)
Unfunded benefits paid	(83)	(85)
Closing fair value of scheme assets	<u>57,672</u>	<u>55,217</u>

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

	2018/19	2019/20
	£000	£000
Present value of funded liabilities	(56,872)	(64,635)
Present value of unfunded liabilities	(1,825)	(1,921)
Opening balance at 1 April	<u>(58,697)</u>	<u>(66,556)</u>
Current service cost	(1,189)	(1,462)
Interest cost	(1,601)	(1,603)
Contributions from employees into the scheme	(198)	(218)
Remeasurement gain / (loss):		
Change in financial assumptions	(4,915)	6,684
Change in demographic assumptions	0	0
Other experience	(63)	294
Past service cost	(1,007)	0
Benefits paid	1,031	1,106
Unfunded benefits paid	83	85
Closing balance at 31 March	<u>(66,556)</u>	<u>(61,670)</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.

	2018/19 £000	2018/19 %	2019/20 £000	2019/20 %
<b><u>Equity Securities</u></b>				
Consumer *	6,136.3	11	5,262.6	10
Manufacturing *	7,095.9	13	7,963.7	15
Energy and Utilities *	4,356.8	8	3,521.8	6
Financial Institutions *	4,851.7	8	3,591.2	7
Health and Care *	3,133.3	5	3,821.0	7
Information Technology *	1,878.4	3	2,386.7	4
Other *	5,623.4	10	4,031.3	7
<b>Sub-total Equity Securities</b>	<b>33,075.8</b>		<b>30,578.3</b>	
<b><u>Debt Securities:</u></b>				
Corporate Bonds (investment grade) *	0.0	0	924.8	2
Corporate Bonds (investment grade)	0.0	0	2,032.2	4
UK Government *	5,859.8	10	3,399.3	6
<b>Sub-total Debt Securities</b>	<b>5,859.8</b>		<b>6,356.3</b>	
<b><u>Private Equity</u></b>				
All	782.1	1	480.4	1
<b>Sub-total Private Equity</b>	<b>782.1</b>		<b>480.4</b>	
<b><u>Real Estate:</u></b>				
UK Property *	3,906.2	7	635.1	1
UK Property	0.0	0	2,983.1	5
Overseas Property	0.0	0	48.6	0
<b>Sub-total Real Estate</b>	<b>3,906.2</b>		<b>3,666.8</b>	
<b><u>Investment Funds and Unit Trusts:</u></b>				
Equities *	569.7	1	676.1	1
Bonds	1,462.0	3	237.0	0
Infrastructure	7,158.8	12	7,763.7	14
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>9,190.5</b>		<b>8,676.8</b>	
<b><u>Derivatives:</u></b>				
Foreign Exchange *	14.6	0	112.7	0
<b>Sub-total Derivatives</b>	<b>14.6</b>		<b>112.7</b>	
<b><u>Cash and Cash Equivalents</u></b>				
All *	4,843.0	8	5,345.7	10
<b>Sub-total Cash and Cash Equivalents</b>	<b>4,843.0</b>		<b>5,345.7</b>	
<b>Total Fair Value of Employer Assets</b>	<b>57,672.0</b>	<b>100</b>	<b>55,217.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2019/20.

## 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 2020 were those from the beginning of the year (i.e. 31 March 2019) and have not been changed during the year. The main assumptions in the calculations are:

Average future life expectancies at age 65:		2018/19	2019/20
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
Financial assumptions:		2018/19	2019/20
Pension increase rate		2.5%	1.9%
Salary increase rate		4.2%	3.5%
Discount rate		2.4%	2.3%

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 2020 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).

Change in assumptions at 31 March 2020:	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	10.0%	6,396
0.5% increase in the Salary Increase Rate	2.0%	1,319
0.5% increase in the Pension Increase Rate	8.0%	4,952

#### 21.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2021

	Assets £000	Obligations £000	Net (liability) / asset £000      % of pay	
Current service cost	0	(1,241)	(1,241)	-37.80%
Total Service Cost	0	(1,241)	(1,241)	-37.80%
Interest income on plan assets	1,267	0	1,267	38.60%
Interest cost on defined benefit obligation	0	(1,420)	(1,420)	-43.20%
Total Net Interest Cost	1,267	(1,420)	(153)	-4.60%
Total included in Profit or Loss	1,267	(2,661)	(1,394)	-42.40%

The Board's estimated contribution to Lothian Pension Fund for 2020/21 is £0.718m.

