

Notice of Meeting and Agenda

10.00am, Monday, 9th November, 2020

Virtual Meeting - via Microsoft Teams

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 7 September 2020 – submitted for approval as a correct record 5 - 6

4. Reports

- 4.1** Interim Assessor's Progress Report to the Joint Board – Report by the Interim Assessor and Electoral Registration Officer 7 - 12
- 4.2** 2019/20 External Audit Plan and Annual Audit Report to Members of Lothian Valuation Joint Board and the Controller of Audit – Report by the Treasurer 13 - 78
- 4.3** Audited Annual Accounts for the Year Ended 31st March 2020 – Report by the Treasurer 79 - 130
- 4.4** ER Internal Audit Review – Report by the Head of Governance 131 - 152

4.5	Mid Term Review – Treasury Management Activity – Report by the Treasurer	153 - 154
4.6	Period 6 Financial Statement 2020/21 – Report by the Treasurer	155 - 160
4.7	Governance Strategy Group – Report by the Interim Assessor and Electoral Registration Officer	161 - 164

Andrew Kerr

Chief Executive

Membership

The City of Edinburgh Council (9)

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

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 | email rachel.gentleman@edinburgh.gov.uk

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



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Lothian Valuation Joint Board

7 September 2020

Meeting held virtually by Teams

Present:

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

East Lothian Council – Councillor Findlay and Goodfellow.

West Lothian Council – Councillor McGuire and Timson.

1 Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 15 June 2020 as a correct record.

2 Assessor's Progress Report to the Lothian Valuation Joint Board

A progress report by the Assessor and Electoral Registration Officer (ERO) was presented to the Board. It provided information on the overview of current service delivery, priorities, risks and future direction.

An update was also provided on the activities of the organisation during the Covid-19 pandemic.

Decision

To note the report.

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

3 Interim Appointment of an Assessor and Electoral Registration Officer

At its meeting on 15th June 2020 the Lothian Valuation Joint Board (LVJB) agreed that due to the ongoing uncertainty with Covid-19 it would appoint one of the LVJB Assistant Assessors as Interim Assessor and ERO until 31 March 2021.

It was proposed that the full recruitment panel would reconvene in December 2020 to short list and interview candidates for the permanent role of Assessor and ERO.

Decision

Lothian Valuation Joint Board
7 September 2020

- 1) To note the decision to appoint Gary Elliott as Interim Assessor and ERO until 31 March 2021.
- 2) To agree that the recruitment panel would reconvene in December 2020 to shortlist and interview candidates for the permanent appointment of an Assessor and ERO.

(Reference – report by the Treasurer, submitted)

4 Period 4 Financial Statement 2020/21

The Period 4 Financial Statement for the financial year 2020/21 was submitted.

The projected revenue budget outturn position was summarised to 31st March 2021, based on the position at 31st July 2020. The forecast was for net expenditure to be in line with the approved revenue budget of the Board.

Decision

- 1) To note the projected outturn position for 2020/21.
- 2) To note that a further 2020/21 budget update would be presented in November 2020.
- 3) To note that the Scottish Government had extended the deadline for presenting the Audited Annual Accounts due to Covid-19 and that they would be presented to the Board in November 2020.

(Reference – report by the Treasurer, submitted)



INTERIM ASSESSOR'S PROGRESS REPORT TO THE LOTHIAN VALUATION JOINT BOARD

9th November 2020

1.0 PURPOSE

- 1.1 To provide members with an overview of current service delivery, priorities, risks and future direction.
- 1.2 It should be noted that the majority of staff remain working at home during current Covid restrictions. There are however a limited number of staff attending the office to deal with this year's canvass and the upcoming by-election taking place in Edinburgh on the 12th November.

2.0 ELECTORAL REGISTRATION – MAINTENANCE

- 2.1 Since the last progress report to the Board in September 2020 all maintenance tasks supporting the registration process have continued.
- 2.2 Key processing volumes reflecting the period August to October inclusive are shown below.

	Edinburgh	Midlothian	West Lothian	East Lothian	Totals
Additions	16,832	1,717	3,055	2,211	23,815
Deletions	24,297	2,423	4,840	2,874	34,434
Amendments	468	77	181	83	809

3.0 ELECTORAL REGISTRATION – HOUSEHOLD CANVASS 2020

- 3.1 The annual household canvass 2020 continues.
- 3.2 As reported at the last Board meeting the match process with Department of Work and Pension data in conjunction with a local data match to Council Taxpayer lists provided a householder match of 67%. This represented 295,478 households as matching and 128,101 as not.
- 3.3 E-communications have been sent to 139,098 households contained within this match, and who had previously agreed to be contacted in this fashion, asking they confirm the electors as still residing at the address, or provide new information. 68,824 responses have been provided as at 27th October. 170 electors have requested to unsubscribe from this type of communication.

- 3.4 The next stage of the new canvass process began on the 2nd September and involved the issue of Canvass Communication B (CCB) to those households who did not successfully pass the match process, 33% of households. 129,795 paper communications have been sent to date of which 58,359 were replied to online. A further 82,879 paper forms have been issued of which 4,429 have been returned as at 27th October.
- 3.7 This communication advises what action should be taken to ensure the registration details for that household are updated including the need to confirm if the details shown are correct. It is this group that shall receive follow up communications and door to door canvass activity for non-return of information. We are initiating phone canvass and email communication to avoid the requirement for door to door canvass where possible.
- 3.8 ERO's have been granted an extension to 1st February to publish their registers, if that is required, due to the current situation regarding Covid 19. However it is still my intention to publish on the 1st December as normal. The Board shall receive further progress updates on the new canvass process at future meetings including an assessment of the financial impact.

4.0 ELECTORAL REGISTRATION – LEGISLATION

- 4.1 Legislation extending the franchise to prisoners serving sentences of 12 months or less and foreign nationals residing in Scotland has now been enacted. To date I have received no applications from prisoners wishing to register.
- 4.2 Legislation has now been enacted with regard to the upcoming Scottish Government elections in respect of alteration to the current emergency proxy regulations that shall allow those electors following guidance on self-isolation to apply for an emergency proxy up to 5.00pm on polling day without attestation of their application. This had previously been enacted for Local Government elections.

5.0 ELECTORAL LEGISLATION – ELECTIONS

- 5.1 The scheduled by-election in West Lothian ward 4 Livingston South which had been postponed was rescheduled for the 5th November and subsequently postponed again. The new date for the election has yet to be decided.
- 5.2 The scheduled by election in Edinburgh ward 14 Duddingston / Craighentenny goes ahead on the 12th November.

6.0 ELECTORAL REGISTRATION ENGAGEMENT

- 6.1 Despite the current Covid restrictions I have continued to engage with unregistered electors in a number of ways.

Regarding the upcoming by-election in Edinburgh

- A mailshot to all potential electors within by-election ward inviting them to register through the gov.uk website prior to registration deadlines.
- Insert included in mailshot provided by City of Edinburgh Council Communications department relating to the safety measures in place when voting at the polling station.
- News item published on website highlighting key dates.
- Increased social media activity around important election dates, working in partnership with CEC's Communications department to amplify messaging.
- Information point set up at Brae House – the one student accommodation within the ward – to encourage voter registration in the student population.

Universities

- Web banners on Napier and Queen Margaret Universities Student Association websites;
- Advertising in various Freshers' Information publications;
- Students Association social media channels;
- Information point to promote By-Election at Brae House; and
- Securing agreements with the University of Edinburgh and Heriot-Watt University to take part in a voter registration campaign ahead of Scottish Parliamentary Elections.

Other

- Continued online promotion to increase Annual Household Canvass returns through the website and social media channels
- Working in partnership with ReAct to produce a video podcast promoting voter registration in refugee communities
- Working in partnership with Midlothian schools to produce a video presentation for school pupils – with the potential to disseminate to all schools across the 4 constituent councils.
- Issue of 'Invitation to Register' forms to all school pupils not yet registered scheduled for December 2020

7.0 VALUATION ROLL – MAINTENANCE

- 7.1 Since the last report to the Board, covering the period 31st August to 23rd October, 283 alterations have been made to the valuation roll with respect to running roll activities. These changes comprised 43 amendments to existing entries, 128 deletions, 112 inserts and over 3,000 name changes.

	Edinburgh	Midlothian	W. Lothian	E. Lothian	Total
Inserts	63	6	23	20	112
Deletions	107	3	11	7	128
Amendments	31	2	9	1	43

- 7.2 This represents about 70% of pre-Covid levels looking at the same period in 2019. This figure is an improvement on that reported at the previous board meeting and though it does cover a snapshot in time, and should be treated with some caution as to it representing a recovery in the property market, it is good to see.
- 7.3 Although restrictions on external survey remain in place, staff continue to undertake necessary actions in the majority of cases using plans and information provided in the form of photos, videos and any suitable and appropriate online resource.
- 7.4 It was hoped that limited external survey of property may have been able to resume since the last Board meeting. Unfortunately, due to the increased prevalence of Covid infections we are currently seeing, that has not been able to take place. I will continue to appraise this position on an ongoing basis taking account of Scottish Government advice and in consultation with staff and Trade Unions. However, it is unlikely external survey will be possible at least for the remainder of 2020.
- 7.5 Staff are continuing to provide assistance where appropriate to Councils in respect of business grant/relief schemes introduced during the pandemic though the number of enquiries we are receiving is reducing over time.

8.0 VALUATION ROLL – APPEALS

- 8.1 All outstanding 2017 Revaluation and Running Roll appeals, (2,040), were as required by legislation, cited for hearing by the Valuation Appeal Committee during June 2020. Of these c.700 Revaluation and c.150 Running Roll appeals remain outstanding. The inability to carry out external surveys and agents accessing files are two of the reasons for the delay in resolving these cases. A further 323 Running Roll appeals were cited during August for a hearing on 21st January 2021.
- 8.2 Notification was provided by Government on the 26th August 2020 of its intention to lay before Parliament the necessary amendments to The Valuation Timetable (Scotland) Order 1995 indicating an extension to the disposal timetable. These amendments have been implemented and the disposal date for appeals is now 31st December 2021.
- 8.3 This amendment Order covers in addition all running roll appeals (appeals that have been lodged against entries and changes to the Roll subsequent to a Revaluation) that have been received and remain outstanding at this time. This includes the 9,541 appeals lodged in 2020 citing the effects of the Covid pandemic as constituting a material change.
- 8.4 I have had several discussions with the secretary of the Local Valuation Appeal Committee. It is unlikely that any physical hearings will be held before March 2021 though that could change

should the Covid 19 situation improve. Discussions will take place in due course to programme all outstanding appeals but particularly in relation to Covid 19 appeals.

9.0 VALUATION ROLL – NDR REFORM

- 9.1 The Scottish Government recently made public its intention to delay the 2022 Revaluation to 2023 with a subsequent tone date of 1st April 2022. This change requires parliamentary approval. That being the case this is unlikely to be confirmed before January 2021. In the meantime, the SAA is still preparing for a revaluation in 2022 should it transpire that parliamentary approval is not granted.
- 9.2 Investigations in respect of the creation of the Valuation Service Team, part of the Transformation programme Phase 2, which involves the reforming of existing resources in a more effective and efficient fashion, and aimed at supporting the Valuation Roll function, have been ongoing over the summer. Detailed examination of work practices and processes have been assessed and improvements identified. The roll out of these will begin shortly. Further change will be implemented over the coming months.
- 9.3 Staff testing of updated ICT Network Infrastructure improvements is scheduled to start on the 9th November with an anticipated completion date of 4th December.

10.0 COUNCIL TAX – MAINTENANCE

- 10.1 Over the period 1st April to date 1,882 new houses have been added to the list, this compares to 3,317 for the same period in 2019.

New Housing	Edinburgh	Midlothian	West Lothian	East Lothian	Total
01/04/20 to 27/10/20	1,135	171	305	271	1,882
Sep 20 to Oct 20	554	47	131	107	839
01/04/19 to 27/10/20	1,696	350	669	602	3,317
Sep 19 to Oct 19	335	86	153	159	733

- 10.2 It should be noted that during September and October numbers of new house inserts have increased significantly to 114% of pre-Covid levels in 2019, perhaps indicating that the house sale market is recovering.
- 10.3 There are currently 144 outstanding Council Tax appeals. These are being dealt with subject to the limitations imposed by the pandemic. I have asked the secretary to the VAC if the committee would be amenable to disposing of some of these appeals by way of written submission.

11.0 COVID – UPDATE

- 11.1 Staff continue to follow Government advice and are in the main working from home. I do have a number of staff attending the office daily to deal with the canvass and the upcoming by-election. Social distancing guidelines are being adhered to.
- 11.2 Our Covid Risk Assessment is regularly updated to take account any changes to Scottish Government guidelines. All updates are published on our website.
- 11.3 We continue to review and improve our ability to work effectively and safely from home. This is being achieved by gradually providing staff with corporate laptops and introducing two factor authentication to increase both user and LVJB system network remote access security. We will commence formal home assessments when it is safe to do so.
- 11.4 I am now looking at preparing a plan for the activities we shall be able to undertake depending on which tier of restriction any of the constituent councils are placed in at any given time. For example, external activities will be different in tier 1 as against tier 4. This will allow seamless transition as and when tier restrictions are amended for any given location.

12.0 RECOMMENDATION

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

Gary Elliott
INTERIM ASSESSOR & ERO



10.00am, Monday 9th November 2020

2019/20 External Audit Plan and Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit

1. Recommendations

The Board is recommended to note:

- 1.1 the External Audit Plan 2019/20;
- 1.2 the Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit, including the Action Plan and management responses.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate, City of Edinburgh Council

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

2019/20 External Audit Plan and Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit

2. Executive Summary

- 2.1 The External Audit Plan 2019/20 summarises the work plan for the external audit of Lothian Valuation Joint Board.
- 2.2 The Annual Audit Report summarises the findings arising from the Board's 2019/20 external audit.

3. Background

- 3.1 The Board's External Audit Plan 2019/20 was due to be reported to the meeting of the Board on 20 April 2020. As this meeting was cancelled due to the COVID19 pandemic, the Plan is now presented alongside the Annual Audit Report for 2019/20.
- 3.2 The unaudited Annual Accounts were noted by the Board at its meeting on 15th June 2020 and submitted to the appointed external auditor – Scott-Moncrieff - by the required date of 30 June 2020. During the course of the audit, Scott-Moncrieff was rebranded as Azets. The Annual Audit Report for 2019/20 is therefore issued under the Azets name.

