

## Notice of Meeting and Agenda

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**10.00 am, Monday, 24th October, 2022**

Hybrid Meeting - Diamond Jubilee Room, City Chambers / 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 5 September 2022 – submitted for approval as a correct record 3 - 6

### **4. Reports**

- 4.1 Assessor's Progress Report to the Lothian Valuation Joint Board – report by the Assessor and Electoral Registration Officer 7 - 12
- 4.2 Appointment of "Acting Up" Assistant Assessor – report by the Assessor and Electoral Registration Officer 13 - 14
- 4.3 Audited Annual Accounts for the Year Ended 31st March 2022 reort by the Treasurer 15 - 66
- 4.4 Revenue Budget 2022-2027 – report by the Treasurer 67 - 74
- 4.5 2021/22 Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit – report by the Treasurer 75 - 116

# Andrew Kerr

Chief Executive

## Membership

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

Councillor Alan Beal (Vice-Convener)

Councillor Jack Caldwell

Councillor James Dalgleish

Councillor Denis Dixon

Councillor Fiona Glasgow

Councillor Joan Griffiths

Councillor Finlay McFarlane

Councillor Max Mitchell

Councillor Alex Staniforth

### **East Lothian Council (2)**

Councillor Carol McFarlane

Councillor John McMillan

### **Midlothian Council (2)**

Councillor Douglas Bowen

Councillor Margot Russell

### **West Lothian Council (3)**

Councillor Alison Adamson

Councillor Tom Conn (Convener)

Councillor Andrew McGuire

## Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman | Committee Services | Legal and Assurance | City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | tel 0131 529 4107 | email [rachel.gentleman@edinburgh.gov.uk](mailto:rachel.gentleman@edinburgh.gov.uk)
- (2) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings) .

## Lothian Valuation Joint Board

**5 September 2022**

Meeting held Virtually by Teams

**Present:**

**City of Edinburgh Council** – Councillors Beal (Vice-Convener), Dixon, Glasgow, Jenkinson (substituting for Councillor Griffiths), Finlay McFarlane, Mitchell and Staniforth.

**East Lothian Council** – Councillors Carol McFarlane and McMillan.

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

**West Lothian Council** – Councillors Adamson, Conn (Convener) and McGuire.

### **1 Minute**

**Decision**

To approve the minute of the Lothian Valuation Joint Board of 13 June 2022 as a correct record.

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

A progress update by the Assessor and Electoral Registration Officer was presented to the Board. The report provided an overview of current service delivery, priorities, risks and future direction.

Key service priorities over the forthcoming year included:

- Household canvass 2022
- Continuing engagement activities
- Maintenance of the Valuation Roll
- Valuation Roll appeals
- Council tax appeals
- Governance and risk
- Budget 2022/23 and planning – rent review of the Board's premises

Lothian Valuation Joint Board  
5 September 2022

**Decision**

- 1) To note the report.
- 2) To agree the rent increase for the Board's premises at 17A South Gyle Crescent, Edinburgh.
- 3) To approve the following HR Policy updates:
  - Annual leave
  - Caution premises register procedure
  - Probation policy
- 4) To approve the Hybrid Working Policy.

(References – Lothian Valuation Joint Board 13 June 2022 (item 4); report by the Assessor and Electoral Registration Officer, submitted)

**3 Period 4 Financial Statement 2022/23**

A summary was provided of the projected financial outturn at 31 March 2023 based on the position at 31 July 2022.

The forecast was for net expenditure to be £35,000 greater than the approved revenue budget of the Board. This would require to be funded from the Board's unallocated General Reserve if this position was maintained until the end of the 2022/23 financial year.

**Decision**

- 1) To note the projected outturn position for 2022/23.
- 2) To note that a further update of the 2022/23 projected outturn and financial risks would be reported to the Board on 24 October 2022.

(Reference – report by the Treasurer, submitted)

**4 Recruitment of a New Assessor and Electoral Registration Officer**

The current Assessor and Electoral Registration Officer had indicated his intention to retire on 30 September 2022. A proposed timetable for appointment of a new Assessor and ERO was submitted.

**Decision**

To agree the recruitment timetable detailed at Appendix 1 of the report.

(Reference – report by the Treasurer, submitted)

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

The Board was invited to re-establish its Committees and Groups, approve their remits and appoint membership and Conveners.

### **Decision**

- 1) To re-establish the Appointment and Appeal Committees, the Joint Consultative Group and the Governance and Strategy Group.
- 2) To approve the remits detailed in Appendices 1 to 4 of the report.
- 3) To appoint Councillors Conn, Dixon, McMillan and Russell to the Appointments Committee, Appeal Committee and Joint Consultative Group.
- 4) To appoint Councillors Beal, Conn, McMillan and Russell to the Governance and Strategy Group.
- 5) To agree the CEC councillors would inform the clerk of their outstanding appointments to the Appointments Committee, Appeal Committee and the Joint Consultative Group.

(References – Lothian Valuation Joint Board 13 June 2022 (item 7); report by the Treasurer, submitted)

## **6 Discussion on Arrangements for Future Meetings**

### **Decision**

- 1) To agree that future meetings would be held primarily at the City Chambers, Edinburgh with a hybrid option made available for those who wished to continue to join remotely.
- 2) To agree to periodically hold meetings at the LVJB offices at South Gyle Crescent, with suitable dates to be discussed when the new Assessor and ERO was appointed.

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## INTERIM ASSESSOR'S PROGRESS REPORT TO THE Lothian VALUATION JOINT BOARD

24<sup>th</sup> October 2022

### 1.0 PURPOSE

- 1.1 To provide members with an overview of current service delivery, priorities, risks and future direction.
- 1.2 Staff continue to work on a hybrid approach, part home based, part office based. The implementation of the Board's Hybrid Working Policy has started and will be carried out over the coming months.

### 2.0 ELECTORAL REGISTRATION – MAINTENANCE

- 2.1 Since the last progress report to the Board on the 5th September 2022 all maintenance tasks supporting the registration process have continued.
- 2.2 Key processing volumes reflecting the period 1st July to 6th October inclusive are shown below.

	Edinburgh	Midlothian	West Lothian	East Lothian	Totals
Additions	17,164	2,042	3,716	2,217	25,139
Deletions	29,111	3,114	5,978	3,593	41,796
Amendments	699	129	215	114	1,157

### 3.0 ELECTORAL REGISTRATION – HOUSEHOLD CANVASS 2022

- 3.1 The annual household canvass continues. With the updated register due to be published on the 1<sup>st</sup> December 2022.

### Canvass 2022 Stats

2022

Total Properties in Route 1	331,279
Total Properties in Route 2	104,275
Total Properties in Route 3	17,911
Total number of properties	451,933

Current returns rate	86.5%
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### Data Matching Stats

National Data Matching	58%
Data Matching Post-Local Data	73.80%

Electors Matched	76.40%
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Increase in properties since last year	5,515
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Response to e-Comms prior to CCA issue	44.90%
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### Tablet Canvass Stats

Properties visited	11,678
Percentage responded	89.26%
Unsolicited ITRs collected	642

## 3.2 Absent Voter Stats

### **City of Edinburgh Council**

Postal Voters	108341
Proxy Voters	1293
Postal Proxy Voters	267
<i>Total Absent Voters</i>	109901

### **East Lothian Council**

Postal Voters	24221
Proxy Voters	203
Postal Proxy Voters	19
<i>Total Absent Voters</i>	24443



### **Midlothian Council**

Postal Voters	19533
Proxy Voters	102
Postal Proxy Voters	20
<i>Total Absent Voters</i>	19655

### **West Lothian Council**

Postal Voters	33499
Proxy Voters	180
Postal Proxy Voters	20
<i>Total Absent Voters</i>	33699

## **4.0 ELECTORAL LEGISLATION – ELECTIONS**

- 4.1 There is a by-election due to be held on the 1<sup>st</sup> December in Ward 2 West Lothian.