#### 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		
	2018/19 £000's	2019/20 £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	2,137	1,831
	<u>3,968</u>	<u>3,662</u>

#### Car Leases

The Board operates an employee car leasing scheme. There were nine active leases in operation at 31st March 2020 and employees contributed £0.019m during 2019/20 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2018/19 £000's	2019/20 £000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	23	22
• Later than 1 year not later than 5 years	27	24
	<u>50</u>	<u>46</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 2019/20 were £8,310 and £9,263 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 12 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2018/19 £000's	2019/20 £000's
• Cash incentive:		
Balance at 1st April	79	73
Amortised to Comprehensive Income and Expenditure Statement	(6)	(5)
Balance at 31st March	<u>73</u>	<u>68</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.

	2018/19 £000's	2019/20 £000's
Balance at 1st April	(490)	(455)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(455)</u>	<u>(420)</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.

	Due for 2019/20 £000's	Received 2019/20 £000's	Due (to)/from Councils 2019/20 £000's
City of Edinburgh Council	3,678	3,678	0
Midlothian Council	549	549	0
East Lothian Council	642	642	0
West Lothian Council	1,132	1,132	0
	<u>6,001</u>	<u>6,001</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 2020 amounted to £1.492m (2018/19 £1.715m). 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.

### 27. CONTINGENT LIABILITIES

The Board will adhere to future legislation and guidance relating to COVID-19 which may result in changes to current working practices to ensure all employees are protected and not put at risk. Planning, resourcing and transferrable skills will all be reviewed following Scottish Government guidance. Should remote working require to be introduced on a permanent basis then it is likely the Board will require to invest in suitable hardware. A report will be presented to the Board during 2020/21 when the position is clearer and investment costs quantifiable.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

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

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

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

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

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

### The Board's Governance Framework

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

The framework reflects the arrangements in place to meet the 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. The Group met twice 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 15th June 2020 and will provide information on Governance activity undertaken during 2019/20 and planned activity for 2020/21.

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

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

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### Review of Effectiveness

The Board has put in place arrangements 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.

### Internal Audit Opinion

Internal Audit is currently progressing one Internal Audit review that is focused on the Board's electoral registration process. The objective of this review is to assess the adequacy of the design and operating effectiveness of the controls established to comply with statutory and legislative requirements of the electoral registration process. Reporting of the final outcome of this review has been delayed as a consequence of the Coronavirus pandemic. It is anticipated the final outcome of the review will be available by August 2020.

### Coronavirus Pandemic

The coronavirus pandemic has required changes to governance arrangements. This Governance Statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20. All meetings of the Board due to take place in 2019/20 took place, but the Board meeting of 20th April 2020 was cancelled due to the pandemic. During the period of pandemic lockdown, future Board meetings are planned to be facilitated using electronic technology, until current restriction are lifted.

### 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 2020. 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. During 2019/20 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

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2019/20;
- 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 2019/20 are as follows:

On earnings up to and including £21,800 (5.5%), on earnings above £21,801 and up to £26,700 (7.25%), on earnings above £26,701 and up to £36,600 (8.5%), on earnings above £36,601 and up to £48,800 (9.5%) and on earnings above £48,801 (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	
	2018/19	2019/20
£50,000 - £54,999	3	1
£55,000 - £59,999	-	3
£60,000 - £64,999	1	-
£65,000 - £69,999	2	1
£70,000 - £74,999	-	3
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
<b>Totals</b>	<b>8</b>	<b>10</b>