4. Main Report

External Audit Plan 2019/20

- 4.1 The External Audit Plan 2019/20 was due to be reported to the meeting of the Board on 20 April 2020. As this meeting was cancelled due to the COVID19 pandemic, the Plan is now presented alongside the Annual Audit Report for 2019/20. The External Audit Plan requires to be noted by those charged with governance, prior to its submission to Audit Scotland. The Plan was written in March 2020 and is therefore in the name of Scott-Moncrieff. The Plan is appended at Appendix 1.

External Audit Annual Report 2019/20

- 4.2 Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone publishing the audited accounts until it is reasonably practicable. The Scottish Government provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.

Audit Scotland revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020.

- 4.3 In discharging its work, the external auditor is required to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance.
- 4.4 An unqualified opinion has been given on the financial statements and other prescribed matters. The Auditor's opinion states that the financial statements 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 then ended.
- 4.5 Adjustment was made to the annual accounts in respect of the net pension liability, following confirmation by the Board's Actuary of the adjustment required for the McLeod judgement. The pension liability has decreased to £6.119m. This adjustment only affects unusable reserves so will not change the Board's general reserve balance of £0.897m.
- 4.6 There were no unadjusted differences to the unaudited annual accounts.
- 4.7 The key messages from the audit are presented on pages 3 to 5 of the External Audit Annual Report. Action points for the Board to address, with management responses provided by the Board, including assigned responsibility and associated timescale for implementation, are shown in Appendix 2 at pages 32 to 34. Appendix 2 also summarises progress made in implementing the recommendations contained in previous years' reports. .

5. Background reading/external references

None

6. Appendices

- 6.1 Appendix 1 - Annual Audit Plan to members of Lothian Valuation Joint Board
- 6.2 Appendix 2 - Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Coopers & Lybrand company

Lothian Valuation Joint Board

External Audit Annual Plan 2019/20

March 2020

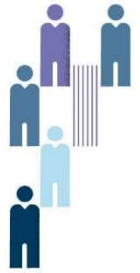




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1. Introduction



Introduction

1. This document summarises the work plan for our 2019/20 external audit of the Lothian Valuation Joint Board (the “Board”).
2. The core elements of our work include:
 - an audit of, and provision of a specified audit opinion, on the 2019/20 annual accounts;
 - consideration and reporting on, where applicable, the Board’s arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency, and value for money; and
 - any other work requested by Audit Scotland, including the contribution to performance audits (including overview reports, performance audit reports, and impact reports).

Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of Lothian Valuation Joint Board for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2019/20 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;
 - our audit strategy;
 - our planned audit work and how we will approach it;
 - our proposed audit outputs and timetable; and
 - background to Scott-Moncrieff and the audit management team.

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we comply with the Financial Reporting Council’s (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

Adding value through the audit

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

Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

11. This plan will be published on Audit Scotland’s website www.audit-scotland.gov.uk.



2. Respective responsibilities of the auditor and the Board



Respective responsibilities of the auditor and the Board

Auditor responsibilities

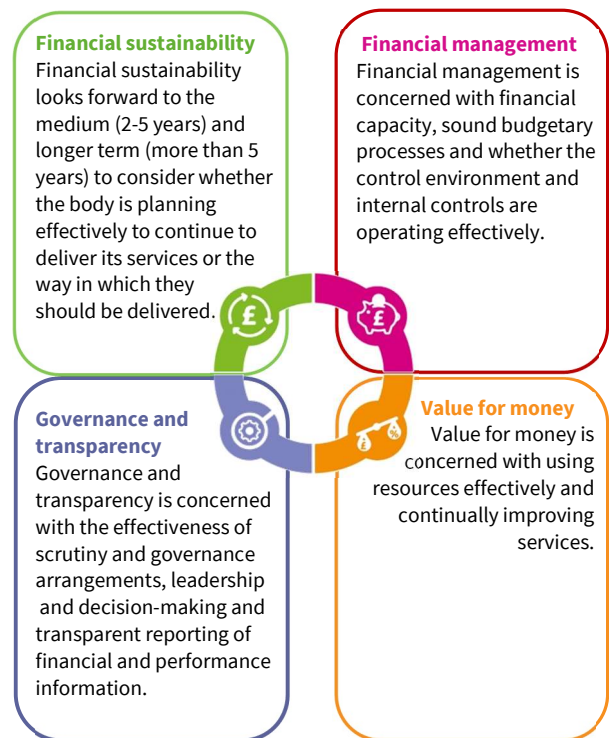
Code of Audit Practice

12. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Our responsibilities

13. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 15). These are to:
- undertake statutory duties, and comply with professional engagement and ethical standards
 - provide an opinion on audited bodies' financial statements
 - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
 - notify the Controller of Audit when circumstances indicate that a statutory report may be required
 - demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
 - suitability and effectiveness of corporate governance arrangements
 - financial position and arrangements for securing financial sustainability
14. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Exhibit 1: Audit dimensions of wider scope public audit



Wider scope audit work

15. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
16. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
17. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:



- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
18. Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into consideration, we have concluded that application of the restricted wider scope is appropriate at the Board.

Best Value

19. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
20. Our work in respect of the Board's arrangements to secure best value will be integrated into our audit approach, including our work on the wider scope audit dimensions referred to above.

Strategic audit priorities for local government audits

21. The Accounts Commission has set the following five strategic Audit Priorities that it expects auditors to consider in all work across local government¹:
- Having clear priorities with a focus on outcomes, supported by effective long term planning (governance and transparency).
 - The strategic appraisal of options to reshape services in line with priorities. This should consider good practice, innovation and collaborative working with partners (financial sustainability).
 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future (financial sustainability).
 - Empowering local communities and involving them in the design and delivery of local services and planning for their local area (governance and transparency).
 - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to

the delivery of improved outcomes (value for money).

22. Our consideration of these priorities will be integrated into our 2019/20 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above.

Board responsibilities

23. The Board has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board's responsibilities are summarised in Exhibit 2.

¹ Areas noted in () relate to the corresponding wider scope audit dimension



Exhibit 2 – Lothian Valuation Joint Board’s responsibilities

Area	Board responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures; • maintaining proper accounting records; • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.
<p>Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • How the organisation plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.



Area	Board responsibilities
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Board is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p>Governance and transparency: Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Board has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



3. Audit strategy



Audit strategy

Risk-based audit approach

24. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our

audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers at the Board	Our understanding of the sector and its key priorities and risks	Discussions with Audit Scotland and other auditors
Guidance from Audit Scotland	Discussions with internal audit and review of their plans and reports	Review of the Board's corporate strategies, plans and risk registers

25. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Communications with those charged with governance

26. Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Board.

30. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the Board's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

Professional standards and guidance

27. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

31. During the year we may also be required to provide information to Audit Scotland to support the national performance audits or provide information to support the assessment of the impact of specified published performance audit reports.

Partnership working

28. We will coordinate our work with Audit Scotland, internal audit and other external auditors recognising the increasing integration of service delivery and partnership working within the public sector.

Internal audit

32. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Board's total audit resource. The Board's internal audit function is provided by the City of Edinburgh Council's internal audit team. We will consider the findings of the work of internal audit during our audit process and look to minimise duplication of effort, to ensure the total audit resource to the Board is used efficiently and effectively.

Audit Scotland

29. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We share

Service organisations

33. The Board uses the City of Edinburgh Council (the "Council") to provide financial ledger services. We will work with the Council to understand the controls in place.



4. Annual accounts



Annual accounts

Introduction

34. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section of our plan set outs our approach to the audit of the Board's annual accounts.

Approach to audit of the annual accounts

35. Our opinion on the annual accounts will be based on:

Risk-based audit planning

36. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

An audit of key systems and internal controls

37. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
38. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We examine and test compliance with best practice and the Board's own policies and procedures.
39. We take cognisance of any relevant internal audit reviews of systems and controls.
40. We update the risk assessment following our evaluation of systems and controls which ensures that we continue to focus attention on the areas of highest risk.

A final audit of the annual accounts

41. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
42. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

Independent auditor's report

43. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.
44. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

Materiality

45. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
46. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
47. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
48. Our initial assessment of materiality and performance materiality is set out in the following table:



Materiality £	
Overall materiality: Our initial assessment is based on c.1.7% of the Board's 2018/19 gross expenditure. We consider gross expenditure to be the principal consideration for the users of the annual accounts when assessing the performance of the Board.	130,000
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	97,500

49. We will also report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatements with a value in excess of 5% of the overall materiality figure; and
- Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

50. Auditing standards require that we inform the Board of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Board if our assessment changes significantly during the audit.



Exhibit 3 – Key audit risks in the annual accounts

Management override

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

51. In response to this risk we will review the Board's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this key audit risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and accruals.

Revenue recognition

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

52. At this stage of our audit cycle, we do not believe the risk of fraud in revenue recognition is material to the annual accounts and have therefore rebutted this risk. We will however continue to review this position.

Risk of fraud in the recognition of expenditure


In 2016, the Public Audit Forum issued Practice Note 10 "*The Audit of Public Sector Financial Statements*" which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

53. In response to this risk we will evaluate the significant expenditure streams at the Board (excluding payroll which we do not consider to be a significant audit risk area) and review the controls in place over accounting for expenditure. We will consider the Board's key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.



Pension assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

- 
54. We will review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosures in the financial statements to information provided by the actuary.



5. Wider scope



Introduction

55. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the Board, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
56. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the Board which we developed from previous years,
57. In 2019/20, Audit Scotland has also identified the following wider scope risks, which we will consider during our audit as they relate to the Board:
- Fraud and corruption in respect of the procurement function; and
 - EU withdrawal
58. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

Exhibit 4 – Wider scope significant risk

Financial sustainability

Progress was made during 2018/19 to develop a four year medium term financial plan.

In setting the revenue budget for 2020/21, revenue budget options were presented to the Board which were developed in line with the Board's Transformation Programme. The Board approved a phased implementation of its Transformation Programme with 'flat cash' council requisitions in 2020/21 and a draw down from general fund reserves of £0.657million; resulting in a balanced budget for 2020/21.

Indicative budget estimates were also reported for 2021/22 to 2023/24. At the same Board meeting, information was provided aligning budget provision with service delivery. The indicative budget estimates are subject to further update to the Board as the Transformation Programme is progressed. The indicative budget estimates show that the Board is forecasting an indicative funding shortfall of £1.036million by 2022/23.

59. During our audit we will review whether the Board has appropriate arrangements in place to develop its medium term financial plans. Our work will include an assessment of progress made in developing financially sustainable plans that support the delivery of the Board's statutory functions and strategic objectives.



6. Audit outputs, timetables and fees



Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the Board.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2019/20.	April 2020
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2020
Annual Report to the Board and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2020

Audit outputs

60. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
61. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

	2019/20	2018/19
Auditor remuneration	£6,430	£6,280
Pooled costs	£630	£610
Audit support costs	£390	£390
Total expected fee	£7,450	£7,280

Audit fee

62. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
63. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
64. For 2019/20 we propose setting the audit fee at the expected fee level. The audit fees for the current year and prior year are set out in the table below:
65. We will take account of the risk exposure of the Board and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.



Audit timetable

66. A summary timetable, including audit outputs, is set out as follows:

FEB 20	●	Planning meetings with officers from the Board and City of Edinburgh Council
APR 20	●	Presentation of External Audit Annual Plan to the Board
JUN 20	●	Unaudited annual accounts presented to those charged with governance
JUL 20	●	Final audit takes place
SEPT 20	●	Presentation of our Annual Report on the Audit to the Board



7. Appendices



Appendix 1: Scott-Moncrieff

Scott-Moncrieff is one of Scotland's leading firms of auditors and business advisers. We are part of the fast-growing Cogital Group, giving us a both a UK-wide presence and international reach in 190 offices with 6,500 staff. Cogital Group is an innovator, investor and early adopter of technologies that provide continuous improvement to the service we provide our clients.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

Your audit management team



Karen Jones

Director

karen.jones@scott-moncrieff.com

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.



Nicola MacKenzie

Assistant Manager

nicola.mackenzie@scott-moncrieff.com

Nicola has over 5 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies.

Nicola will manage the onsite team and work alongside Karen to deliver the audit engagement.



Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standards stipulate that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Scott-Moncrieff has not been appointed by the Board to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff, the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



Appendix 3: Statement of understanding

Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the Board and Scott-Moncrieff.

Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit.

Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Board's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Board during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Treasurer.

Internal audit

It is the responsibility of the Board to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if she knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland has extended this responsibility to the Accounts Commission in respect of local government.

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved.

Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Karen Jones. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of you not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants in England and Wales.



We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Agreement of terms

We shall be grateful if the Board would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



Lothian Valuation Joint Board

2019/20 Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit

November 2020



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Key messages



Annual report and accounts audit

We report within our independent auditor's report unqualified opinions on the financial statements and on other prescribed matters. There are no matters which we are required to report by exception.

We specifically updated our risk assessment and audit plan in light of the COVID-19 pandemic and recognised this as a key audit risk. Our findings as they relate to this risk are documented under each section of this report.

Our thanks go to management and staff at the Board and City of Edinburgh Council for their co-operation and assistance during our audit.

Wider scope audit

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

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

Our conclusions and key observations are set out below:



Governance statement

- We have reviewed the Annual Governance Statement and have concluded that it is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).
- The Board has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Board's accounting and internal control systems throughout the period or as a result of remote working during the COVID-19 pandemic.



Financial sustainability

- The Board has in place a four year medium term financial plan (commencing 2020/21). The financial plan shows that the Board is forecasting an indicative funding shortfall of £1.036million by 2022/23. This is prior to utilising its approved general fund reserve level of £180,000. We have recommended that more frequent discussions are held at Board level with regard to the future financial position of the organisation with actions developed to address this position.

Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Azets
November 2020

Introduction



This report is presented to those charged with governance and the Controller of Audit and concludes our audit of Lothian Valuation Joint Board for 2019/20.

We carried out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (UK) 260: *Communication with those charged with governance*.

The Board is designated as "those charged with governance".

Introduction

1. This report summarises the findings from our 2019/20 audit of Lothian Valuation Joint Board ("the Board").
2. We outline the scope of our audit in our External Audit Plan. The core elements of our work include:
 - an audit of the 2019/20 annual accounts and related matters;
 - consideration of the Board's arrangements against the audit dimensions within the Code of Audit Practice (Exhibit 1); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



3. The Board is responsible for preparing annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
 4. We would like to thank all management and staff at the Board and the City of Edinburgh Council for their co-operation and assistance during our audit.
- ### Confirmation of independence
5. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
 6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional

judgement, the audit process is independent, and our objectivity has not been compromised in any way.

7. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

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

Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

10. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts

The Board's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2019/20 annual accounts.

Annual accounts

An unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2020 are due to be approved by the Board on 9 November 2020. Our independent auditor's report includes an unqualified opinion on the annual accounts and on other prescribed matters.

Overall conclusion

11. The annual accounts for the year ended 31 March 2020 are due to be considered and approved by the Board on 9 November 2020. We intend to report within our independent auditor's report:
 - An unqualified opinion on the annual accounts; and
 - An unqualified opinion on other prescribed matters.
12. We are also satisfied that there were no matters which we are required to report by exception.

Our assessment of risks of material misstatement

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

Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

Management override

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

Noted in the 2019/20 External Audit Plan

14. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Revenue recognition

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

Noted in the 2019/20 External Audit Plan

15. At the planning stage of our audit cycle, we reported that we did not believe the risk of fraud in revenue recognition was material to the annual accounts and we therefore rebutted this risk. The Board receive the majority of its income from requisitions and Cabinet Office grants both of which can be readily agreed to external sources. Our assessment of this risk has been reviewed throughout the audit and our conclusion to rebut this risk has remained appropriate.

Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

Noted in the 2019/20 External Audit Plan

16. We have evaluated each type of expenditure transaction and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion, we carried out testing to confirm that the Board’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

Pension assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

Noted in the 2019/20 External Audit Plan

17. We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.
18. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 ‘Audit Evidence’. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.
19. The unaudited annual accounts were prepared based on an actuarial report received in April 2020. A subsequent actuarial report was received in May 2020 which had been revised to take account of the year-end results of Lothian Pension Fund. This resulted in an

increase in the net pension liability as reported by the Board of £124,000.

20. The net pension liability within the audited annual accounts has been further revised to take account of the latest reliable, available information on the 'McCloud Judgement':

McCloud judgement

21. This case relates to an employment tribunal ruling that transitional provisions impacting on a public sector final salary scheme were unlawfully age discriminatory. This was upheld in the Courts in December 2018 although the Government at that stage sought leave to appeal this judgement. In June 2019, the Supreme Court rejected the Government's request for a further appeal.
22. In July 2020, the Government released its consultation on applying the remedy to address the age discrimination inherent within the transitional protections that were adopted by the public service schemes in 2014 and 2015. The SPPA on behalf of Scottish Ministers also released a consultation document which sets out its preferred policy approach for remedying the discrimination in the Local Government Pension Scheme. The Board's Actuaries highlighted that the remedy consultation could have a material impact on the treatment of McCloud in the March 2020 actuarial pension valuations.
23. Estimates require to be based on the latest available, reliable information, including information that becomes available after 31 March. The issue of the consultation paper from SPPA on the McCloud judgement is an adjusting event as it provides evidence of conditions that existed as at 31 March 2020.
24. The financial effect of this pension issue is a past service gain of £458,000. As a consequence of both revisions, the net pension liability of £6.453million as reported in the unaudited annual accounts is now a net pension liability of £6.119million.

Goodwin tribunal

25. The Goodwin tribunal relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005.
-

-
26. Management instructed its Actuaries to calculate an estimated cost of the Goodwin impact on the Employer's future obligations. The Actuaries estimated that the closing obligations as at 31 March 2020 may be around 0.03% higher as a result of the Goodwin tribunal. Based on this information, management assessed the impact on the Board's pension liability to be immaterial and no adjustment has been made in respect of the Goodwin tribunal.
-

Update to our initial risk assessment

27. Planning is a continuous process and our audit plans are updated during the

course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a key audit risk¹.

COVID-19

The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.

The implications of these risks and uncertainties are under consideration by the Board. We continue to monitor government and relevant announcements as they pertain to the audit and have adapted our audit approach as required.

28. In response to this risk we identified potential areas where there was the risk of material misstatement to the annual accounts and/or our audit opinion. These areas included:

- Content of the annual accounts;
- Access to audit evidence; and
- Timescales/administrative processes.

Content of the annual accounts

29. In response to the impact of the COVID-19 pandemic, the Scottish Government issued Finance Circular 10/2020 which allows bodies to disapply specified requirements for Finance Circular 5/2015 (which provides statutory guidance on the preparation of a Management Commentary).

¹ A key audit risk is one which may result in a material misstatement to the financial statements or

significantly impact on our audit judgements and conclusions on the wider scope dimensions..

30. The Board took the decision to include, where applicable to the organisation, the full disclosures in the Management Commentary.

Access to audit evidence

31. Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.
32. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.
33. We are pleased to report we received all audit evidence requested to allow us to form our audit opinion.
34. We received the unaudited annual accounts and supporting papers of a high standard. Our thanks go to staff at the Board and City of Edinburgh Council for their assistance with our work.

Timescales/Administrative processes

35. Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.
36. Audit Scotland has revised the deadline for auditors to submit the

audited annual accounts from 30 September to 30 November 2020. However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.

37. The annual accounts are due to be considered and approved by the Board on 9 November 2020; thereby meeting the revised timetable as set out above.

An overview of the scope of our audit

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

the concept of materiality, which is explained below.

Our application of materiality

41. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout the audit.
42. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
43. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
44. Our initial assessment of materiality for the annual accounts was £130,000. This was increased upon receipt of the unaudited annual accounts to £140,000. This equates to approximately 2% of the Board's 2019/20 gross expenditure. We

consider our updated assessment has remained appropriate throughout our audit.

	Materiality £
Overall materiality: Our assessment is made with reference to the Board's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the Board.	140,000
Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	105,000

45. We note within our External Audit Plan that we would report on all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the financial statements.

Audit differences

46. One adjustment was made to the annual accounts in respect of the net pension liability (paragraphs 19-24).
47. There were no unadjusted differences to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit. These have been reflected in the final set of financial statements.

Representations

48. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts. This letter is to be signed by the Treasurer on behalf of the Board.

Legality

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

Other matters identified during our audit

51. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

52. As part of our audit we reviewed the Board's compliance with the Local Authority Accounts (Scotland)

Regulations 2014, in particular with respect to regulations 8 to 10² as they relate to the annual accounts.

53. The Scottish Government included in its Finance Circular 10/2020 guidance on the publication and inspection of the unaudited annual accounts as a result of the COVID-19 pandemic.
54. Overall we concluded that appropriate arrangements were in place to comply with the Regulations and the guidance as set out in Finance Circular 10/2020.

Management commentary

55. The Local Authority Accounts (Scotland) Regulations 2014 require local authority bodies to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.
56. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003 (refer to paragraphs 29-30 of this report).

Annual governance statement

57. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and it has been prepared

² Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

in accordance with the Delivering Good Governance in Local Government: Framework (2016). We have provided further detail on our work and findings within the Wider Scope section of our report.

Remuneration report

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

Going concern

59. As at 31 March 2020, the Board reported a net liability position of £5.002million.
60. The Board's unusable reserves totalled £5.899million. These reserves primarily comprise the net pension liability of £6.119million.
61. In the Board's opinion, the organisation will be able to continue for the foreseeable future. The Board has adequate budget to meet the ongoing employer contributions required by Lothian Pension Fund.

Systems of internal control

62. We have evaluated Board's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatement in the annual accounts. Our approach has included documenting key internal financial controls and performing walkthroughs

to confirm they are operating as intended.

63. We did not identify any material weaknesses in the Board's accounting and internal control systems.

Follow up of prior year recommendations

64. As part of our audit we have followed up on the audit recommendations from prior years. Detail is included in the action plan at Appendix 2.

Prevention and detection of fraud and irregularity

65. Our audit was planned to provide a reasonable expectation of detecting material misstatement in the annual accounts resulting from fraud and irregularity. We found the Board's arrangements for the prevention and detection of fraud and other irregularities to be adequate and appropriate.

Qualitative aspects of accounting practices and financial reporting

66. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Board.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	<p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.</p> <p>Significant estimates have been made in relation to pension liabilities. We consider the estimates made, and the related disclosures, to be appropriate to the Board.</p> <p>We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.</p>
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2020/21. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.

Qualitative aspect considered	Audit conclusion
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit. Our audit this year has been carried out remotely. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Wider scope

Following consideration of the size, nature and risks of the Board, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope has therefore been restricted to:

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

Wider scope conclusions

Governance statement



We are satisfied that the Annual Governance Statement for the year to 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

The Board has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Board's accounting and internal control systems throughout the year or as a result of remote working during the COVID-19 pandemic.

Financial sustainability



The Board has in place a four year medium term financial plan (commencing 2020/21). The financial plan shows that the Board is forecasting an indicative funding shortfall of £1.036million by 2022/23. This is prior to utilising its approved general fund reserve level of £180,000. We have recommended that more frequent discussions are held at Board level with regard to the future financial position of the organisation with actions developed to address this position.

Our approach to the wider scope audit

67. Our approach to the wider scope audit (as set out in our 2019/20 External Audit Plan) builds upon our understanding of the Board which we developed from previous years, along with discussions with management and review of Board minutes and key strategy documents.

68. Our annual audit work on the wider scope is restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and

- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.



Annual Governance Statement

Our audit opinion considers whether the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016) and is consistent with the financial statements.

69. We are satisfied that the Annual Governance Statement for the year to 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
70. The Treasurer has confirmed that in his opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.
71. From our audit work performed we concluded that the Board has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Board's accounting and internal control systems.
72. The Board's internal audit function is provided by City of Edinburgh Council's internal audit service. We have taken cognisance of the work of internal audit in forming our opinion on the appropriateness of the disclosures in the Annual Governance Statement.
73. The Assessor and Electoral Registration Officer retired from the Board on 30 September 2020. During 2019/20, a handover of responsibilities took place with the newly appointed Interim Assessor and Electoral Registration Officer. This handover

enables the Interim Assessor to sign the 2019/20 Annual Governance Statement.

Impact of COVID-19

74. From the end of March 2020 all Board staff commenced working from home. This resulted in a high level of service delivery across all statutory functions being maintained.
75. The COVID-19 pandemic required changes to governance arrangements. All meetings of the Board due to take place in 2019/20 took place, but the Board meeting of 20 April 2020 was cancelled. In 2020/21, Board meetings have taken place using electronic technology.



Financial sustainability

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

Significant audit risk

77. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities.

Financial sustainability

Progress was made during 2018/19 to develop a four year medium term financial plan.

In setting the revenue budget for 2020/21, revenue budget options were presented to the Board which were developed in line with the Board's Transformation Programme. The Board approved a phased implementation of its Transformation Programme with 'flat cash' council requisitions in 2020/21 and a draw down from general fund reserves of £0.657million; resulting in a balanced budget for 2020/21.

Indicative budget estimates were also reported for 2021/22 to 2023/24. At the same Board meeting, information was provided aligning budget provision with service delivery. The indicative budget estimates are subject to further update to the Board as the Transformation Programme is progressed. The indicative budget estimates show that the Board is forecasting an indicative funding shortfall of £1.036million by 2022/23.

As noted in the 2019/20 External Audit Plan

78. In February 2020, the Board approved its revenue budget for 2020/21 and noted the indicative budget estimates for the following three years (commencing 2021/22).
79. The approved 2020/21 revenue budget required no change in council requisitions but a drawdown of general fund reserves.

	20/21	21/22	22/23	23/24
	£'000	£'000	£'000	£'000
Core expenditure	6,037	5,933	5,995	5,628
IER	109	0	0	0
Voluntary severance costs	467	324	888	216
Total expenditure	6,613	6,257	6,883	5,844
Council requisitions	5,847	5,847	5,847	5,847
IER grant carried forward	109	188	0	0
Use of general fund reserves	657	53	0	0
Net shortfall	0	169	1,036	(3)

Source: Revenue Budget 2020/21 Board 3 February 2020

80. The Board's approved reserve policy is to maintain a minimum general fund reserve level of 3% of annual requisition (£180,000). The above analysis does not draw down upon the minimum general reserve level.

	20/21	21/22	22/23	23/24
	£'000	£'000	£'000	£'000
General fund reserves brought forward	890	233	180	180
Draw down	(657)	(53)	0	0
Balance on general fund reserves	233	180	180	180

81. The Board should it utilise its general fund reserves will be in a deficit position by 2022/23. This forecast position was reported to the Board in February 2020. The Board has not since received an updated position. We would recommend that more frequent discussions are

held at Board level to address the future financial position and sustainability of the organisation. The position should also be updated, where possible, to take into account the impact of COVID-19 on the organisation. Actions should be developed and monitored to address the future financial position.

Action plan point 1

Impact of COVID-19 in 2020/21

82. In the Period 6 Financial Statement 2020/21 monitoring report, the forecast based on the position as at 30 September is for net expenditure to be in line with the approved budget. The paper notes, in respect of the impact the COVID-19 pandemic is having on the Board:
- There is the potential for a reduction in employee costs due to longer recruitment lead times
 - There was additional investment in ICT equipment as a result of home working
 - Additional expenditure has been incurred on office preparation costs.
83. The forecast continues assumes that any employee cost savings will contribute to offsetting additional ICT equipment costs, with office preparation costs met from within the approved budget.
84. In the event there is an overall net underspend, this will reduce the planned drawdown of £0.657million from the Board's unallocated reserve.
85. The Board has received 9,541 valuation appeals, as a consequence of the Coronavirus Pandemic. This represents an additional workload to the Board and reflects a national trend. The Scottish Government has extended the statutory disposal date to 31 December 2021, which will reduce the risk of additional costs being incurred to meet the original disposals deadline date.
86. The 2020/21 approved budget included £0.109m for delivery of Individual Electoral Registration (IER), with all costs met from Cabinet Office grant carried forward from 2019/20. The Cabinet Office subsequently awarded the Board grant of £53,834, with the possibility of a top up at year end, subject to justification. Total funding for IER of £0.162million is therefore currently in 2020/21.

The Board's performance in 2019/20

87. The Comprehensive Income and Expenditure Statement for 2019/20 shows that the Board spent £8.223million on the delivery of services, resulting in an accounting deficit of £478,000. However, the accounting deficit includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code).
88. Taking account of these adjustments, the Board reported a breakeven position resulting in general fund reserves remaining at the level as in the previous year (£897,000).

Appendices



Appendix 1: Respective responsibilities of the Board and the Auditor

Responsibility for the preparation of the annual accounts

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

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).

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

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

The Treasurer is also responsible for:

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

Auditor responsibilities

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

- they give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the use of the going concern basis of accounting in the preparation of the financial statements is appropriate or the Treasurer has disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit.

Wider scope of audit

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

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

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

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

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Board's best value arrangements has been integrated into our audit approach, including our work on the wider scope dimensions.