## **5.0 ELECTORAL REGISTRATION ENGAGEMENT**

- 5.1 The Board continues to engage with unregistered electors. The previous Assessor's report of 5<sup>th</sup> September goes into some detail about our current activities.

## **6.0 VALUATION ROLL – MAINTENANCE**

- 6.1 For the period 1<sup>st</sup> April 2021 to 10<sup>th</sup> October 2022, 838 changes have been made to the valuation roll with respect to running roll activities. These changes comprised 208 amendments to existing entries, 346 deletions and 284 inserts with an additional 1,720 name changes.

	Edinburgh	Midlothian	W. Lothian	E. Lothian	Total
Inserts	198	24	39	23	284
Deletions	245	17	55	29	346
Amendments	128	24	32	16	208

## **7.0 VALUATION ROLL – APPEALS**

- 7.1 As previously reported LVJB have c.17,000 outstanding appeals that have been lodged on the basis of Covid 19. The disposal date for these appeals is 31<sup>st</sup> December 2023.

7.2 Since the last Board report in September 701 Covid appeals have been withdrawn by either the appellant or their agent. I would anticipate, though cannot guarantee, that more withdrawals will follow in due course.

7.3 The valuation of all non-domestic subjects for the 2023 Revaluation is ongoing. Despite major legislative change progress is good to date and we are course to issue draft valuation notices by the 30<sup>th</sup> November to all non-domestic properties.

## **8.0 COUNCIL TAX – MAINTENANCE**

8.1 Over the period 1<sup>st</sup> April 2022 to 10<sup>th</sup> October 2022, 3,230 new houses have been added to the list.

The breakdown in bands for new housing is shown below for the period 01/04/22 to 10/10/22.

<b>Band</b>	<b>Edinburgh</b>	<b>Midlothian</b>	<b>West Lothian</b>	<b>East Lothian</b>	<b>Total</b>
A	31	8	2	3	<b>44</b>
B	170	6	46	21	<b>243</b>
C	300	13	97	31	<b>441</b>
D	354	33	99	91	<b>577</b>
E	432	93	84	125	<b>734</b>
F	221	151	121	143	<b>636</b>
G	241	83	78	101	<b>503</b>
H	44	2	2	4	<b>52</b>
<b>Total</b>	<b>1,793</b>	<b>389</b>	<b>529</b>	<b>519</b>	<b>3,230</b>

8.2 There are currently c.250 outstanding Council Tax appeals. A number of appeals have been cited for hearing before the Local Valuation Appeal Committee in November.

## **9.0 Governance Strategy Group**

9.1 The Governance Strategy Group has yet to meet following the appointment of the new Board members after the recent Local Government Elections. I intend to arrange a meeting in the near future to recommence these sessions as they provide an excellent platform for more detailed discussions on a range of topics affecting the organisation.

## **10.0 Annual Accounts for the year to 31<sup>st</sup> March 2022**

10.1 I note the content of the Annual Accounts for the year to 31<sup>st</sup> March 2022. Prior to his retiral the previous Assessor provided me with a letter to confirm that he was satisfied with their content. That being the case, I am prepared to sign off the accounts on behalf of the Board.

## **11.0 RECOMMENDATION**

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

## **INTERIM ASSESSOR & ERO**

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## **Appointment of “Acting Up” Assistant Assessor**

24<sup>th</sup> October 2022

### **1.0 PURPOSE**

- 1.1 To seek approval of an “acting up” Assistant Assessor from 1 November 2022 to 16 July 2023.
- 1.2 This appointment temporarily fills the vacancy due to Michael Wilkie taking up the post of Interim Assessor.

### **2.0 BACKGROUND**

- 2.1 This post is already in the structure and is in the current budget.

The new proposals and appeals legislation was to be laid before Parliament this month and the new Tribunals service was due to start hearing appeals from 1 January 2023.

The Scottish Government announced that the legislation will now be laid before Parliament in mid December and the Tribunal will have a go live date of 1 April 2023.

This comes at a at a very difficult time given we will start receiving proposals later this year for the new revaluation roll, we will need to design a new appeal system when we finally get the new appeals legislation in late December and we also need to clear R17 running roll appeals and the COVID appeals which have a statutory disposal date of 31/12/23.

My original intention was not to fill my existing Assistant Assessor post but given the very real challenges we face I think that is not realistic and involves too much risk for the organisation.

### **3.0 RECOMMENDATION**

The Board is asked to note the content of this report and approve the appointment of an “Acting Up” Assistant Assessor for the period 1 November 2022 to 16 July 2023.

Michael Wilkie

**INTERIM ASSESSOR & ERO**

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**10.00am, Monday 24<sup>th</sup> October 2022**

## **Audited Annual Accounts for the Year Ended 31st March 2022**

### **1. Recommendations**

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The Board is recommended to:

- 1.1 note the Audited Annual Accounts for the year ended 31st March 2022;
- 1.2 authorise the Annual Accounts 2021/22 for signature.

**Hugh Dunn,**

**Treasurer**

Contact: Iain Shaw, Principal Accountant,

Finance and Procurement Division, Corporate Services Directorate, City of Edinburgh  
Council

E-mail: [iain.shaw@edinburgh.gov.uk](mailto:iain.shaw@edinburgh.gov.uk) | Tel: 0131 469 3117

## **Audited Annual Accounts for the Year Ended 31st March 2022**

### **2. Executive Summary**

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- 2.1 This report presents the audited Annual Accounts for the year ended 31st March 2022 and recommends approval for signature.

### **3. Background**

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- 3.1 The Audited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- 3.2 The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 amend the Local Authority Accounts (Scotland) Regulations 2014 for 2021/22 to require local authorities to aim to approve the annual accounts for signature no later than 30 November 2022.

### **4. Main Report**

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- 4.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its meeting on 13th June 2022.
- 4.2 The External Auditor's report is presented separately on this agenda.
- 4.3 The Auditor's report provides an opinion on whether the financial statements:
- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the Board as at 31 March 2022 and of its income and expenditure for the year then ended;
  - have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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.
- 4.4 There are no qualifications to the audit certificate which appears on pages 45 to 47 of the accounts. The Auditor's opinion states that the financial statements give a true and fair view of the state of affairs of the Board as at 31st March 2022 and its income and expenditure for the year then ended.



- 4.5 An adjustment of £0.272m was made to the unaudited annual accounts to reduce the net pension asset, following receipt of a revised actuarial report, which reflected fund performance to 31st March 2022.
- 4.6 There were no unadjusted differences to the unaudited annual accounts.

### **Reserves**

- 4.7 The Board has approved a general reserve with a minimum value of 3% of annual requisition (£0.180m). The Board's audited general reserve balance at 1st April 2022 is £1.450m.
- 4.7.1 £0.148m is earmarked for future costs of NDR Reform;
- 4.7.2 £0.080m is earmarked for Individual Electoral Registration;
- 4.7.3 the non-earmarked reserve balance is £1.222m. This balance includes the minimum reserve balance of £0.180m noted above.
- 4.8 Reserve balance will be reviewed when the Board is presented with a revenue budget for 2022/23 for approval on 30<sup>th</sup> January 2023.