### 5. Remuneration paid to Senior Employees

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

Name and Post Title	Salary, Fees and Allowances 31 March 2019	Salary, Fees and Allowances 31 March 2020
	£	£
G. Strachan - Assessor and Electoral Reg Officer	121,145	127,584
<b>Total</b>	<b>121,145</b>	<b>127,584</b>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2019	For year to 31 March 2020
<u>Name and Post Title</u>		£	£
G. Strachan - Assessor and Electoral Reg Officer		25,718	27,693
<u>Accrued Pension Benefits</u>		As at 31 March 2020	Difference from 31 March 2019
<u>Name and Post Title</u>		£'000	£'000
G. Strachan - Assessor and Electoral Reg Officer	Pension	69	5
	Lump sum	134	6

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

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

### 7. Remuneration of Convener and Vice Conveners

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

<u>Name and Post Title</u>	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2019/20 £	Total Remun. 2018/19 £
D.Key - Convener *	4,392	0	4,392	4,251
A. McGuire - Vice Convener **	3,189	0	3,189	3,189
	7,581	0	7,581	7,440

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

<u>In-year pension contributions</u>		For year to 31 March 2019	For year to 31 March 2020
<u>Name and Post Title</u>		£	£
D.Key - Convener		4,631	4,870
<u>Accrued Pension Benefits</u>		As at 31 March 2020	Difference from 31 March 2019
<u>Name and Post Title</u>			
D.Key - Convener	Pension	3	0
	Lump sum	0	0

\* The Vice-Convener to the Board (Councillor McGuire) is not in the Local Government Pension Scheme.

## LOTHIAN VALUATION JOINT BOARD

### REMUNERATION REPORT (Contd.)

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#### 9. Exit Packages

The following information details the number, and total cost, of exit packages agreed and approved by 31st March 2020, 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	
	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	0	2	£0	£3,524
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	1	0	48,631
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>52,155</b>

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

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

The Lothian Valuation Joint Board is required to report a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2019/20, the equivalent of 0.03 FTE (over 3 individuals) of paid facility time was made available, with an associated cost of £3,097. This sum equates to 0.07% of Lothian Valuation Joint Board's overall pay bill. 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%.



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

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**10.00am, Monday, 15 June 2020**

### **Purpose of report**

1. This report provides an update and recommended approach to the Lothian Valuation Joint Board (LVJB) on the recruitment of a new Assessor and Electoral Registration Officer (ERO).

### **Background**

2. The current Assessor and ERO confirmed his intention to retire in June 2020. In line with the LVJB Standing Orders, a recruitment panel was formed to hire a replacement.
3. In March 2020, due to the COVID19 pandemic, the recruitment panel agreed to pause the recruitment process and at the same time the Assessor and ERO agreed to delay his retirement until September 2020.
4. It was agreed to review the situation in June 2020 and this report provides the Board with an update and a recommended approach.

### **Main Report**

5. The Assessor and ERO has recently reconfirmed his intention to retire in September 2020 and this removes the option of extending the current arrangements for a further period of time.
6. Due to the ongoing uncertainty with COVID 19 it is recommended that the Board consider an interim solution and appoints one of the LVJB Assistant Assessors to the role of Assessor and ERO, initially for a six-month period.
7. This interim approach will give continuity to both colleagues working for the LVJB and the LVJB Board.
8. If agreed, a short recruitment exercise will take place led by the Convenor, two Elected Members and the Treasurer of the Board. The outcome of the

recruitment exercise will be reported at the next meeting.

9. The intention would be to commence the permanent recruitment process for the role of Assessor in the autumn.
10. The alternative option is for the recruitment panel to reconvene and complete the original recruitment campaign. Based on the current advice from the Scottish Government this will be completed online via Skype or Microsoft Teams.

## **Recommendations**

11. The Board notes that the current Assessor and ERO will retire in September 2020;
12. Agrees that due to the ongoing uncertainty with COVID 19, to appoint one of the Assistant Assessors on an interim basis, initially for a six-month period; and
13. Appoints two members of the Board to support the Convenor with the interim recruitment process.

**Hugh Dunn**

**Treasurer**

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## **Appendices**

### **Contact/tel**

Steven Wright, Resources and Talent Manager | E-mail:  
[steven.wright@edinburgh.gov.uk](mailto:steven.wright@edinburgh.gov.uk) | Tel: 0131 469 3177

### **Background Papers**