Independence

International Standard on Auditing (UK) 260 "*Communication with those charged with governance*" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Confirmation of independence

We confirm that we have complied with the FRC's Ethical Standards. In our professional judgement, the audit process is independent, and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets, the Board or senior management that may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Action plan

We are pleased to report that the one recommendation included in our 2018/19 annual audit report has been closed, as described below.

Action plan grading structure

The recommendations are rated to help the Board assess the significance of the issues and prioritise the actions required.

The rating structure is summarised as follows:

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring immediate attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Current year action plan

Financial forecasts

Initial rating	Issue & recommendation	Management comments
Grade 4	<p>The Board is forecasting a deficit position by 2022/23, should it utilise its general fund reserves. This forecast position was reported to the Board in February 2020. The Board has not since received an updated position.</p> <p>Risk</p> <p>There is a risk over the future financial viability of the organisation and the delivery of statutory functions.</p> <p>Recommendation</p> <p>We would recommend that more frequent discussions are held at Board level to address the future financial position and sustainability of the organisation. The position should also be updated, where possible, to take into account the impact of COVID-19 on the organisation. Actions should be developed and monitored to address the future financial position.</p>	<p>The Board's Medium-Term Financial Plan will be fully updated and reported to the Board, when presenting the revenue budget for 2021/22 for approval by the Board at its meeting on 1 February 2021</p> <p>Responsible officer: Treasurer/Interim Assessor and Electoral Registration Officer</p> <p>Implementation date: 1 February 2021</p>

Follow up of prior year recommendation

We are pleased to report that the one recommendation included in our 2018/19 annual audit report has been closed, as described below.

Related parties

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>While we concluded during our audit that while the 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.</p> <p>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.</p> <p>Risk</p> <p>There is a risk that the disclosure within the annual accounts is incomplete.</p> <p>Recommendation</p> <p>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.</p>	<p>A review of existing procedures to identify related parties will be undertaken.</p> <p>Responsible officers: Assessor and Treasurer</p> <p>Implementation date: 31 March 2020</p>
Current status	Update	
Closed	<p>In response to this recommendation, the Board's Governance Team developed a Members Code of Conduct which sets out expectations on declarations of interest. Each Board Member is requested to provide a Register of Interests Declaration Form which should be regularly maintained and updated. These will be used, going forward, to assist in the identification of potential related parties.</p>	

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10.00am, Monday 9th November 2020

Audited Annual Accounts for the Year Ended 31st March 2020

1. Recommendations

The Board is recommended to:

- 1.1 note the Audited Annual Accounts for the year ended 31st March, 2020;
- 1.2 authorise the Annual Accounts 2019/20 for signature.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate, City of Edinburgh Council

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

Audited Annual Accounts for the Year Ended 31st March 2020

2. Executive Summary

- 2.1 This report presents the audited Annual Accounts for the year ended 31st March, 2020 and recommends approval for signature.

3. Background

- 3.1 The Audited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone publishing the audited accounts until it is reasonably practicable. The Scottish Government provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts. Audit Scotland revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020.

4. Main Report

- 4.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its meeting on 15 June 2020.
- 4.2 During the course of the audit, the Partnership's appointed External Auditor – Scott Moncrieff – was rebranded as Azets. The External Auditor's report is presented separately on this agenda.
- 4.3 The Auditor's report provides an opinion on whether:
- the Annual Accounts give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
 - the Annual Accounts have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
 - the Annual Accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
 - the use of the going concern basis of accounting in the preparation of the financial statements is appropriate or the Treasurer has disclosed in the financial

statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;

- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

- 4.4 There are no qualifications to the audit certificate which appears on pages 45 to 46 of the accounts. The Auditor's opinion states that the financial statements 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 then ended..
- 4.5 Adjustment was made to the annual accounts in respect of the net pension liability, following confirmation by the Board's Actuary of the adjustment required for the McLeod judgement. The pension liability has decreased to £6.119m. This adjustment only affects unusable reserves so will not change the general reserve balance reported in paragraph 4.7.
- 4.6 There were no unadjusted differences to the unaudited annual accounts.

Reserves

- 4.7 The Board can hold a general reserve with a minimum value of 3% of annual requisition. The balance currently stands at £0.897m (15%). The Reserve balance will be reviewed when the Board is presented with a revenue budget for 2021/22 for approval on 1st February 2021.

5. Background reading/external references

None

6. Appendices

- 6.1 Appendix 1 - Audited Annual Accounts for the Year Ended 31st March 2020



LOTHIAN VALUATION JOINT BOARD

ELECTORAL REGISTRATION, VALUATION & COUNCIL TAX WITHIN LOTHIAN

Annual Accounts for the year to 31st March 2020

Audited



COUNCIL TAX



ELECTORAL REGISTRATION



VALUATION

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

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

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LOTHIAN VALUATION JOINT BOARD

MEMBERS AND OFFICIALS

Convener: Councillor David Key, City of Edinburgh Council

Vice-Convener: Councillor Andrew McGuire, West Lothian

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

Edinburgh Council



Councillor Gavin Corbett

Councillor Phil 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 (until 30 September 2020)

Gary Elliot (Interim Assessor and ERO from 1 October 2020)

Chief Executive and Clerk :

Andrew Kerr

Treasurer :

Hugh Dunn, CPFA

Solicitor :

Nick Smith

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

Strategic Report

1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 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 undergoes continual assessment in terms of its impact on the Transformation Programme. Continued project oversight and governance enables appropriate adjustments to be considered and implemented as necessary.

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.	
Total under spend	0

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

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 31/12/2021.

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. The Interim Assessor is now looking at preparing a plan for the activities that can be undertaken, dependent on which tier of restriction any of the constituent councils are placed in at any given time. This should allow seamless transition as and when tier restrictions are amended for any given location.

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 into an NDR 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. The Scottish Government have announced that it is their intention to delay the next Revaluation until 2023, though as this needs parliamentary approval, is unlikely to be confirmed before January 2021. The appeal timetable for the 2017 Revaluation has been extended to 31st December 2021. Covid -19 and its impact on the NDR Reform Agenda is continuously 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

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

The Interim Assessor is now looking at preparing a plan for the activities he shall be able to undertake depending on which tier of restriction any of the constituent councils are placed in at any given time. This should allow seamless transition as and when tier restrictions are amended for any given location. 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 ongoing working from home, led by the organisation's temporary COBRA group, a high level of communication amongst all staff levels is being maintained. This has been essential in terms of maintaining and supporting staff wellbeing, and ensuring that productivity levels remains 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 office reopening risk assessment has been constructed, focusing on any area where a resumption of "normal" service is not possible, with options for alternative approaches identified. This document undergoes regular review in accordance with any Scottish Government updates or other factors which may affect service resumption. This is available to view on the LVJB website. At this stage, it is not possible to forecast long term budgetary impacts arising from Covid-19. An update of the 2020/21 financial forecast is presented to the Board on 9th November 2020. 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.

Interim Assessor and Electoral Registration Officer: _____ **Date:** _____
Gary Elliot

Treasurer: _____ **Date:** _____
Hugh Dunn, CPFA

Convener: _____ **Date:** _____
David Key

LOTHIAN VALUATION JOINT BOARD

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required:

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

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 9th November 2020.

Convener:

David Key

Date:

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:

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
Movement in reserves during 2018/19			
(Surplus) or deficit on provision of services	1,520	0	1,520
Other Comprehensive Expenditure and Income	0	1,420	1,420
Total Comprehensive Income and Expenditure	1,520	1,420	2,940
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(1,619)	1,619	0
Net (increase)/decrease before transfers to Other Statutory Reserves	(99)	3,039	2,940
(Increase)/Decrease in 2018/19	(99)	3,039	2,940
Balance at 31 March 2019 carried forward	(897)	8,606	7,709

	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
Movement in reserves during 2019/20			
(Surplus) or deficit on provision of services	478	0	478
Other Comprehensive Expenditure and Income	0	(3,185)	(3,185)
Total Comprehensive Income and Expenditure	478	(3,185)	(2,707)
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(478)	478	0
Net (increase)/decrease before transfers to Other Statutory Reserves	0	(2,707)	(2,707)
(Increase)/Decrease in 2019/20	0	(2,707)	(2,707)
Balance at 31 March 2020 carried forward	(897)	5,899	5,002

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

LOTHIAN VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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	6,280	(37)	6,243
233	(219)	14	Individual electoral registration	340	(316)	24
7,455	(258)	7,197	Cost Of Services	6,620	(353)	6,267
			Financing and Investment Income:			
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)
1,601	(1,431)	170	Total Financing and Investment Income	1,603	(1,391)	212
			Non-Specific Grant Income:			
0	(5,847)	(5,847)	Constituent council requisitions (Note 25)	0	(6,001)	(6,001)
0	(5,847)	(5,847)	Total Non-Specific Grant Income	0	(6,001)	(6,001)
9,056	(7,536)	1,520	(Surplus) or Deficit on Provision of Services (Note 2)	8,223	(7,745)	478
			Other Comprehensive Income and Expenditure:			
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)	3,793	0	3,793
14,034	(11,094)	2,940	Total Comprehensive Income and Expenditure	12,016	(14,723)	(2,707)

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	Long term assets		379
125	Short-term debtors	11	125
1,715	Cash and cash equivalents	12	1,492
1,840	Current assets		1,617
(645)	Short-term creditors	13	(459)
(645)	Current liabilities		(459)
(455)	Other long-term liabilities	24	(420)
(8,884)	Other long-term liabilities (Pensions)	21.3	(6,119)
(9,339)	Long-term liabilities		(6,539)
(7,709)	Net liabilities		(5,002)
(897)	Usable reserves	14	(897)
8,606	Unusable reserves	14	5,899
7,709	Total reserves		5,002

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

The audited Annual Accounts were authorised for issue by the Treasurer on

Treasurer: _____
Hugh Dunn, CPFA

Date: _____

LOTHIAN VALUATION JOINT BOARD

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisitions and recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows.

31 March 2019 £'000	31 March 2019 £'000		31 March 2020 £'000	31 March 2020 £'000
OPERATING ACTIVITIES				
(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)	
	(6,118)	Cash inflows generated from operating activities		(6,368)
4,416		Cash paid to and on behalf of employees	4,732	
1,703		Cash paid to suppliers of goods and services	1,826	
	6,119	Cash outflows generated from operating activities		6,558
		1 Net cash flows from operating activities (Note 15.1)		190
INVESTING ACTIVITIES				
32		Purchase of property, plant and equipment and intangible assets.	33	
	32	Net cash flows from investing activities		33
	33	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		223
1st April £'000 1,748	1st April £'000		1st April £'000	1st April £'000
		Cash and cash equivalents	1,715	
	1,748			1,715
31st March			31st March	
1,715		Cash and cash equivalents	1,492	
	1,715			1,492
	33	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		223

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES

1.1 General

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

The Annual Accounts have been prepared on an historic cost basis, modified by the valuation of pension assets and liabilities where appropriate.

1.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place and not simply when cash payment is made or received. This means that expenses are recorded when goods or services have been received and income is recorded when goods or services have been provided. This recording is irrespective of whether cash has actually been paid or received in the year.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments maturing in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

1.4 Changes in Accounting Policies, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events or conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Revenue Expenditure

Revenue expenditure is that which does not yield benefit beyond the year of account. In broad terms the revenue expenditure of the Board can be divided into two categories:

- employees;
- day-to-day operating expenses, includes costs incurred in respect of Transport, Premises, ICT, postage and general administration.

All revenue expenditure is accounted for on an accruals basis.

Each year net revenue expenditure is met by way of requisitions on the City of Edinburgh, Midlothian, East Lothian and West Lothian Councils.

1.6 Capital Expenditure

Capital expenditure is presented as a fixed asset in the Balance Sheet. Capital expenditure is the expenditure on the acquisition of tangible or intangible assets which adds to and not merely maintains the value of an existing asset provided that it yields benefits to the Board and the services it provides for a period of more than one year. Capital expenditure is subject to a de-minimis level of £6,000.

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.7 Short Term Debtors and Short Term Creditors

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

1.8 Value Added Tax

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

1.9 Non-Current Assets

a) *Intangible Assets*

Recognition:

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

Amortisation:

- Software licences classified as intangible assets. In most cases intangible assets are depreciated over the period of the licence, however, where the period of the licence is deemed 'infinite' the software has been depreciated based on an assessment of expected useful life.
- The amortisation policy at 31st March 2017 was not to provide for amortisation in the year of an asset's purchase. This has been amended from 1st April 2017 when amortisation has been provided for in the year of acquisition.
- Amortisation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset;

Measurement:

- Intangible assets are initially measured at cost and included in the Balance Sheet at net historical cost.

b) *Property, Plant and Equipment*

Property, plant and equipment are tangible items held for use by the Board in its provision of service and are expected to be used for more than one financial year. Property, plant and equipment are included in the Balance sheet in the following classes:

- Leasehold improvements;
- Vehicles, plant, furniture and equipment

Recognition:

- Expenditure on the acquisition, creation or enhancement of these non-current assets has been capitalised on an accruals basis, provided that future economic benefits or service potential associated with the item will flow to the Board and the cost of the item can be measured reliably. This expenditure is subject to the application of a de-minimis level of £6,000.

Amortisation:

Amortisation is provided on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- No amortisation is charged on freehold land;
- The amortisation policy at 31st March 2017 was not to provide for amortisation in the year of an asset's purchase. This has been amended from 1st April 2017 when amortisation has been provided for in the year of acquisition.
- Amortisation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset;

LOTHIAN VALUATION JOINT BOARD

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.9 Non-Current Assets (Contd.)

b) Property, Plant and Equipment (Contd.)

Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property (Leasehold improvements) - 25 years (currently 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.)

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.)