## **5. Background reading/external references**

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None

## **6. Appendices**

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- 6.1 Appendix 1 - Audited Annual Accounts for the Year Ended 31st March 2022



# LOTHIAN VALUATION JOINT BOARD

ELECTORAL REGISTRATION, VALUATION & COUNCIL TAX WITHIN LOTHIAN

## **Annual Accounts for the year to 31st March 2022**



COUNCIL TAX



ELECTORAL REGISTRATION



VALUATION

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**Lothian Valuation Joint Board**

17A South Gyle Crescent  
EDINBURGH  
EH12 9FL

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

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# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### Strategic Report

#### 1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2022. 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 61.53% to The City of Edinburgh Council, 9.17% to Midlothian Council, 10.78% to East Lothian Council, and 18.52% 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 Plan, embedded within a Governance Framework, is created to indicate the 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 Transformation Programme is currently under review and longer term budget strategy proposals have been drafted. Organisational and procedural change to adapt to the reduction of staffing resource continues. As the impact of COVID-19 eases, the organisation will introduce a formal Hybrid working policy to underpin this new way of working. 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 has introduced the biggest changes to NDR services that have been enacted for many years. There are significant changes directly associated with the Valuation Roll function. These involve shortening the current 5-year revaluation cycle to a 3-year cycle and introducing significant alterations to the legislation which supports the Valuation Roll appeal process. Legislation which supports the Valuation Roll appeal process has yet to be passed. Primary legislation was enacted during 2020 with the elements due to come into force in 2022. Due to the COVID-19 pandemic the principal elements will now come into force in 2023. This has led to the delay of the next non-domestic revaluation by a year. Internal organisational timetables and proposed system developments have been reviewed to support the effective delivery of the NDR Reform agenda, taking account of the new timetable. 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.

#### 5. Review of the Lothian Valuation Joint Board performance 2021/22

##### 5.1 Financial Performance

The Board achieved outturn expenditure within budget for 2021/22. Variance explanations are provided in the following table.

The 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.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2021/22 (Contd.)

The outturn position is summarised below:

	Core Expenditure, NDR Reform and SPE 2021			Individual Electoral Registration (IER)			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000
• Employees	4,632	4,384	(248)	92	78	(14)	4,724	4,462	(262)
• Property	541	460	(81)	0	0	0	541	460	(81)
• Transport and Plant	76	45	(31)	0	0	0	76	45	(31)
• Supplies and Services	790	857	67	0	24	24	790	881	91
• Third Party Payments	158	132	(26)	0	0	0	158	132	(26)
• Support services	67	66	(1)	0	0	0	67	66	(1)
Total gross expenditure	6,264	5,944	(320)	92	102	10	6,356	6,046	(310)
• Sales, fees & charges	(43)	(45)	(2)	0	0	0	(43)	(45)	(2)
• IER Grant	0	0	0	(92)	0	92	(92)	0	92
• Other grants and contributions	0	0	0	0	0	0	0	0	0
• IORB	(3)	(2)	1	0	0	0	(3)	(2)	1
Total income	(46)	(46)	(0)	(92)	0	92	(138)	(46)	92
• Reserve Contribution	0	320	320	0	(102)	(102)	0	218	218
Total net expenditure	6,218	6,218	(0)	0	0	0	6,218	6,218	(0)

The principal reasons for the core budget variances are noted below:

• <u>Employees</u>	£'000
Delays and non-filling of vacant posts resulted in a Core budget staff cost underspend.	(248)
• <u>Property</u>	
The was a reduced spend on office running costs due to COVID-19 related home working. The principle variances arose on energy costs, cleaning and repairs expenditure.	(81)
• <u>Transport costs</u>	
Travel costs were reduced due to reduced external survey work, as a consequence of the COVID-19 Pandemic.	(31)
• <u>Supplies and Services</u>	
The variance mainly reflects additional postage costs incurred to deliver the Scottish Parliamentary Election of 2021 and the 2022 Council Elections. In 2021, the Scottish Government provided funding for election costs. The additional postage costs were funded by drawdown of an earmarked Reserve balance created following provision of this funding.	67
• <u>Third Party Payments and Support Services</u>	
The main variance of £18,000 reflects costs of Non Domestic Rates Reform being less than budget.	(27)
• <u>Income</u>	(0)
• <u>Reserve Drawdown</u>	
Due to the underspends referred to above and the additional Elections funding received during 2021, the Board achieved a net underspend of £0.320m against Core expenditure, Non-Domestic Rates Reform and Elections costs. After drawing down £0.102m to meet costs of Individual Electoral Registration, a contribution of £0.218m will be made to the Board's Reserves. Of this, unspent Non Domestic Rates Reform funding of £0.148m will be transferred to an earmarked balance.	320
<b>Total net expenditure</b>	<b>(0)</b>

In accordance with paragraph 8 of the Valuation Joint Boards (Scotland) Order 1995, all under spending of the Board is retained in the form of a usable reserve. The usable reserve balance at 31st March 2022 is £1.450m. £0.148m is earmarked for future costs of NDR Reform and £0.080m is earmarked for Individual Electoral Registration. The non-earmarked usable reserve balance is £1.222m.

### 5.2 Overview of performance targets in 2021/22

During 2021/22 the COVID-19 pandemic had a material effect on the Boards performance as defined by its Key Performance Indicators. The principal of these show that 87.51% (84.90% 2020/21; 91.21% 2019/20; 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 55.94% (53.42% 20/21; 67.39% 2019/20; 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 2020/21 5,885 new houses were added to the Council Tax list while 2,778 amendments were made to the Valuation Roll.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2021/22 (Contd.)

Following the 2017 Revaluation 13,000 appeals were lodged against rateable values appearing in the new Roll. As of 31st May 2021 98.1%, of these appeals had been dealt with. The statutory deadline for disposal of all appeals was 31st December 2021. The outstanding appeals have been referred to the Lands Tribunal.

The Electoral Register was maintained throughout 2021/22 with 96,835 electors added and 82,615 deleted. The 2021 household canvass, which was based on the new canvass model, achieved a return rate of 87.43%, (85.61% 2020; 74.2% 2019; 75% 2018; 74% 2017; 70% 2016).

The electorate statistics as of 27th April 2022 presents a snapshot. As of 27th April 2022, there were 708,315 persons on the Electoral Roll (April 2021: 707,773; 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 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. The Transformation and Cultural Change Programme (TCCP) continued through 2021/22 with a number of key operational objectives coming online. These included moving to an IT driven mobile survey system for Council Tax, the completion of process and procedural changes to maximise the benefit of the implementation of the Valuation Services Team, and the development of a Basic Rates Evaluation system. These were all designed to position the Board within a positive forward-looking environment where challenges set against fiscal constraint can begin to be confronted. Phase 3 of the TCCP is now being developed to reflect on the impact of COVID-19 and further investigate leaner ways of working and continued organisational improvement. To enable this, an internal transformation project team will be created, populated with a cross-section of staff who will assist in evaluating progress to date and be responsible for the creation of new initiatives and innovative approaches to further enhance service delivery channels and performance targets. One of the primary objectives of the group will be defining how the Board deals with this turbulent period of true organisational change. It is essential to ensure that there is transparency and awareness amongst Board staff and that they are empowered with the necessary knowledge and ability to make this transition sustainable.

Over the last year, the Board has realised a further £0.348m of core underspend through vigilant budget management, vacancy control and reduced property and service costs. This is in addition to the core underspends achieved during 2020/21. Reduced Non-Domestic Rates Reform costs of £0.148m and a Reserve drawdown of £0.176m to meet Election costs contributed to a net underspend of £0.320m. A longer-term financial strategy is currently being formulated to focus on a term of stability that will enable the Board to focus on additional transformation initiatives and cultural change. Fiscal savings and the 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 further legislative changes that shape and form future service. Any fiscal savings also have to be seen in light of other inescapable financial costs including a proposed increase in the rent payable on the Board's premises at South Gyle Crescent, the potential impact of the introduction of the workplace parking levy and unavoidable employee costs in terms of annual pay rises and the associated other costs with annual pay increases. In general, the picture is still one of competing priorities: - fiscal constraint and the need for savings and a change and modernisation strategy aimed at supporting a shifting legislative landscape within which services are delivered and operational efficiency is increased.

Whilst the impact of COVID-19 has greatly reduced, the potential impact of future COVID variants should not be ignored. External survey work is now taking place more in line with pre-COVID practices, albeit with appropriate mitigations in place. In person Valuation Appeal Committee (VAC) hearings restarted in September 2021 and continue to do so. The transfer of the VAC to the Scottish Court and Tribunal Service is scheduled for the 1st of January 2023. How this service will work in practice is unknown at the current time and may impact on workloads and service provision.

Further legislative change is expected in 2022/23 with regard to both Non-Domestic Rating and Electoral Registration. Though some of the legislative change can be anticipated some cannot nor can the potential impact on future workloads and the potential financial impact of legislative change.

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, have required that the NDR business model currently in operation within the Board be reviewed and overhauled in order to meet this new statutory requirement. While the first revaluation under these three yearly cycles shall now take place in 2023, planning, timetabling and systems developments have already commenced. The appeal timetable for the 2017 Revaluation has been extended to 31st December 2023. This was undoubtedly done as there are still some 80,000 appeals outstanding in Scotland on the basis of COVID-19, of which 17,000 were lodged within Lothian. Though to be welcomed, these 17,000 appeals will still require to be programmed and legislation is still moving through the Scottish Parliament in relation to these appeals. Until that legislation is passed, the impact on workloads is to an extent still an unknown. Corresponding internal timetables and associated planning have been reviewed to reflect these changes.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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

An appropriate risk register shall be compiled with corresponding mitigation action to reflect this change in circumstances. It should be noted that additional funding has been made available by Scottish Government within the Local Government Finance Settlement 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.

It is beyond question that the Board is facing the most significant period of transformation that the Valuation service has ever experienced, both from an internal organisation and external legislation perspective.

A new canvass model was introduced during 2020, in part to negate the high costs of IER (Individual Electoral Registration). Though the first two years of this new canvass model has been successful, with an increased return rate and a significant reduction in the necessity to issue paper returns, it will only be in subsequent years where the full cost savings will become known. No additional Cabinet Office funding was received in 2021/22.

The 2017 Revaluation gave rise to receipt of 13,000 Revaluation appeals - the highest ever following a revaluation exercise. 2021 was the final year in which these appeals must be concluded, following an earlier change to the disposal timetable. All appeals that fell into this category have been resolved with the exception of a relatively small number that were referred to the Lands Tribunal.

The success of the Board's Governance Strategy Group meetings has allowed provision of invaluable insight into the Board's strategy, challenges, service delivery and vision; this to members of the Board out with the formal board meetings.

Cyber security is an ever evolving issue to be faced. Through insurance, education, staff awareness and membership of Government organisations such as the Cyber Security and Information Sharing Partnership (CiSP) the Board aims to mitigate, as much as possible, any issues relating to cyber security. Regardless of the Board's size as an organisation, it is understood in today's world how serious a matter this is.

### 7. COVID-19 pandemic

The challenges and restrictions of the COVID-19 pandemic continued to impact working conditions in 2021/22. Most staff have continued to work from home throughout the year. Access to the office buildings at South Gyle was on a strictly limited basis for the majority of this period. Moving forward, as restrictions have been lifted, access to South Gyle is less restricted. Throughout the year, stakeholder and public access to the organisation via email and telephone has been maintained. As a result, service delivery has only been restricted where the flow of necessary information from third parties has been disrupted, or where a physical inspection of properties was required. The physical inspection of properties has now resumed.

As working from home arrangements continue, a high level of communication amongst all staff is being maintained. All staff now have remote access to organisational IT systems and have been provided with office-issued IT hardware. A Working from Home policy has been drafted and discussed with staff representatives and envisages that a return to office working will be on a blended basis. The potential from hybrid working is substantial. Apart from the obvious reduced need for office space in the future, other opportunities hybrid working presents include the ability to re-allocate work, improve load-balancing of tasks, re-engineer methods of engagement with stakeholders and improve carbon footprint. Hybrid working will also help to create a dynamic, adaptable and flexible workforce, breaking down the traditional top-down management model to get the most out of staff and provide them with the necessary work/life balance to achieve this. Unprecedented access to training initiatives, new performance systems, coaching, mentoring and support for the essential staff resource will go hand in hand with this proposed hybrid working model.

COVID-19 did have a financial impact on the Board. The majority of this expenditure was on essential IT equipment to allow staff to work remotely. It is not envisaged that significant additional costs will arise from the pandemic, moving forward. It should be noted that these additional costs were in some part offset by savings that have included decreased utility costs and reduced staff travel expenses.

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 next phase of the Board's Transformation Programme, and in association with developing a longer-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:**

Michael Wilkie

**Date:**

**Treasurer:**

Hugh Dunn, CPFA

**Date:**

**Convener:**

Tom Conn

**Date:**

## LOTHIAN VALUATION JOINT BOARD

### STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

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#### The Board's Responsibilities

The Board is required:

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

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 24th October 2022

**Convener:**

Tom Conn

**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 2022, and its income and expenditure for the year ended 31st March 2022.

**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
2020/21 - Previous Year Comparative	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2020	(1,181)	5,899	4,718
<b>Movement in reserves during 2020/21</b>			
(Surplus) or deficit on provision of services	490	0	490
Other Comprehensive Expenditure and Income	0	1,411	1,411
<b>Total Comprehensive Income and Expenditure</b>	<b>490</b>	<b>1,411</b>	<b>1,901</b>
Adjustments between accounting basis & funding basis under regulations (Note 7.2)	(541)	541	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>(51)</b>	<b>1,952</b>	<b>1,901</b>
<b>(Increase)/Decrease in 2020/21</b>	<b>(51)</b>	<b>1,952</b>	<b>1,901</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(1,232)</b>	<b>7,851</b>	<b>6,619</b>

	Usable Reserves	Unusable Reserves	Total Board Reserves
2021/22 - Current Financial Year	General Fund Balance		
	£'000	£'000	£'000
Opening Balances at 1 April 2021	(1,232)	7,851	6,619
<b>Movement in reserves during 2021/22</b>			
(Surplus) or deficit on provision of services	711	0	711
Other Comprehensive Expenditure and Income	0	(10,373)	(10,373)
<b>Total Comprehensive Income and Expenditure</b>	<b>711</b>	<b>(10,373)</b>	<b>(9,662)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(930)	930	0
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>(218)</b>	<b>(9,443)</b>	<b>(9,662)</b>
<b>(Increase)/Decrease in 2021/22</b>	<b>(218)</b>	<b>(9,443)</b>	<b>(9,662)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(1,450)</b>	<b>(1,592)</b>	<b>(3,042)</b>

<b>General Fund analysed over:</b>	<b>£'000</b>
Amounts earmarked	(228)
Amounts uncommitted	(1,222)
<b>Total General Fund Balance at 31 March 2022</b>	<b>(1,450)</b>