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	242	6,243
0	15	15	Individual Electoral Registration	0	24	24
5,748	1,449	7,197	Net Cost of Services	6,001	266	6,267
Other Income and Expenditure						
(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
(99)	1,619	1,520	(Surplus) or deficit on the provision of services	0	478	478
(798)			Opening General Fund Balance	(897)		
(99)			(Surplus) / Deficit on the provision of services	0		
(897)			Closing General Fund Balance at 31 March	(897)		

Notes to the Expenditure and Funding Analysis:

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

	Adjusts. For Capital Purposes £000	Net Change for Pensions £000	Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000	Presentation Adjusts. £000	Total Adjusts. £000
Core budget	50	175		8	233	9	242
Individual electoral registration	0	24		0	24	0	24
Net Cost of Services	50	199		8	257	9	266
Other Income and Expenditure							
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
(Surplus) or deficit on the provision of services	50	420		8	478	0	478

LOTHIAN VALUATION JOINT BOARD

2. EXPENDITURE AND FUNDING ANALYSIS (Contd.)

Notes to the Expenditure and Funding Analysis:

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

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

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

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

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

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
Expenditure		
Employee expenses	5,640	4,837
Other service expenses	1,647	1,631
Support service recharges	67	68
Depreciation and impairment	101	84
Interest payments	1,601	1,603
Total Expenditure	9,056	8,223
Income		
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
Total Income	(7,536)	(7,745)
(Surplus) or Deficit on the Provision of Services	1,520	478

LOTHIAN VALUATION JOINT BOARD

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 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

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. The allowance has been reduced in the current valuation to reflect the recent proposed changes to eligibility.
- The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities. The Board's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.03% higher.

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

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

5.1 Property, Plant and Equipment

Uncertainties

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

Effect if Actual Result Differs from Assumptions

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

LOTHIAN VALUATION JOINT BOARD

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

5.2 Pension Liabilities

Uncertainties

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

Effect if Actual Result Differs from Assumptions

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. 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%	6,337
0.5% increase in the Salary Increase Rate	2%	1,301
0.5% increase in the Pension Increase Rate	8%	4,912

6. EVENTS AFTER THE REPORTING PERIOD

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. The impact on the Board's Annual Accounts as a result of the pandemic is non-adjusting. 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
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(64)	64	0	0	64
Depreciation of intangible assets	(20)	20	0	0	20
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	34	(34)	0	0	(34)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,225)	0	1,225	0	1,225
Employer's pension contributions and direct payments to pensioners payable in the year	805	0	(805)	0	(805)
Adjustments primarily involving the Employee Statutory Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	0	0	8	8
Total Adjustments	(478)	50	420	8	478

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
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(75)	75	0	0	75
Depreciation of intangible assets	(25)	25	0	0	25
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	32	(32)	0	0	(32)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(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)
Adjustments primarily involving the Employee Statutory Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(20)	0	0	20	20
Total Adjustments	(1,619)	68	1,531	20	1,619

LOTHIAN VALUATION JOINT BOARD

8. PROPERTY PLANT AND EQUIPMENT

Movements on balances:

8.1	Current Year Movements in 2019/20	Leasehold	Vehicles	Total
		Improvements	Plant and	Property
		£000's	Equipment	Plant and
	Cost or Valuation		£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
	Accumulated Depreciation			
	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)
	Net Book Value at 31st March 2020	212	56	268

8.2	Previous Year Movements in 2018/19	Leasehold	Vehicles	Total
		Improvements	Plant and	Property
		£000's	Equipment	Plant and
	Cost or Valuation		£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
	Accumulated Depreciation			
	At 1st April 2018	(185)	(224)	(409)
	Derecognised assets depreciation reversal	0	68	68
	Depreciation charge	(17)	(58)	(75)
	At 31st March 2019	(202)	(214)	(416)
	Net Book Value at 31st March 2019	230	74	304

8.3 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.)

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)
Net carrying amount at start of year	67	58
Additions	16	5
Amortisation for the period	(25)	(20)
Net carrying amount at end of year	58	43
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 £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'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 31st March 2019 £'000	Financial Assets measured at amortised cost 31st March 2020 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	8	9

11. SHORT TERM DEBTORS

	2018/19 £'000	2019/20 £'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 £'000	2019/20 £'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 £'000	2019/20 £'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	6,119
14.4	Accumulated Absence Account	83	91
		<u>8,606</u>	<u>5,899</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
Balance at 1st April	(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/>
Balance at 31st March	(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
Balance at 1st April	5,933	8,884
Remeasurements of the net defined benefit liability / (asset)	1,420	(3,185)
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	1,225
Employer's pension contributions and direct payments to pensioners payable in the year.	(843)	(805)
	<hr/>	<hr/>
Balance at 31st March	8,884	6,119

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
Balance at 1st April		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		91	
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
Balance at 31st March		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
• The City of Edinburgh Council:		
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"> • The Cabinet Office IER grant received 	(591)	(600)
<ul style="list-style-type: none"> • Midlothian Council Constituent council contribution CT liability hearings 	(540) 0	(549) (2)
<ul style="list-style-type: none"> • East Lothian Council Constituent council contribution 	(636)	(642)
<ul style="list-style-type: none"> • West Lothian Council Constituent council contribution Vice Convener remuneration 	(1,096) 4	(1,132) 4
<ul style="list-style-type: none"> • Clackmannanshire Council • Fife Council • Glasgow City Council • Renfrewshire Council • HM Revenue and Customs • Convention of Scottish Local Authorities • Lothian Buses PLC • Registers of Scotland • Scottish Court Service 	23 0 7 1 4 1 1 2 (3)	36 2 7 1 5 1 1 2 (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
Opening Capital Financing Requirement	0	0
Capital investment		
• Property, Plant and Equipment	16	28
• Intangible assets	16	6
Sources of finance		
• Direct revenue contributions	(32)	(34)
Closing Capital Financing Requirement	0	0

LOTHIAN VALUATION JOINT BOARD

21. DEFINED BENEFIT PENSION SCHEMES

21.1 Participation in Pension Schemes

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

The Board participates in the following post employment scheme:

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

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

21.2 Transactions Relating to Post-employment Benefits

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

	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
Comprehensive Income and Expenditure Statement				
Cost of services, comprising:				
Current service costs	1,189		1,462	
Past service costs	<u>1,007</u>		<u>(458)</u>	
		2,196		1,004
Financing and investment income:				
Net interest expense		<u>178</u>		<u>221</u>
Total post employee benefit charged to the surplus on the provision of services		2,374		1,225
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(3,558)		3,793	
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>(3,185)</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>3,794</u>		<u>(1,960)</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(2,951)</u>		<u>2,765</u>
Actual amount charged against the General Fund				
Balance for pensions in the year:				
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	55,093
Present value of funded liabilities	(64,635)	(59,444)
Present value of unfunded liabilities	(1,921)	(1,768)
Net liability arising from defined benefit obligation	<u>(8,884)</u>	<u>(6,119)</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	(3,793)
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>55,093</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)	458
Benefits paid	1,031	1,106
Unfunded benefits paid	83	85
Closing balance at 31 March	<u>(66,556)</u>	<u>(61,212)</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 %
<u>Equity Securities</u>				
Consumer *	6,136.3	11	5,250.8	10
Manufacturing *	7,095.9	13	7,945.7	15
Energy and Utilities *	4,356.8	8	3,513.9	6
Financial Institutions *	4,851.7	8	3,583.1	7
Health and Care *	3,133.3	5	3,812.4	7
Information Technology *	1,878.4	3	2,381.4	4
Other *	5,623.4	10	4,022.2	7
Sub-total Equity Securities	33,075.8		30,509.5	
<u>Debt Securities:</u>				
Corporate Bonds (investment grade) *	0.0	0	922.8	2
Corporate Bonds (investment grade)	0.0	0	2,027.6	4
UK Government *	5,859.8	10	3,391.7	6
Sub-total Debt Securities	5,859.8		6,342.1	
<u>Private Equity</u>				
All	782.1	1	479.3	1
Sub-total Private Equity	782.1		479.3	
<u>Real Estate:</u>				
UK Property *	3,906.2	7	633.7	1
UK Property	0.0	0	2,976.4	5
Overseas Property	0.0	0	48.5	0
Sub-total Real Estate	3,906.2		3,658.6	
<u>Investment Funds and Unit Trusts:</u>				
Equities *	569.7	1	674.6	1
Bonds	1,462.0	3	236.5	0
Infrastructure	7,158.8	12	7,746.3	14
Sub-total Investment Funds and Unit Trusts	9,190.5		8,657.4	
<u>Derivatives:</u>				
Foreign Exchange *	14.6	0	112.4	0
Sub-total Derivatives	14.6		112.4	
<u>Cash and Cash Equivalents</u>				
All *	4,843.0	8	5,333.7	10
Sub-total Cash and Cash Equivalents	4,843.0		5,333.7	
Total Fair Value of Employer Assets	57,672.0	100	55,093.0	100

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:

<u>Average future life expectancies at age 65:</u>		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
<u>Financial assumptions:</u>		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).

<u>Change in assumptions at 31 March 2020:</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	10.0%	6,337
0.5% increase in the Salary Increase Rate	2.0%	1,301
0.5% increase in the Pension Increase Rate	8.0%	4,912

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	1,264	0	1,264	38.50%
Interest cost on defined benefit obligation	0	(1,409)	(1,409)	-42.90%
Total Net Interest Cost	1,264	(1,409)	(145)	-4.40%
Total included in Profit or Loss	1,264	(2,650)	(1,386)	-42.20%

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	2019/20
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,526	1,526
• Later than 5 years	2,137	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	2019/20
	£000's	£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	2019/20
	£000's	£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	2019/20
	£000's	£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.

LOTHIAN VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

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

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

The Board's Governance Framework

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

The framework reflects the arrangements in place to meet the core principles of good governance.

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

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

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

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

In May 2018, the Board introduced a Governance, Risk and Best Value Group. The first meeting with external stakeholders was held on 24th October 2018. 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 was presented to the Board on 15th June 2020, providing 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.)

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 Report.

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 Azets 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 progressed one Internal Audit review in 2019/20, focused on the Board's electoral registration process. The objective of the review was 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. The final outcome of this review will be reported to the Board on 9th November 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. In 2020/21, since 15th June 2020, Board meetings have taken place using electronic technology.

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.

The Assessor and Electoral Registration Officer retired from the Board on 30th September 2020. During 2019/20, a handover of responsibilities took place with the newly appointed Interim Assessor and Electoral Registration Officer. This handover enables the Interim Assessor to sign the 2019/20 Annual Governance Statement.

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.

Interim Assessor and Electoral Registration Officer:
Gary Elliot

Date: _____

Convener of Lothian Valuation Joint Board:
David Key

Date: _____

LOTHIAN VALUATION JOINT BOARD

REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 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 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.

Azets Audit Services 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	-	-
Totals	8	10

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
Total	121,145	127,584

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>			Difference
		As at 31 March 2020 £'000	from 31 March 2019 £'000
<u>Name and Post Title</u>			
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>		4,631	4,870
D.Key - Convener			
<u>Accrued Pension Benefits</u>			Difference
		As at 31 March 2020	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.)

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
Totals	0	3	0	52,155

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%.

Interim Assessor and Electoral Registration Officer: _____

Gary Elliot

Date: _____

Convener: _____

David Key

Date: _____

LOTHIAN VALUATION JOINT BOARD

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Lothian Valuation Joint Board for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Treasurer and the board for the financial statements

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

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

LOTHIAN VALUATION JOINT BOARD

INDEPENDENT AUDITOR'S REPORT (Contd.)

Auditor's responsibilities for the audit of the financial statements (Contd.)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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

Karen Jones, for and on behalf of Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

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ER INTERNAL AUDIT REVIEW

9th November 2020

1 PURPOSE OF REPORT

- 1.1 This report is to update the Board on the 2019/20 CEC Internal Audit exercise for the Lothian Valuation Joint Board (LVJB). As part of their schedule of work, an audit was carried out to assess the adequacy of design and operating effectiveness of controls established by LVJB relating to Electoral Registration. The final report was received on 14th September and is attached as appendix 1 to this report.

2 MAIN REPORT

Internal Audit Findings

- 2.1 The report indicated an overall amber rating of “Some improvement required”. This is further defined as “Whilst some control weaknesses were identified, in the design and/or effectiveness of the control environment and/or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the LVJB’s objectives should be achieved.”.
- 2.2 A total of 5 medium findings were observed in the report;

Medium	Voter Eligibility Checks
Medium	Technology systems - Supplier management and user access
Medium	Data Retention and Protection procedures
Medium	Electoral Registration Policies, Procedures, and Risks
Medium	Employee Disclosures and Training

- 2.3 The report refers to a further risk around nationality and residence checks which LVJB cannot presently undertake unless there is reasonable doubt about the accuracy of an application. As stated in the report these are nationally identified issues which current legislation does not provide the authority to implement additional controls.
- 2.4 The 2018/19 Internal Audit on Barclay Readiness identified one medium rated finding around the need for the LVJB project management framework to be consistently and effectively implemented to support the Barclay project. Of the seven agreed management actions arising from the medium finding, four have been completed. Two actions relating to risks, assumptions, issues and dependency (RAIDS) logs and a system testing framework, although in place, do not have documented sign off by the project board. The final action references the ability of internally appointed project managers. Although they are provided regular oversight by the Project Management Board, the outcome is not documented and can subsequently not be verified by Internal Audit. LVJB are prepared to tolerate the residual associated risk with this finding.

3 CONCLUSION

The 2019/20 Audit was particularly challenging due to the ongoing COVID 19 pandemic and that this was the first time that the Electoral Registration function had been reviewed under the auspices of Internal Audit.

The position was exacerbated by the organisational requirement to continue to maintain excellent service delivery levels during this difficult time whilst dealing with an audit procedure made increasingly more complex due to the nature of remote access and collaboration. That aside, there were useful lessons learned which will be invaluable in future exercises of this nature.

I am extremely grateful, not only to our internal Administration, Customer Support and Governance Teams, but also to our colleagues within CEC Internal Audit for their commitment and professionalism in getting the Electoral Registration audit completed successfully.

4 RECOMMENDATIONS

4.1 The Board is asked to note the Internal Audit report for 2019/20.

Bernie Callaghan
Head of Governance
9th November 2020

Appendices:

Appendix 1: LVJB Electoral Registration Process – Final Internal Audit Report 2019-20

The City of Edinburgh Council

Internal Audit

Lothian Valuation Joint Board (LVJB) – 2019/20

Final Report

14th September 2020

OO1903

Overall report rating: Some Improvement required

**Some
improvement
required**

Whilst some control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the Lothian Valuation Joint Board's objectives should be achieved.

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

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

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

1. Background and Scope

Background

Lothian Valuation Joint Board

The Lothian Valuation Joint Board (LVJB) is a statutory entity established under the 1995 Valuation Joint Boards Order. It provides a range of specialist valuation and electoral registration services for the City of Edinburgh; East Lothian; West Lothian; and Midlothian local authorities and is responsible for the management and ongoing administration of their business rates valuation rolls; council tax valuation lists; and electoral registers. As per the [Representation of the People \(Scotland\) Act 1983](#), LVJB's Electoral Registration Officer (ERO) is responsible for compiling and maintaining the electoral register that enables eligible electors to vote at the various national and local elections and referendums held throughout the Lothian region.