# LOTHIAN VALUATION JOINT BOARD

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2020/21				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,193	(751)	6,442	Core budget	6,706	(33)	6,673
165	(54)	111	Individual electoral registration	102	0	102
<b>7,358</b>	<b>(805)</b>	<b>6,553</b>	<b>Cost Of Services</b>	<b>6,808</b>	<b>(33)</b>	<b>6,775</b>
			<b>Financing and Investment Income:</b>			
0	0	0	Interest & Investment income (Note 10.5)	0	(2)	(2)
1,408	0	1,408	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,419	0	1,419
0	(1,263)	(1,263)	Interest Income on Plan Assets (Note 21.4)	0	(1,251)	(1,251)
<b>1,408</b>	<b>(1,263)</b>	<b>145</b>	<b>Total Financing and Investment Income</b>	<b>1,419</b>	<b>(1,253)</b>	<b>166</b>
			<b>Non-Specific Grant Income:</b>			
0	(6,208)	(6,208)	Constituent council requisitions (Note 25)	0	(6,230)	(6,230)
<b>0</b>	<b>(6,208)</b>	<b>(6,208)</b>	<b>Total Non-Specific Grant Income</b>	<b>0</b>	<b>(6,230)</b>	<b>(6,230)</b>
<b>8,766</b>	<b>(8,276)</b>	<b>490</b>	<b>(Surplus) or Deficit on Provision of Services (Note 2)</b>	<b>8,227</b>	<b>(7,516)</b>	<b>711</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
12,384	0	12,384	Change in Financial Assumptions (Note 21.5)	0	(4,513)	(4,513)
0	(3,101)	(3,101)	Change in Demographic Assumptions (Note 21.5)	0	(425)	(425)
0	(136)	(136)	Other Experience (Note 21.4 & 21.5)	103	0	103
0	(7,736)	(7,736)	Return on pension assets excl. amounts included in net int. (Note 21.4)	0	(5,538)	(5,538)
<b>21,150</b>	<b>(19,249)</b>	<b>1,901</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>8,330</b>	<b>(17,992)</b>	<b>(9,662)</b>

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

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

31 March 2021 £'000		Notes	31 March 2022 £'000
328	Property, plant and equipment	8.1	310
40	Intangible assets	9	39
62	Long-term debtors	23	56
430	<b>Long term assets</b>		405
145	Short-term debtors	11	130
1,750	Cash and cash equivalents	12	1,782
1,895	<b>Current assets</b>		1,912
(509)	Short-term creditors	13	(335)
(509)	<b>Current liabilities</b>		(335)
(385)	Other long-term liabilities	24	(350)
(8,050)	Other long-term liabilities (Pensions)	21.3	1,410
(8,435)	<b>Long-term liabilities</b>		1,060
(6,619)	<b>Net liabilities</b>		3,042
(1,232)	Usable reserves	14	(1,450)
7,851	Unusable reserves	14	(1,592)
6,619	<b>Total reserves</b>		(3,042)

The unaudited Annual Accounts were authorised for issue by the Treasurer on 7th June 2022  
The audited Annual Accounts were authorised for issue on 24th October 2022

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 2021 £'000	31 March 2021 £'000		31 March 2022 £'000	31 March 2022 £'000
<b>OPERATING ACTIVITIES</b>				
(220)		Cash received for goods and services	(33)	
(590)		Government grants	0	
0		Other local authorities	0	
0		Interest received	(2)	
(6,208)		Other operating cash receipts	(6,230)	
	<b>(7,018)</b>	<b>Cash inflows generated from operating activities</b>		<b>(6,265)</b>
4,852		Cash paid to and on behalf of employees	4,612	
1,778		Cash paid to suppliers of goods and services	1,559	
	<b>6,630</b>	<b>Cash outflows generated from operating activities</b>		<b>6,170</b>
	<b>(388)</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(94)</b>
<b>INVESTING ACTIVITIES</b>				
130		Purchase of property, plant and equipment and intangible assets.	62	
	<b>130</b>	<b>Net cash flows from investing activities</b>		<b>62</b>
	<b>(258)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(32)</b>
<b>1st April £'000</b>	<b>1st April £'000</b>		<b>1st April £'000</b>	<b>1st April £'000</b>
1,492		Cash and cash equivalents	1,750	
	1,492			1,750
<b>31st March</b>			<b>31st March</b>	
1,750		Cash and cash equivalents	1,782	
	1,750			1,782
	<b>(258)</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(32)</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 1. STATEMENT OF ACCOUNTING POLICIES

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#### 1.1 General

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

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

#### 1.2 Accruals of Expenditure and Income

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

#### 1.3 Cash and Cash Equivalents

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

#### 1.4 Changes in Accounting Policies, Estimates and Errors

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

#### 1.5 Revenue Expenditure

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

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

All revenue expenditure is accounted for on an accruals basis.

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

#### 1.6 Capital Expenditure

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

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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#### 1.7 Short Term Debtors and Short Term Creditors

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

#### 1.8 Value Added Tax

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

#### 1.9 Non-Current Assets

##### a) *Intangible Assets*

###### Recognition:

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

###### Amortisation:

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

###### Measurement:

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

##### b) *Property, Plant and Equipment*

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

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

###### Recognition:

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

###### Amortisation:

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

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

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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

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

###### Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset	Years
Property (Leasehold improvements) - 25 years (currently 10 years remaining) Depreciated over remaining life of asset	10
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

## NOTES TO THE ANNUAL ACCOUNTS

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

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#### 1.12 Leases

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

##### a) Finance Leases

###### *Leased-in assets*

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

###### *Leased-out assets*

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

##### b) Operating Leases

###### *Leased-in assets*

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

###### *Leased-out assets*

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

#### 1.13 Provisions

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

#### 1.14 Contingent Liability

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

#### 1.15 Contingent Assets

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

#### 1.16 Employee Benefits

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



# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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#### 1.17 Termination Benefits

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

#### 1.18 Pensions

The Joint Board is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The Annual Accounts have been prepared including pension costs, as determined under International Accounting standard 19 - Employee Benefits (IAS 19). The cost of service in the Comprehensive Income and Expenditure Statement includes expenditure equivalent to the amounts of retirement benefits the Board has committed to pay during the year. Interest Cost on Defined Pension Obligation and Interest Income on Plan Assets have been included in the "Surplus or Deficit on the Provision of Services" within the Comprehensive Income and Expenditure Statement. Other comprehensive income and expenditure within the Comprehensive Income and Expenditure Statement also now shows the financial effect of changes in financial assumptions, other experience and return on pension assets excluding amounts included in net interest.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations are disclosed in the Movement in Reserves Statement for the General Fund Balance.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

#### 1.19 Revenue Contributions

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

#### 1.20 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable. Usable reserves hold monies that can be applied to fund expenditure. Unusable reserves cannot be applied to fund expenditure.

The Board operates the following usable reserves:

##### a) *General Fund*

This represents the balance of the surpluses or deficits arising from the Comprehensive Income and Expenditure Statement. The Board changed its accounting policy in relation to unspent requisitions during 2015/16. In February 2018 the Board approved a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition. Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments.

The Board operates the following unusable reserves:

##### b) *Capital Adjustment Account*

This provides a balancing mechanism between the different rates at which assets are depreciated and financed.

##### c) *Pension Reserve*

This represents the difference between the monies which the Board requires to meet its pension liability as calculated under International Accounting Standards 19, Employee Benefits (IAS 19) and the amount required to be charged to the General Fund in accordance with statutory requirement governing Local Government Pension Scheme.

##### d) *Accumulated Absences Account*

This represents the net monies which the Board requires to meet its short-term compensated absences for employees under IAS19.

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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#### 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 2022, 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

## NOTES TO THE ANNUAL ACCOUNTS

### 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 7).

EXPENDITURE AND FUNDING ANALYSIS						
2020/21			2021/22			
Net Expend. Chargeable to the General Fund £000	Adjustments £000	Net Expenditure in the CIES £000	Net Expend. Chargeable to the General Fund £000	Adjustments £000	Net Expenditure in the CIES £000	
6,054	387	6,442	5,910	763	6,673	Core Budget
102	9	111	102	0	102	Individual Electoral Registration
<b>6,156</b>	<b>396</b>	<b>6,553</b>	<b>6,012</b>	<b>763</b>	<b>6,775</b>	<b>Net Cost of Services</b>
<b>Other Income and Expenditure</b>						
(6,208)	0	(6,208)	(6,230)	0	(6,230)	Constituent council requisitions
0	0	0	0	(2)	(2)	Interest and investment income
0	145	145	0	168	168	Net pension interest cost
<b>(51)</b>	<b>541</b>	<b>490</b>	<b>(218)</b>	<b>930</b>	<b>711</b>	<b>(Surplus) or deficit on the provision of services</b>
(1,181)			(1,232)			Opening General Fund Balance
(51)			(218)			(Surplus) / Deficit on the provision of services
<b>(1,232)</b>			<b>(1,450)</b>			<b>Closing General Fund Balance at 31 March</b>

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

#### 2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2021/22:

	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	19		913	(3)	930	2	932
Individual electoral registration	0		0	0	0	0	0
<b>Net Cost of Services</b>	<b>19</b>		<b>913</b>	<b>(3)</b>	<b>930</b>	<b>2</b>	<b>932</b>
<b>Other Income and Expenditure</b>							
Constituent council requisitions	0		0	0	0	0	0
Interest and investment income	0		0	0	0	(2)	(2)
Net pension interest cost	0		0	0	0	0	0
<b>(Surplus) or deficit on the provision of services</b>	<b>19</b>		<b>913</b>	<b>(3)</b>	<b>930</b>	<b>0</b>	<b>930</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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

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

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

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

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

	Core Budget	Individual Electoral Registration	Total
	£000	£000	£000
<b>Expenditure</b>			
Employee expenses	4,384	78	4,462
Other service expenses	1,494	25	1,519
Support service recharges	66	0	66
<b>Total Expenditure</b>	<b>5,944</b>	<b>102</b>	<b>6,046</b>
<b>Income</b>			
Revenues from external customers	(33)	0	(33)
Income from recharges for services	0	0	0
Interest and investment income	(2)	0	(2)
<b>Total Income</b>	<b>(34)</b>	<b>0</b>	<b>(34)</b>
<b>Net Cost of Services per EFA</b>	<b>5,910</b>	<b>102</b>	<b>6,012</b>

#### 2.3 Expenditure and Income Analysed by Nature

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

	2020/21	2021/22
	£000	£000
<b>Expenditure</b>		
Employee expenses	5,423	5,204
Other service expenses	1,795	1,457
Support service recharges	68	66
Depreciation and impairment	72	81
Interest payments	1,408	1,419
<b>Total Expenditure</b>	<b>8,766</b>	<b>8,227</b>
<b>Income</b>		
Fees, charges and other service income	(317)	(33)
Government grants and other contributions	(488)	0
Interest and investment income	(1,263)	(1,253)
Income from constituent Councils	(6,208)	(6,230)
<b>Total Income</b>	<b>(8,276)</b>	<b>(7,516)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>490</b>	<b>711</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code. For 2021/22 the following accounting policy changes that need to be reported relate to annual improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
- IAS 37 (Onerous contracts) – clarifies the intention of the standard;
- IFRS 16 (Leases) – amendment to remove an example not referenced in the Code material;
- IAS 41 (Agriculture) – only expected to apply to local authorities in limited circumstances.

CIPFA/LASAAC does not envisage the changes having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is high degree of uncertainty about future levels of funding for local government. 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 resulted in a recalculation of pension liabilities for the estimated impact of GMP indexation changes. The Board's actuary's understanding is that the further Lloyd's ruling is unlikely to have a significant impact on the pension obligations of a typical employer. As the historic individual member data required to assess an impact is not readily available, the Board's actuary has not made any allowance for this within the pension liability calculation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2021 valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance is therefore included in the 31 March 2022 pension liability.
- 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. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, the Board's actuary has undertaken analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c 0.1-0.2% of obligations). The Board's actuary does not believe there are sufficient grounds to apply an additional adjustment to account for this.
- The Walker and O'Brien court cases may impact on future LGPS benefits. The Board's actuary understands these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies for these judgements.

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

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

#### 5.1 Property, Plant and Equipment

##### *Uncertainties*

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

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

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

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

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

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##### 5.2 Pension Liabilities

###### *Uncertainties*

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

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

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. For LGPS Funds, asset investment returns have been greater than expected compared to last year's accounting date assumption. The net discount rate assumption has increased by more than the increase in the CPI assumption, which has resulted in a gain on the balance sheet position. For a medium duration LGPS employer, this could be of the order of 6-8% of obligations. Using more up-to-date longevity assumption has also led to a small gain on the obligations.

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
0.1% decrease in Real Discount Rate	2%	1,235
1 year increase in member life expectancy	4%	2,712
0.1% increase in the Salary Increase Rate	0%	169
0.1% increase in the Pension Increase Rate	2%	1,056

#### 6. EVENTS AFTER THE REPORTING PERIOD

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There are no events after the reporting period.

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

2021/22 - Current Financial Year	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(51)	51	0	0	51
Depreciation of intangible assets	(30)	30	0	0	30
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	62	(62)	0	0	(62)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,804)	0	1,804	0	1,804
Employer's pension contributions and direct payments to pensioners payable in the year	891	0	(891)	0	(891)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	0	0	(3)	(3)
<b>Total Adjustments</b>	<b>(930)</b>	<b>19</b>	<b>913</b>	<b>(3)</b>	<b>930</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

2020/21 - Previous Year Comparative	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(55)	55	0	0	55
Depreciation of intangible assets	(18)	18	0	0	18
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	130	(130)	0	0	(130)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,465)	0	1,465	0	1,465
Employer's pension contributions and direct payments to pensioners payable in the year	945	0	(945)	0	(945)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(79)	0	0	79	79
<b>Total Adjustments</b>	<b>(541)</b>	<b>(57)</b>	<b>520</b>	<b>79</b>	<b>541</b>



# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 8. PROPERTY PLANT AND EQUIPMENT

Movements on balances:

	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<b>8.1 Current Year Movements in 2021/22</b>			
<b>Cost or Valuation</b>			
At 1st April 2021	432	218	650
Impairment	0	(15)	(15)
Derecognised assets GBV reversal	0	(49)	(49)
Additions	0	33	33
At 31st March 2022	432	186	618
<b>Accumulated Depreciation</b>			
At 1st April 2021	(238)	(84)	(322)
Derecognised assets depreciation reversal	0	49	49
Depreciation charge	(18)	(32)	(50)
Impairment	0	14	14
At 31st March 2022	(256)	(53)	(308)
<b>Net Book Value at 31st March 2022</b>	<b>176</b>	<b>133</b>	<b>310</b>

	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
<b>8.2 Previous Year Movements in 2020/21</b>			
<b>Cost or Valuation</b>			
At 1st April 2020	432	236	668
Impairment	0	(9)	(9)
Derecognised assets GBV reversal	0	(124)	(124)
Additions	0	115	115
At 31st March 2021	432	218	650
<b>Accumulated Depreciation</b>			
At 1st April 2020	(220)	(180)	(400)
Derecognised assets depreciation reversal	0	124	124
Depreciation charge	(18)	(31)	(49)
Impairment	0	3	3
At 31st March 2021	(238)	(84)	(322)
<b>Net Book Value at 31st March 2021</b>	<b>194</b>	<b>134</b>	<b>328</b>

#### 8.3 Depreciation

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

- Leasehold improvements (buildings) - 25 years (currently 10 years remaining)
- Vehicles, plant and equipment - 5 years

## **LOTHIAN VALUATION JOINT BOARD**

### **NOTES TO THE ANNUAL ACCOUNTS**

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

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##### **8.4 Capital Commitments**

There were no capital commitments entered into by the Board as at 31st March 2022.