Registering to vote

Applicants can register to vote either [online](#); by telephone; or by completing a paper application by post, providing their full name, address, National Insurance (NI) number and date of birth. The [Electoral Registration and Administration Act 2013](#) introduced individual electoral registration in Great Britain, enabling EROs to share, and verify information to assist with ongoing maintenance of the electoral register.

LVJB uses the Idox electoral management system (EMS) 'Eros' to maintain and update the electoral register. Details of registration applications are sent to and results received back from the Department for Work and Pensions (DWP) via a secure data transfer mechanism within Eros, enabling matching of applicant names; addresses; dates of birth; and national insurance (NI) numbers against DWP records.

LVJB management has advised that where applicant information cannot be verified with DWP, they then try to verify the information provided against Council tax records and educational data based on data sharing agreements with relevant universities and local authorities.

If all validation checks fail or are not applicable (for example, if an applicant does not have an NI number or Council tax record), there is provision in the legislation for the ERO to request that applicants provide documentary evidence as proof of identity.

Where the applicant's registration is refused, the applicant can appeal against the decision to the ERO and request a hearing. The ERO then reviews the appeal together with relevant documents to make a final decision. The applicants have a right to further appeal against the ERO's decision to the Sheriff.

Third party systems

LVJB also uses two other third party systems named CIVICA and Objective Connect. CIVICA is an internal document repository system hosted on the LVJB network and Objective Connect, a cloud-based system, is used to transmit sensitive and private electoral data to external third parties in a secure and reliable manner.

Annual household canvass

The ERO is required to conduct an annual canvass of all households in the Lothian area to validate the completeness and accuracy of the electoral register and update it, where required. The current process involves issuing canvass communications to the occupier of every registered address. The ERO also receives information about new housing developments from the LVJB Council Tax valuation team. Canvass communications request occupiers to confirm the completeness and accuracy of voter details currently registered at the address.

The canvass usually takes place from July until November and the ERO publishes an updated version of the register annually on 1st December. In 2019, the register was published on 14 November due to the UK Parliamentary Election held on 12 December 2019.

Electoral Register

There are two versions of the electoral register, the full version and the open register. The full version is publicly displayed and available for inspection at the Electoral Registration Office and Council libraries and is used as the basis for issuing poll cards and producing absent voter lists; confirming eligibility of voters at polling stations; and for other statutory purposes including prevention and detection of crime and loan or credit checks by credit referencing companies. The full register contains names and addresses of all registered voters, however, some special category electors such as overseas electors and service electors are included in the register under the heading of 'other electors'.

The open register is an extract of the full register that excludes details of voters who have opted out of the full register and can be inspected at the Electoral Registration Office. The open register can be purchased by any person or organisation. Voters who have genuine concerns about their personal or family members' safety can register as anonymous voters whose personal details are excluded from both registers.

Management has advised that at the time of elections, the full version of the electoral register is shared with the Councils' authorised printers, for production of poll cards and postal ballots.

Registration requirements

Applicants need to satisfy [residency, nationality, and age requirements](#) to be eligible to register to vote. The voting age to vote for UK Parliament and European Parliament elections is 18, however, the [Scottish Elections \(Reduction of Voting Age\) Act](#) allows eligible individuals aged 16 to vote in Scottish Parliament and local council elections. Additionally, the act allows Scottish applicants who meet residency and nationality requirements to register at age 14, however their details are excluded from both the open and full electoral registers.

There are also special category voters such as Service Electors (serving in the Armed Forces); overseas voters (British citizens living overseas); and those who register by making a declaration of local connection, for example, those with no fixed address or remanded in custody or a patient in a mental health hospital.

Any registered elector may apply to become an absent voter (voting by post or proxy).

Electoral Commission guidelines and performance standards

The Electoral Commission has published detailed five part [guidance and resources for running electoral registration](#), that includes planning for the delivery of electoral registration activity; the registration framework; canvassing; maintaining the register throughout the year; and absent voting. EROs are encouraged to apply this guidance and align their policies and procedures with guidance notes.

Additionally, the Electoral Commission has also published [performance standards for Electoral Registration Officers](#). These performance standards are related to the framework for the delivery of registration activity and maintenance of complete and accurate electoral registers. These standards define the outcomes expected from the ERO; steps to be taken by the ERO to achieve expected outcomes; and the evidence requirements to substantiate that outcomes have been achieved.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the controls established by LVJB to comply with statutory and legislative requirements relating to electoral registration.

Testing was performed on a sample basis for the period April 2019 – July 2020.

Limitations of Scope

The voting process, managed by the Councils following receipt of electoral registers from ERO, was specifically excluded from the scope of this review.

This review was performed during the Covid-19 pandemic lockdown and the audit was conducted remotely in accordance with Scottish Government guidance to work from home. As a result, the following areas could not be reviewed:

- Controls relating to physical dispatch of letters including rejection letters and additional document request letters;
- Controls relating to storage of applicant's physical documentary evidence and application forms in compliance with data protection requirements as remote access could not be provided to the Civica system.
- Processing postal / proxy application forms and data; and
- Processing anonymous applications and attestations data

HEF processing was also excluded from scope reflecting an ongoing national review of the canvassing process reforms and new legislative proposals

Reporting Date

Our audit work concluded on 20th August 2020, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 5

Summary of findings raised	
Medium	1. Voter Eligibility Checks
Medium	2. Technology systems - Supplier management and user access
Medium	3. Data Retention and Protection procedures
Medium	4. Electoral Registration Policies, Procedures, and Risks
Medium	5. Employee Disclosures and Training

Opinion

Some Improvement Required

Whilst some moderate control weaknesses were identified in the design and effectiveness of the LVJB electoral registration control environment and risk management framework, they provide reasonable assurance that risks are being managed, and that LVJB's objectives to completely and accurately maintain and update electoral registers in line with applicable statutory and legislative requirements should be achieved.

Our review highlighted a gap in legislative requirements that exposes Electoral Registration Officers to risk in relation to the potential registration of applicants who may not meet nationality and residency requirements to vote.

[Part four of the Electoral Commission guidance](#) (refer page 48 section 1.2.4) specifies that 'the Electoral Registration Officer will also need to establish that the applicant fulfils their other eligibility criteria (age, nationality, residence) and may have already done so before receiving the match results from Department of Work and Pensions', however, management has advised that the guidance is not aligned with the Representation of the People (Scotland) Act, as it does not permit valuation joint boards to complete nationality and residence checks (for example by requesting supporting documentary evidence), unless there is reasonable doubt about the accuracy of the application.

LVJB management has advised that this is a known risk that has been discussed nationally between valuation joint boards, and that no solution has yet been identified to address and mitigate this potential risk. This control gap has not been raised as a finding in this report as LVJB management has advised that they do not have the necessary legislative authority to implement appropriate controls.

Five Medium rated findings have been raised reflecting the need to address the moderate control weaknesses identified in the LVJB electoral registration control environment and risk management framework. These highlight the need to improve the record keeping supporting completion of voter eligibility checks; obtain ongoing assurance from third party system suppliers on the remote access, security and system operational controls supporting publication of accurate electoral registers; improve record retention and data protection processes; ensure that operational policies, procedures and risk registers are regularly reviewed and updated; and ensure that all employees receive relevant training to support their ongoing development.

Further information is included at Section 3.

Implementation of Internal Audit findings raised in previous audits

The 2018/19 LVJB Internal Audit focused on Barclay Readiness and included one Medium rated finding highlighting the need to ensure that the established LVJB project management framework was consistently and effectively applied to support the Barclay project. This finding was supported by seven agreed management actions, all of which were due for completion in the 2019 calendar year.

Review of evidence to support implementation of the seven agreed management actions confirmed that four have been effectively implemented.

Whilst management has advised that a further two actions in relation to project risks, issues and dependencies and systems testing have been implemented, there is currently no documented evidence of review and approval of these processes by the project board. Management has confirmed that these were presented to the board and agreed informally.

The remaining management action highlights the need to ensure that appropriately skilled and experienced project managers are allocated to the project and that their ongoing delivery and performance is monitored. Management has confirmed that these are not dedicated project managers (PM) but employees who have volunteered to undertake the PM role to the best of their ability, and that there is regular oversight performed by Project Management Board however this is not documented. Consequently, Internal Audit cannot validate the implementation of this management action. Management has confirmed that they are prepared to tolerate the residual risks associated with this aspect of the finding.

Areas of good practice

Our review highlighted following areas of good practice:

1. The team performing the electoral registration process are highly skilled and experienced.
2. The EROS electoral registration system includes effective controls to enable identification of special category; anonymous; underage; and opted-out voters for inclusion in relevant electoral registers.
3. There are pre-designed standard templates in place for letters issued in relation to rejected and ineligible applications; or to request additional documentary evidence from applicants. Rejection letters also contain information regarding the applicants right to appeal the decision.
4. Basic Disclosure checks are performed for all new LVJB employees in accordance with Cabinet Office requirements.

3. Detailed findings

1. Voter Eligibility Checks

Medium

Review of LVJB's processes to verify applicants' identities and their eligibility to vote prior to inclusion in the electoral register identified that:

1. LVJB accepts the Young Scots Card as a form of identification for young voters, however, this card is not listed within the Ministerial Guidance list of acceptable documents.
2. Details of the outcomes of additional checks performed, following unsuccessful confirmation of dates of birth and / or National Insurance (NI) numbers with Department of Work and Pensions (DWP), are not recorded in the electoral registration system and supporting evidence is not retained.
3. We noted one instance where verification of an elector was completed via phone call but there were no details and record of this contact within the elector's timeline on the EROS electoral registration system.
4. No evidence of completion of checks performed on special category applicants such as Overseas Voters; Crown Servants; and members of the armed forces, is currently retained.
5. There is also no centralised system to record and evidence the checks performed by LVJB on applications that have been refused.
6. Discussions with Administration Officers established that evidence supporting refused cases is often retained in employee email accounts or sometimes shared with the Administration Manager.

Risks

The potential risks associated with our findings are:

- Potential non-compliance with legislative requirements and Electoral Commission guidance.
- Lack of assurance over the completeness and accuracy of pre-registration eligibility checks.
- Registration of potentially ineligible voters as special category voters.
- Evidence to support refusal of applications may not be available during a potential appeal; challenge in court of law; or any internal/external review.

1.1 Recommendation: Voter Eligibility Checks

- a) The list of documents accepted to verify applicants' identities should be aligned with Electoral Commission guidance and Ministerial guidance list of acceptable documents.
- b) Details of eligibility checks performed should be recorded in an appropriate system or format.
- c) Evidence to support successful processing or refusal of an application should be retained in accordance with applicable data protection legislative requirements.

1.1 Agreed Management Action: Voter Eligibility Checks

The Young Scots Card is a trusted document that is widely accepted as identification amongst ERO's across Scotland. LVJB will continue to use this for the registration of young electors when deemed appropriate.

EROS records the majority of additional checking information within the timeline of each elector's registration history. LVJB will create a recording and maintenance process for any verification or validation of the eligibility process that is not held within the timeline.

LVJB will create a centralised mechanism of recording refusal decisions where there is evidence to do so.

Owner: Graeme Strachan, Electoral Registration Officer
Contributors: Niall MacGalloway, Administration Officer

Implementation Date:
12th October 2020

2. Technology systems - Supplier management and user access

Medium

Review of contracts established with third-party system suppliers; the established LVJB supplier management process; and LVJB employee access to the following systems established that:

EROS - Electoral Registration System

1. There are no contractual requirements for the supplier to provide ongoing assurance on the integrity of their controls supporting remote system access by their employees to resolve system issues and implement new system versions and controls.
2. The Cabinet Office requirement to perform a Basic Disclosure check on any individual accessing the electoral system is not included in the third-party supplier contract in relation to their employees with authority to access the system remotely.
3. There is no contractual requirement for either the system supplier or LVJB to confirm that they have independently reviewed and tested new operational updates/modules prior to release into the live system.
4. LVJB employee access rights to the electoral system are reviewed on an ad hoc basis when team members change roles or leave the organisation. Management has advised there was a baseline user profile review completed in 2018 although no evidence is available to support completion.

Objective Connect - Data sharing platform

5. There are no contractual provisions for the supplier to provide ongoing assurance on the integrity of technology controls supporting system security. Management has provided the supplier's ISO27001 certificate and Security and Architecture report from the supplier website, however, this has not been independently reviewed by LVJB to identify any potential control gaps that should be discussed with the supplier.
6. A generic login is used to share private electoral data with external bodies. We noted during our review that four LVJB users currently access Objective Connect using a generic 'Enquiries' login which leaves no user-specific audit trail in the system.

Risk

The potential risks associated with our findings are:

- LVJB is unaware of system (third party remote access) control gaps that could result in potential security and data protection breaches.
- Third party support staff accessing electoral data may not be compliant with the Cabinet Office Basic Disclosure check requirements.
- Errors in the design of electoral system application controls implemented through the installation of system upgrades (for example incorrect system flags) could compromise the completeness and accuracy of electoral registers and may not be aligned with applicable legislation and guidance.
- Inability to detect any internal data protection breaches caused by LVJB employees.

2.1 Recommendation: Review of third-party supplier contracts

1. Third party supplier contracts for both the EROS and Objective Connect systems should be updated to include requirements to provide ongoing assurance reports confirming the integrity of controls supporting remote access; system security; and pre implementation testing of new system controls supporting the maintenance of electoral registers.
2. The contract with EROS electoral system supplier should be revised to include the requirement for supplier to perform Basic Disclosure checks for all staff members with access to LVJB electoral data.

2.1 Agreed Management Action: Review of third-party supplier contracts

LVJB will engage with iDox and Objective Connect to discuss the required assurance reports. However, it is recognised that unless these are worthwhile additions for other clients, it may be unlikely that they are introduced. LVJB management will tolerate this risk if these assurance reports are not supplied.

LVJB will seek amendment to the EROS contract to include Basic Disclosure checks for iDox staff who access LVJB electoral data.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: Bernie Callaghan, Head of Governance

Implementation Date:

1st December 2020

2.2 Recommendation: System data security

1. LVJB should review system security assurance reports from third party suppliers annually, and, follow up any areas of concern identified with suppliers to ensure that they are addressed.
2. Confirmation of third-party employee Basic Disclosure check should be requested and recorded by LVJB prior to approving supplier remote access to the live EROS system.
3. Confirmation of testing outcomes should be obtained prior to remote implementation of new system modules by the supplier.
4. Individual LVJB employee logins should be created on Objective Connect to support sharing electoral data with external contacts. Objective Connect data sharing activity should also be reviewed periodically to confirm that only approved and necessary data has been shared.
5. Ongoing LVJB employee access reviews (for example quarterly or six-monthly reviews) should be performed to confirm that only relevant employees have access to electoral data. Review completion and outcomes, including details of any action taken to change employee access profiles, should be documented.

2.2 Agreed Management Action: System data security

If security assurance reports can be provided by third party suppliers, LVJB will review them annually and follow up any areas of concern.

Basic Disclosure checks will be requested and recorded by LVJB prior to any remote system access.

LVJB will seek to obtain confirmation of testing outcomes prior to any remote implementation of new system upgrades.

LVJB will ensure there are individual logins to Objective Connect and sharing/access activity shall be reviewed periodically.

Employee access review shall be undertaken every six months and recorded. Any employee access profile amendments shall be logged.

3. Data Retention and Protection Procedures

Medium

A review of LVJB's electoral data retention and protection processes identified the following inconsistencies:

1. Records Retention

- The LVJB Record of Processing spreadsheet notes that the retention period for Household Enquiry Forms (HEFs) is 1 year, in contrast to the records Retention and Disposal Schedule which states 3 months;
- The Record of Processing spreadsheet contains TBA (to be agreed) against each Eros system record;
- Some documents included on the Record of Processing spreadsheet, such as attestation certificates and documentary evidence are not included within the LVJB Retention and Disposal Schedule;
- There is no audit trail of changes/updates to the schedule as it is not version controlled.

2. Disposal of records from the CIVICA system

- There is no documented end to end process for disposal of records in the CIVICA system, including details of checks to be performed prior to disposal.
- There are 36 documents recorded in the 'Documents to be removed from CIVICA' spreadsheet where no automated system record deletion profiles have been established.
- Only one team member currently maintains the CIVICA system profiles/criteria that ensure automatic deletion of records at a specified date.

3. Data and records held on servers and in e-mail accounts

Currently, no checks are performed to ensure that data and records held on LVJB server or on individual e-mail accounts is retained and deleted in accordance with relevant record retention and disposal processes and timeframes.

4. Data Sharing Agreements (DSA)

- DSAs have not been established with two of the four local authorities to support exchange of Council Tax data, and there are no established DSAs with local authorities for the exchange of educational data.
- There are also no DSAs between LVJB and local authority Returning Officers (ROs) that record arrangements to share confidential electoral registers directly with printers on behalf of the ROs.
- Review of the existing DSA with Queen Margaret University (QMU) highlighted that it is not signed by the QMU representative.

Risk

The potential risks associated with our findings are:

- Documentation supporting electoral registration data is not processed; protected; retained archived; and disposed of in accordance with applicable data protection legislation and

requirements, including the Data Protection Act 2018, and General Data Protection Regulation (GDPR).

- Key person dependency risk in relation to maintaining automated CIVICA system records disposal profiles / criteria.
- Potentially unauthorised exchange of electoral register data with third parties.

3.1 Recommendation: Data Retention and Protection Procedures

1. LVJB data retention and protection documents including (but not limited to) the Record of Processing and the Retention and Disposal Schedule should be reviewed to ensure that their content is consistent and aligned with applicable regulations.
2. Records retention and disposal policies, guidance and supporting documentation should be reviewed at least annually with a record of all significant changes reflected in a version control schedule.

3.1 Agreed Management Action: Data Retention and Protection Procedures

LVJB will review data retention and protection documents to ensure consistency with applicable regulations, we will also ensure these are reviewed at least annually and version controlled.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: Bernie Callaghan, Head of Governance

Implementation Date:

25th January 2021

3.2 Recommendation: Disposal of electoral registration records

1. The process for creating CIVICA system profiles / criteria to ensure automatic disposal of electronic electoral registration records should be documented.
2. Training on the process for creating CIVICA system profiles / criteria should be provided to other employees and rotation of these responsibilities implemented to mitigate key person dependency risk.
3. A sample check should be completed to ensure that all electronic CIVICA records have been allocated an automated deletion profile and that scheduled automatic CIVICA records deletion processes have been effectively completed.
4. Clear processes and procedures should be designed; communicated; and implemented to confirm (at least annually) that electoral data retained on servers and in individual email accounts is processed; stored; and deleted in line with applicable LVJB data retention and disposal policies and data protection requirements.

3.2 Agreed Management Action: Disposal of electoral registration records

All recommendations agreed. An additional member of the electoral team shall be trained on the Civica disposal process to mitigate key person dependency risk.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: Chris Beaton, Administration Manager

Implementation Date:

8th February 2021

3.3 Recommendation: Data Sharing Agreements

1. Data sharing agreements should be established with local authorities supporting the exchange and use of Council tax; educational; other relevant records, and with the Returning Officers for the exchange of electoral registers with printers.
2. Existing data sharing agreements should be reviewed to ensure that they are updated and signed by all relevant parties.

3.3 Agreed Management Action: Data Sharing Agreements

Other than Returning Officer data sharing agreements which are covered by legislation, data sharing agreements shall be created and reviewed annually for currency and accuracy.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: S Grierson, Governance Officer

Implementation Date:

23rd November 2020

4. Electoral Registration Policies, Procedures, and Risks

Medium

Review of LVJB electoral registration operational policies and procedures and risk registers identified that:

1. Process notes: there is currently no operational process document that demonstrates the full end to end electoral registration process, although detailed technical procedures have been established to support completion of individual process tasks.
2. Policies and procedures update: policies and procedures are currently only reviewed and refreshed in advance of elections, and the process is monitored by management, however, review outcomes and changes are not recorded.
3. Guidance from the Electoral Commission is often discussed in meetings that are not minuted or communicated through emails but is not subsequently included in relevant procedures.
4. Electoral Register pre publishing checks: checks and controls applied (including management oversight and review) to confirm the completeness and accuracy of electoral registers prior to their publication and distribution are not documented.
5. Telephonic Voter registration Quality Assurance (QA): there is currently no established QA process to confirm accuracy of electoral registrations received by telephone. Management has advised that calls are recorded and checked to electoral system data when complaints are received.
6. Appeals Process: there is currently no documentation supporting the appeals process, including clearly defined roles and responsibilities. The document retention period applied to appeal records is also unclear as this is not specified in either the Record of Processing document or the Retention and Disposal Schedule.
7. Anonymous Voter applications are processed only by Administration Officers, with poll cards issued only by the Head of Administration due to data sensitivity. Details of these restricted access responsibilities have not been recorded, and the anonymous voters process has not been documented.
8. Electoral Registration Officer (ERO) details and electronic signatures: review of the standard letter template issued to applicants requesting additional documents established that it included the electronic signature of the previous ERO, as the details had not been updated in the EROS

system test and live environments. Management advised that the ERO's name and other details are only updated in system immediately before the election date.

Following identification of this issue, management has confirmed that the current ERO's details have been updated throughout the system.

We also noted that the ERO's electronic signatures are available for all staff members to copy from standard word document templates.

9. Risk Registers: the operational risks associated with the electoral registration and process have not been recorded in any risk register. It is acknowledged that some LVJB high-level risks have been captured in LVJB Project, Corporate and Service risk registers.

Risk

The potential risks associated with our findings are:

- Employees are not aware of the policies; processes; and procedures supporting the full end to end electoral registration process.
- Key person dependency where processes are performed by a small number of employees and the process is not documented.
- Policies and procedures are not regularly updated to ensure ongoing alignment with legislative; Electoral Commission guidance; and operational changes.
- Inaccurate telephonic voter registrations may not be identified unless a complaint is received.
- Appeals records are not retained in line with applicable data protection requirements.
- Issue of letters and publication of electoral registers with inaccurate Electoral Registration Officer (ERO) details.
- Unauthorised use of the ERO's electronic signature.
- There is no visibility of the operational risks associated with the electoral registration process; the controls established to mitigate these risks; management's decision to either treat; tolerate; transfer; or terminate the risks, together with additional mitigating actions required, their owners and completion timeframes.

4.1 Recommendation: Electoral Registration Policies, Procedures, and Risks

1. The full end to end electoral registration process, including the anonymous voter; pre-publication checks; and appeals processes should be documented with links to existing technical procedures and tasks included.
2. Policies and procedures should be reviewed and updated, communicated and implemented in line with any new legislative updates; Electoral Commission guidance; and operational changes, with significant changes recorded in document version control schedules.
3. Meetings to discuss implementation of Electoral Commission guidance changes should be minuted, with decisions taken recorded.
4. A telephonic registration quality assurance process should be designed and implemented.
5. The outcomes of checks to confirm the completeness and accuracy of electoral registers prior to publication (including telephonic registration quality assurance checks) should be documented, together with details of actions taken to address any errors identified, and any changes made to process documents or training delivered to prevent their recurrence.
6. The data retention periods for the appeals process documents should be updated in the Record of Processing ER document and the Retention and Disposal Schedule.

7. Key employee details, including the ERO, should be updated in the electoral system immediately upon their joining.
8. The ERO's electronic signature should only be accessible for use by authorised managers in a PDF document template to prevent its unauthorised use.
9. Electoral registration operational risks together with details of established controls; management's decision to either treat, tolerate, transfer, or terminate / mitigate the risk; and mitigating actions to be implemented together with ownership and completion dates should be recorded in a risk register.

The risk register should be reviewed and updated at appropriate intervals (for example, quarterly or six monthly) and the most significant operational risks identified escalated for inclusion in the organisational risk register.

4.1 Agreed Management Action: Electoral Registration Policies, Procedures, and Risks

Although the full end to end process is contained in EROS help LVJB will review the overarching procedural document structure.

Policies and procedures will be reviewed in line with any new legislative changes and version controlled.

Electoral Commission guidance is provided by briefing sessions to staff and followed up with emails where necessary. LVJB accepts the risk involved with not documenting and recording these briefing sessions.

First line assurance checks shall be introduced for telephone registrations.

The process of checking registers prior to publication shall be documented and evidenced.

Appeals process documents will be included in LVJB retention policies.

Key employee details will be updated on joining.

LVJB will investigate ways in which to ensure no unauthorised use of the ERO's electronic signature.

LVJB will review existing risk registers with a view to incorporating operational electoral registration risks.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: Ian Logie, Administration Manager; Bernie Callaghan, Head of Governance; Callum Pigott, Administration Manager

Implementation Date:
15th February 2021

5. Employee Disclosures and Training

Medium

Employee Disclosures

Whilst Basic Disclosure checks are performed for all new LVJB employees in accordance with Cabinet Office requirements, these are not refreshed on an ongoing basis.

Employee Training

Management has advised that they are in the process of designing a training framework for employees in the Administration team who are responsible for performing the electoral registration process.

Review of current training processes identified the following areas where improvement is required:

1. Off-the-job training is sometimes delivered informally, and is not always documented;
2. Employee training logs are not consistently maintained;

3. Refresher training is not delivered on an ongoing basis. Instead, training is delivered 'as required' when it is evident that processes have not been clearly understood by employees. The most recent employee training completion dates (for example, Data Protection policy; Clear Desk and Clear Screen policy; and GDPR training) dates to 2018.
4. The Data Protection policy states that the Information Security policy must be read as part of training, however, confirmation that the Information Security policy has been read by employees is not recorded.

Risk

The potential risks associated with our findings are:

- Management is unaware of any instances that could potentially impact the award of subsequent employee Basic Disclosures.
- Employees may not be aware of changes to relevant legislation and guidance, and operational policy and process changes, and how these will potentially impact their roles.
- A reactive training approach does not support prevention of operational errors.
- Informal training may not be the most effective approach for all employees with various development requirements and training style preferences. This could also present challenges for inexperienced team members during current (Covid-19) remote working arrangements.
- There is no visibility of the training completed; overdue; and any new employee training requirements.

5.1 Recommendation: Employee Disclosures and training

1. Employee Basic Disclosure checks should be refreshed on an ongoing basis (for example, every 3 – 5 years).
2. The new training framework should include a combination mandatory and optional training delivered on the job; via established training courses for groups of employees focusing on relevant topics (for example, new legislation and / or guidance); and via informal one to one coaching session based on individual employee development needs;
3. Employee training logs should be maintained to accurately reflect all training completed and outstanding essential learning and training, and should be reviewed by management and discussed with employees as part of ongoing performance discussions.
4. The new training framework should include relevant ongoing essential learning training on key themes for all employees.

5.1 Agreed Management Action: Employee training

LVJB will consider the introduction of a Basic Disclosure check refresh.

We shall also review the new ER training framework to include mandatory and optional training and to identify essential training themes.

All training logs will be kept up to date and reviewed by the relevant managers.

Owner: Graeme Strachan, Electoral Registration Officer

Contributors: R Mackenzie, Principal Surveyor; Callum Pigott, Administration Manager; Niall MacGalloway, Administration Officer; Ian Logie, Administration Manager

Implementation Date:
8th March 2021

Appendix 1: Basis of our classifications

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

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

Audit Area	Control Objectives
Electoral Registration	<ul style="list-style-type: none"> Nationality, residency, and age checks have been satisfactorily performed before applicants are added to the electoral register, with details of the checks performed recorded. Applications with incomplete documentation are rejected and the applicants are informed of the decision along with reasons. Special category voters are added to the register following completion of satisfactory checks, and their special category status is appropriately reflected in the electoral system. Applications with unsatisfactory checks are refused and the applicants are informed about the decision and their right to appeal, within the statutory time frames Data sharing agreements are in place between LVJB and local authorities; the DWP; and universities to access relevant information to maintain and update the electoral registers. Where appeals are received against refused applications, details of the appeal and all supporting information are presented to the electoral registration officer (ERO) for their review and decision. The ERO's final decision and supporting rationale is recorded, and the appellant advised of the outcome and their right of appeal to the sheriff court within specified statutory timeframes. All electoral data (including hardcopy documentation received from special category voters and postal registrations) is processed, protected, retained and archived in accordance with data retention policies and applicable regulations (for example the Data Protection Act and GDPR). There are procedures and controls in place to ensure that information received from online and postal Household Enquiry Forms is reviewed with updates completely and accurately added to the electoral register following satisfactory completion of relevant checks.
Electoral Register	<ul style="list-style-type: none"> Appropriate controls have been established to confirm the completeness and accuracy of the full version of the electoral register to ensure that it excludes details of anonymous voters and registered voters below 16 years of age. Appropriate controls have been established to confirm the completeness and accuracy of the open register to ensure that it exclude details of applicants who have opted out from inclusion. There are controls in place to ensure that completeness and accuracy of the absent voters list that includes a list of people entitled to vote by post or by proxy.