##### **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

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

- 2 years:
  - Central Mobile Advanced Software
- 3 years:
  - Trustmarque Solutions Ltd - Anti-virus software
  - Unity - Pro Support 4HR/MC
  - Central Intercept X Advanced Software
  - Basic Support Vmware
  - Central Mobile Advanced 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 £0.030m was charged to the Comprehensive Income and Expenditure during 2021/22.

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

	2020/21 £'000	2021/22 £'000
Balance at start of year:		
• Gross carrying amounts	157	172
• Accumulated amortisation	(114)	(132)
<b>Net carrying amount at start of year</b>	<b>43</b>	<b>40</b>
Additions	15	29
Amortisation for the period	(18)	(30)
<b>Net carrying amount at end of year</b>	<b>40</b>	<b>39</b>
Comprising:		
• Gross carrying amounts	172	153
• Accumulated amortisation	(132)	(115)
	40	39

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2021	31st March 2022	31st March 2021	31st March 2022
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Trade creditors	0	0	0	0

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

	Non-Current		Current	
	31st March 2021	31st March 2022	31st March 2021	31st March 2022
	£'000	£'000	£'000	£'000
<b>Cash and Cash Equivalents</b>				
Loans and receivables	0	0	1,750	1,782
<b>Debtors</b>				
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 2022, using the following methods and assumptions:

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2022, 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 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Trade creditors	0	0	0	0
Trade debtors	0	0	0	0
Loans and receivables	1,750	1,750	1,782	1,782

#### 10.5 Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Assets measured at amortised cost	Financial Assets measured at amortised cost
	31st March 2021	31st March 2022
	£'000	£'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	0	(2)

### 11. SHORT TERM DEBTORS

	2020/21	2021/22
	£'000	£'000
Debtors:		
• Trade Receivables	9	7
• Prepayments	136	123
• Other receivable amounts	0	0
	<u>145</u>	<u>130</u>

### 12. CASH AND CASH EQUIVALENTS

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

	2020/21	2021/22
	£'000	£'000
• Cash held by the Board	1	0
• Other local authorities	1,749	1,782
	<u>1,750</u>	<u>1,782</u>

### 13. SHORT TERM CREDITORS

	2020/21	2021/22
	£'000	£'000
Creditors:		
• Trade payables	(42)	(54)
• Other payables	(467)	(281)
	<u>(509)</u>	<u>(335)</u>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		2020/21	2021/22
		£'000	£'000
14.1	General Fund Balance	(1,232)	(1,450)
		<u>(1,232)</u>	<u>(1,450)</u>

<u>UNUSABLE</u>		2020/21	2021/22
		£'000	£'000
14.2	Capital Adjustment Account	(368)	(349)
14.3	Pension Reserve	8,050	(1,410)
14.4	Accumulated Absence Account	169	166
		<u>7,851</u>	<u>(1,592)</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>	2020/21	2021/22
	£'000	£'000
2010/11	(228)	(228)
2011/12	(42)	(42)
2012/13	(127)	(127)
2013/14	(104)	(104)
2014/15	(309)	(309)
2015/16	(206)	(206)
2016/17	(259)	(259)
2017/18	128	128
2018/19	(121)	(121)
2019/20	87	87
2020/21	(51)	(51)
2021/22		(218)
	<u>(1,232)</u>	<u>(1,450)</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

## NOTES TO THE ANNUAL ACCOUNTS

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

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

	2020/21 £'000	2021/22 £'000
<b>Balance at 1st April</b>	(311)	(368)
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	55	51
• Depreciation of intangible assets	18	30
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in year	(238)	(287)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(130)	(62)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	(368)	(349)

#### 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.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1st April</b>	6,119	8,050
Remeasurements of the net defined benefit liability / (asset)	1,411	(10,373)
Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	1,465	1,804
Employer's pension contributions and direct payments to pensioners payable in the year.	(945)	(891)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	8,050	(1,410)

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

	2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000
<b>Balance at 1st April</b>		91		169
Settlement or cancellation of accrual made at the end of the preceding year	(91)		(169)	
Amounts accrued at the end of the current year	169		166	
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		78		(3)
<b>Balance at 31st March</b>		169		166

### 15 CASH FLOW STATEMENT

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

	2020/21 £'000	2021/22 £'000
Net (increase)/decrease in the General Fund Balance	(51)	(218)
Exclude accumulated absences	79	(3)
Exclude revenue contribution to capital	(130)	(62)
	(102)	(283)
(Decrease)/increase in revenue debtors	20	(15)
(Decrease)/increase in long term debtors	(6)	(6)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	(335)	174
Revenue activities net cash flow	(388)	(94)

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

	2020/21 £'000	2021/22 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,750	1,782
Due by/(to) the City of Edinburgh Council at 1st April	1,492	1,750
(Increase)/decrease in cash	(258)	(32)



## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 16. MEMBERS ALLOWANCES

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

	2020/21	2021/22
	£000's	£000's
Salaries (incl. NI and Pensions)	10	14
Expenses	0	0
Total	10	14

#### 17. EXTERNAL AUDIT COSTS

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

	2020/21	2021/22
	£000's	£000's
External audit services carried out for the year	8	8

#### 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 2021/22 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:

	2020/21	2021/22
	£000's	£000's
• <b>The City of Edinburgh Council:</b>		
Rates	117	117
Rent	305	305
Central support costs	60	67
Interest on revenue balances	0	(2)
Constituent council contribution	(3,805)	(3,833)
Trade Waste/maintenance	4	4
Due from City of Edinburgh Council	1,750	1,782
Long term debtor - lease of office	62	56
Convener remuneration	6	6

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 18. RELATED PARTIES (Contd.)

#### 18.3 Other Parties (Contd.)

	2020/21 £000's	2021/22 £000's
<ul style="list-style-type: none"> <li>• <b>The Cabinet Office</b> IER grant received</li> </ul>	(54)	0
<ul style="list-style-type: none"> <li>• <b>Midlothian Council</b> Constituent council contribution</li> </ul>	(567)	(571)
<ul style="list-style-type: none"> <li>• <b>East Lothian Council</b> Constituent council contribution</li> </ul>	(665)	(671)
<ul style="list-style-type: none"> <li>• <b>West Lothian Council</b> Constituent council contribution</li> <li>Vice Convener remuneration</li> </ul>	(1,171) 4	(1,155) 4
<ul style="list-style-type: none"> <li>• Clackmannanshire Council</li> </ul>	12	29
<ul style="list-style-type: none"> <li>• Fife Council</li> </ul>	0	2
<ul style="list-style-type: none"> <li>• Glasgow City Council</li> </ul>	8	8
<ul style="list-style-type: none"> <li>• Renfrewshire Council</li> </ul>	2	2
<ul style="list-style-type: none"> <li>• HM Revenue and Customs</li> </ul>	5	0
<ul style="list-style-type: none"> <li>• Convention of Scottish Local Authorities</li> </ul>	1	2
<ul style="list-style-type: none"> <li>• Registers of Scotland</li> </ul>	2	2
<ul style="list-style-type: none"> <li>• Scottish Court Service</li> </ul>	(3)	0

### 19. TERMINATION BENEFITS

No employees left during 2021/22 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.