Data Transfer	<ul style="list-style-type: none"> • Appropriate controls have been established to confirm the completeness and accuracy of all electoral registers transferred to Councils for relevant local or Scottish/UK/EU Parliamentary elections or referendums to ensure that poll cards are issued only to eligible voters for each type of election. • There are controls in place to ensure that electoral registers are transferred from ERO to the Councils or the Councils' authorised organisations in a safe, secure and reliable manner. • Service level agreements are in place between LVJB and the Councils to ensure that the roles and responsibilities are defined with working arrangements, including but not limited to the transfer of register to Councils nominated printers and the associated data protection responsibilities, are documented.
Third party system security	<ul style="list-style-type: none"> • A contract is in place with the third-party system provider that clearly defines the roles and responsibilities of LVJB and third party in relation to ongoing system support; responsibilities for making legislative updates to the system; and appropriate audit and assurance provisions. • Assurance reports are obtained (at least annually) from the third-party system providers to receive assurance on their physical and network security; results of regular penetration and vulnerability testing; ongoing GDPR compliance; change management controls; compliance checks; disaster recovery controls (including recovery time and recovery point objectives); and contingency plans. • There are procedures in place to ensure that management reviews these assurance reports to discuss matters of concern with the third-party system provider. These are discussed and followed up in a documented manner, until resolved. • LVJB management has reviewed the third-party system provider access rights to the live data, to ensure that they are required and suitable. • Access rights to personal data on the Eros system is restricted to appropriate staff members and are regularly reviewed to ensure that they remain appropriate.
Policies, Procedures and Guidance	<ul style="list-style-type: none"> • There are controls in place to ensure that LVJB electoral registration policies and procedures are aligned with Electoral Commission guidelines and performance standards. • The electoral registration policies and procedures are easily accessible for employees, and new starters induction training and ongoing training is in place to ensure that the staff members remain aware of legislative requirements, Election Commission guidance and any recent regulatory developments. • The registration team dealing with telephone registration has been provided with specific training and pre-designed scripts to ensure that registrations are completed in line with Election Commission guidelines and applicable data protection act and GDPR regulations.

	<ul style="list-style-type: none"> • There are established controls in electoral registration processes and procedures to ensure that Election Commission's performance standards are achieved, and appropriate records are maintained to support returns provided to the Election Commission. • The risks relating to electoral registration process and the use of third-party IT system have been identified, assessed and included in the relevant operational and organisational risk registers. • Appropriate Disclosure Scotland checks have been completed for all staff members with access to voters' data.
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Mid Term Review – Treasury Management Activity

9 November 2020

1. Introduction

- 1.1 The purpose of this report is to review the investment activity undertaken on behalf of the Board during the first half of the 2020/21 Financial Year.

2. Background

- 2.1 Following the introduction of new Investment Regulations in Scotland the Board adopted the appropriate Codes of Practice and approved an Annual Investment Strategy at its meeting on the 3rd February 2020.

3. Mid Term Review - Annual Investment Strategy

- 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 in accordance with the former Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). The methodology will continue to be used until new guidance on the treatment of interest charges is made available. 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 first half of the year were:

Opening Balance	£1,491,143.51
April	£1,550,284.66
May	£1,490,303.65
June	£1,507,491.91
July	£1,527,123.54
August	£1,765,884.05
September	£1,571,866.36

- 3.2 Although interest is not calculated until March, in line with the withdrawn guidance note, the interest rate averaged -0.056% during the first half of the financial year. If the interest rate remains negative the Board won't be charged for positive or negative balances, interest will be floored at zero.

4. Recommendations

- 4.1 It is recommended that the Board notes the investment activity undertaken on its behalf.

Hugh Dunn
Treasurer

Appendix None

Contact/tel Iain Shaw, Tel: 0131 469 3117
(iain.shaw@edinburgh.gov.uk)

10.00am, Monday 9th November 2020

Period 6 Financial Statement 2020/21

1. Recommendations

The Board is recommended to:

- 1.1 note the projected outturn position for 2020/21;
- 1.2 note that a further 2020/21 budget update will be presented in February 2021.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate, City of Edinburgh Council

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

Period 6 Financial Statement 2020/21

2. Executive Summary

- 2.1 The forecast is for net expenditure to be in line with the approved revenue budget of the Board, based on the position at 30th September.

3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. This report summarises the projected revenue budget outturn position to 31st March 2021, based on the position at 30th September 2020. The report has been prepared in consultation with the Interim Assessor and ERO.

4. Main Report

- 4.1 The table below compares the projected revenue expenditure outturn for 2020/21 with the approved budget. The forecast, based on the position at 30th September, is for net expenditure to be in line with the approved budget.

	Core Budget			IER Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Expenditure									
Employee costs	5,157	5,157	0	1	1	0	5,158	5,158	0
Premises costs	540	540	0	0	0	0	540	540	0
Transport costs	76	76	0	0	0	0	76	76	0
Supplies & Services	750	750	0	108	108	0	858	858	0
Third Party Payments	320	320	0	0	0	0	320	320	0
Support Services	67	67	0	0	0	0	67	67	0
Gross Expenditure	6,910	6,910	0	109	109	0	7,019	7,019	0
Income									
Sales, Fees & Charges	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(109)	(109)	0	(109)	(109)	0
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
Total income	(46)	(46)	0	(109)	(109)	0	(155)	(155)	0
Planned Unallocated Reserve Drawdown	(657)	(657)	0	0	0	0	(657)	(657)	0
Net Expenditure	6,207	6,207	0	0	0	0	6,207	6,207	0

- 4.2 The revenue budget approved by the Board on 3rd February 2020 included a phased implementation of the Board's Transformation Programme between 2020 to 2024, with no change in council requisition from the 2019/20 requisition.
- 4.3 The budget made provision for the costs and financial benefits from potential 2020/21 leavers through the Board's Transformation Programme. A planned release of staff in 2020/21 continues to be progressed by the Interim Assessor. Updates on the Transformation Programme will be provided to the Board by the Interim Assessor on a regular basis.
- 4.4 The approved budget required the balance of inescapable employee cost pressures and severance costs to be met by a drawdown of £0.657m from the Board's unallocated reserve.
- 4.5 At this stage of the financial year, net expenditure is forecast to be within the approved budget. A further 2020/21 budget update will be provided to the Board in February 2021.
- 4.6 Employees of the Board are currently working from home, in line with Scottish Government guidance. Home working continues to create longer recruitment lead times, where posts are currently vacant, which may lead to a reduced level of employee costs, in comparison to the approved budget for 2020/21. The move to home working required the Board to invest in additional ICT equipment and to provide support for lone working arrangements.
- 4.7 The Board has also incurred expenditure on office preparation costs, signage, hand sanitiser, etc and a revised third party office cleaning provision.
- 4.8 The forecast continues to assume that any employee turnover savings will contribute to offsetting additional ICT equipment costs, with office preparation costs met from within the approved budget.
- 4.9 In the event there is an overall net underspend, this will reduce the planned drawdown of £0.657m from the Board's unallocated reserve.
- 4.10 The Board has received 9,541 valuation appeals, as a consequence of the Coronavirus Pandemic. This represents an additional workload to the Board and reflects a national trend. The Scottish Government has extended the statutory disposal date to 31 December 2021, which will reduce the risk of additional costs being incurred to meet the original disposals deadline date.
- 4.11 The 2020/21 approved budget included £0.109m for delivery of Individual Electoral Registration (IER), with all costs met from Cabinet Office grant carried forward from 2019/20. The Cabinet Office subsequently awarded the Board grant of £53,834, with the possibility of a top up at year end, subject to justification. Total funding for IER of £0.162m is therefore currently in 2020/21.
- 4.12 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 (£0.180m based on 2020/21 requisition). Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments
- 4.13 The Board's unaudited general reserve balance currently stands at £0.897m. The general reserve would reduce to £0.240m at 31st March 2021 based on the

forecast included in this report. An update on financial risks is included at Appendix 1.

5. Background reading/external references

None

6. Appendices

6.1 Appendix 1 – Financial Risk Analysis

Appendix 1 – 2020/21 Financial Risk Analysis

Risk	Detail	Mitigation
Funding for Additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government was for additional cost of £0.360m for 2020/21.	Local Government Settlement included funding to councils. Councils have passed this funding to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the Assessor and ERO anticipated the additional cost incurred on Individual Electoral Registration (IER) will reduce from 2020/21 and be met from the Board's core budget from 2021/22. A risk remains that additional costs shall continue to be incurred following the formal introduction of the new annual canvass procedure and the removal of Cabinet Office grant funding.	The Cabinet Office awarded the Board grant of £53,834, with the possibility of a top up at year end subject to justification.
Additional costs incurred to deliver services during Coronavirus Pandemic.	The Board continues to track all expenditure incurred during the COVID-19 Pandemic. The move to home working required the Board to invest in additional ICT equipment and to provide support for lone working arrangements.	Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
Elections/Referendums – budget risk £0.050m	The possibility of either elections or referendums being called within short timetables, or dual electoral events occurring within a year is a financial risk for additional overtime or the use of short-term temporary staff to meet the demand placed on the electoral registration process at this time.	Ongoing tracking of cost throughout 2020/21.
Elections/Referendums – increase in uptake of postal voting	There will possibly be a very significant increase in postal votes due to the ongoing COVID-19 Pandemic, with additional employee and ICT costs incurred.	Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
Transformation Change	The cost of the Transformation Programme exceeding cost estimates.	Ongoing tracking of cost estimates.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. Should the fall be significant, this may give rise to the right of appeal against rateable values. Receipt of large volumes of appeals would have a significant impact on staff resources.	The Scottish Government has extended the statutory disposal date to 31 December 2021.
Council Tax Reform	Any major legislative change to Council Tax that impacted on the Board is unlikely to be managed within current budgetary provision.	Ongoing liaison with Scottish Assessor's Association and Scottish Government.

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GOVERNANCE STRATEGY GROUP

9th November 2020

1 PURPOSE OF REPORT

This report is to update the Board on the intended reformation of the existing LVJB Governance Group.

2 MAIN REPORT

- 2.1 Since the inception of the Governance Group in 2018, meetings have been held to report on corporate governance and service assurance matters reflecting the principles of the Delivering Good Governance in Local Government framework.
- 2.2 More recently the Group has been used as a forum to discuss the financial challenges facing the organisation over future years.
- 2.3 The opinion had been raised by members of previous Governance Group sessions that there was a lack of interaction and participation between the Board and LVJB, and that further consideration should be given as to the remit of the group.
- 2.4 Therefore, a meeting was arranged between the Board Convenor, the Assessor and Head of Governance to discuss a draft terms of reference for a new Governance Strategy Group (GSG). See Appendix one attached to this report for a copy of this terms of reference.
- 2.5 The focus of the GSG will not only be oversight on Corporate Governance matters but that the group should play an active role in formulating future strategic options for the LVJB. This would include;
 - providing a focal point for the discussion of LVJB operational & organisational issues
 - An awareness of future LVJB Governance goals and assess their progress
 - Review and assess the status of the Business Strategy 2020-2023
 - An awareness of and play an active role in the development of the organisations strategic direction
 - Undertake this role under the core LVJB Corporate Governance principles of accountability, transparency and effectiveness & efficiency.

- 2.6 It is proposed that the composition of the GSG should be the Board Convenor as Chair, with single Councillor representation from each of the other three Constituent Authorities (Midlothian, East Lothian and West Lothian). The Assessor and Head of Governance complete the membership with Committee Service representation when required.

3 RECOMMENDATIONS

- 3.1 The Board is asked to note the content of this report.
- 3.2 The Board is asked to approve the terms of reference in appendix 1.
- 3.3 The Board is asked to request membership from 3 other Constituent Authority Councillors.

Gary Elliott
INTERIM ASSESSOR & ERO

Appendices:

Appendix 1: LVJB GSG Terms of Reference

Appendix 1



LVJB Governance & Strategy Group

Terms of Reference

Purpose

Ensure consistency in respect of governance and service assurance matters

Overseeing compliance with corporate governance reflecting the principles of the Delivering Good Governance in Local Government framework

Participate in open discussion to help define direction/resolution on current & future organisational objectives and challenges

Membership

- The Governance & Strategy Group (GSG) shall comprise of sole Councillor representation from each Constituent Authority, The Assessor and the Head of Governance.
- Only members of the GSG have the right to attend GSG meetings.
- The Board Convenor will be the GSG chairman. In the absence of the GSG chairman and/or an appointed deputy at a GSG meeting, the remaining members present shall elect one of themselves to chair the meeting.

Role	Name & Position
Chair of GSG	David Key
GSG member	Councillor Mid
GSG member	Councillor West
GSG member	Councillor East
GSG member	Gary Elliott, Interim Assessor
GSG member	Bernie Callaghan, Head of Governance
Committee Services	Rachel Gentleman

Quorum

The quorum necessary for the transaction of business shall be either the Chair or Councillor representation and the Head of Governance

Frequency of meetings

- The GSG shall convene not less than twice a year and at such other times as required

- The Chair of the GSG, Councillor representation, The Assessor and the Head of Governance may request a meeting if they consider one is necessary
- Meetings may be held using video conferencing facilities

Notice of meetings

- Unless otherwise agreed by the GSG, notice of each meeting confirming the venue, communication method, time and date shall be notified 4 weeks in advance. All supporting papers, shall be issued to each member of the Group no later than one week before the date of the meeting.

Record of meetings

- Committee Services, or their nominee, shall be the secretary of the Group.

Responsibilities

The GSG will provide oversight to the Board on LVJB Governance matters. The GSG shall also play an active role in formulating future strategic programmes and the overarching vision of the LVJB.

In particular, the GSG shall:

- monitor overall compliance with the core LVJB Corporate Governance principles of accountability, transparency and effectiveness & efficiency
- be aware of, and play an active role in, the development of the organisations strategic direction
- review and appraise LVJB governance assurance and activity reports
- provide a focal point for the discussion of LVJB operational and organisational issues
- monitor LVJB performance with regard to Corporate and Service plan targets and objectives
- be aware of future LVJB Governance goals and assess their progress
- review and assess the status of the Business Strategy 2020-2023 to ensure transparency into the status of the phased approach and its associated financial implications.
- ensure that the organisation implements internal and external audit management actions within their identified timescale
- offer, support, advice and guidance to longer term visionary objectives of LVJB
- monitor the progress of the ongoing LVJB transformation programme with particular focus on the key software development projects that underpin organisational and legislative change

Other matters

The GSG shall:

- have access to sufficient resources in order to carry out its duties
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.