	2020/21 £000's	2021/22 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
<ul style="list-style-type: none"> <li>• Property, Plant and Equipment</li> </ul>	115	33
<ul style="list-style-type: none"> <li>• Intangible assets</li> </ul>	15	29
Sources of finance		
<ul style="list-style-type: none"> <li>• Direct revenue contributions</li> </ul>	(130)	(62)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

	2020/21 £000	2020/21 £000	2021/22 £000	2021/22 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	1,223		1,636	
Past service costs	97		0	
		1,320		1,636
<b>Financing and investment income:</b>				
Net interest expense		145		168
<b>Total post employee benefit charged to the surplus on the provision of services</b>		1,465		1,804
<b>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</b>				
<b>Remeasurement of the net defined liability, comprising:</b>				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(7,736)		(5,538)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	9,283		(4,938)	
Other experience	(136)		103	
		1,411		(10,373)
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		2,876		(8,569)
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(1,931)		9,460
<b>Actual amount charged against the General Fund</b>				
<b>Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		862		807
Contributions in respect of unfunded benefits		83		84
		945		891

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

	2020/21	2021/22
	£000	£000
Fair value of employer assets	62,734	69,216
Present value of funded liabilities	(68,978)	(66,111)
Present value of unfunded liabilities	(1,806)	(1,695)
Net liability arising from defined benefit obligation	(8,050)	1,410

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

	2020/21	2021/22
	£000	£000
Opening fair value of scheme assets	55,093	62,734
Interest income	1,263	1,251
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	7,736	5,538
Contributions from employer	862	807
Contributions from employees into the scheme	215	213
Contributions in respect of unfunded benefits	83	84
Benefits paid	(1,330)	(1,327)
Other Experience	(1,105)	0
Unfunded benefits paid	(83)	(84)
Closing fair value of scheme assets	62,734	69,216

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

	2020/21	2021/22
	£000	£000
Present value of funded liabilities	(59,444)	(68,978)
Present value of unfunded liabilities	(1,768)	(1,806)
Opening balance at 1 April	(61,212)	(70,784)
Current service cost	(1,223)	(1,636)
Interest cost	(1,408)	(1,419)
Contributions from employees into the scheme	(215)	(213)
Remeasurement gain / (loss):		
Change in financial assumptions	(12,384)	4,513
Change in demographic assumptions	3,101	425
Other experience	1,241	(103)
Past service cost	(97)	0
Benefits paid	1,330	1,327
Unfunded benefits paid	83	84
Closing balance at 31 March	(70,784)	(67,806)

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

	2020/21 £000	2020/21 %	2021/22 £000	2021/22 %
<b>Equity Securities</b>				
Consumer *	8,157.0	13	8,515.1	12%
Manufacturing *	9,046.0	14	9,160.4	13%
Energy and Utilities *	3,196.0	5	3,821.1	6%
Financial Institutions *	3,845.0	6	3,989.2	6%
Health and Care *	3,920.0	6	4,794.6	7%
Information Technology *	2,973.0	5	3,145.1	5%
Other *	4,981.0	8	5,160.3	7%
<b>Sub-total Equity Securities</b>	<b>36,118.0</b>		<b>38,585.8</b>	
<b>Debt Securities:</b>				
Corporate Bonds (investment grade) *	0.0	0	0.0	0%
Corporate Bonds (investment grade)	2,140.0	4	0.0	0%
Corporate Bonds (non-investment grade)		0	0.0	0%
UK Government *	5,033.0	8	6,044.5	9%
Other	0.0		1,298.3	2%
<b>Sub-total Debt Securities</b>	<b>7,173.0</b>		<b>7,342.8</b>	
<b>Private Equity</b>				
All	384.0	1	325.5	0%
<b>Sub-total Private Equity</b>	<b>384.0</b>		<b>325.5</b>	
<b>Real Estate:</b>				
UK Property *	0.0	0	0.0	0%
UK Property	3,272.0	5	3,659.1	5%
Overseas Property	7.0	0	19.5	0%
<b>Sub-total Real Estate</b>	<b>3,279.0</b>		<b>3,678.6</b>	
<b>Investment Funds and Unit Trusts:</b>				
Equities *	886.0	1	1,243.3	2%
Bonds *	1,291.0	2	3,241.2	5%
Infrastructure	7,182.0	12	7,017.8	10%
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>9,359.0</b>		<b>11,502.3</b>	
<b>Derivatives:</b>				
Foreign Exchange *	3.0	0	3.3	0%
<b>Sub-total Derivatives</b>	<b>3.0</b>		<b>3.3</b>	
<b>Cash and Cash Equivalents</b>				
All *	6,418.0	10	7,777.7	11%
<b>Sub-total Cash and Cash Equivalents</b>	<b>6,418.0</b>		<b>7,777.7</b>	
<b>Total Fair Value of Employer Assets</b>	<b>62,734.0</b>	<b>100</b>	<b>69,216.0</b>	<b>100%</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2021/22.

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2022 were those from the beginning of the year (i.e. 31 March 2021) and have not been changed during the year. The main assumptions in the calculations are:

<u>Average future life expectancies at age 65:</u>		2020/21	2021/22
Current pensioners	male	20.5 years	20.3 years
Current pensioners	female	23.3 years	23.1 years
Future pensioners	male	21.9 years	21.6 years
Future pensioners	female	25.2 years	25 years
<u>Financial assumptions:</u>		2020/21	2021/22
Pension increase rate		2.85%	3.20%
Salary increase rate		3.35%	3.70%
Discount rate		2.00%	2.70%

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 2022 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 2022:</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.1% decrease in Real Discount Rate	2.0%	1,235
1 year increase in member life expectancy	4.0%	2,712
0.1% increase in the Salary Increase Rate	0.0%	169
0.1% increase in the Pension Increase Rate	2.0%	1,056

#### 21.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2022

	Assets £000	Obligations £000	Net (liability) / asset £000      % of pay	
Projected current service cost	0	(1,458)	(1,458)	(45.7%)
Total Service Cost	0	(1,458)	(1,458)	(45.7%)
Interest income on plan assets	1,862	0	1,862	58.4%
Interest cost on defined benefit obligation	0	(1,833)	(1,833)	(57.5%)
Total Net Interest Cost	1,862	(1,833)	29	0.9%
Total included in Profit or Loss	1,862	(3,291)	(1,429)	(44.8%)

The Board's estimated contribution to Lothian Pension Fund for 2022/23 is £0.695m

#### 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. Following Lothian Pension Fund's Triennial Actuarial Review in 2020, employer pension fund contribution rates are now confirmed at 21.8% until 31 March 2024.

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 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		
	2020/21	2021/22
	£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	1,221	1,221
• Later than 5 years	1,755	1,450
	<u>3,281</u>	<u>2,976</u>

##### Car Leases

The Board operates an employee car leasing scheme. There were five active leases in operation at 31st March 2022. Employees contributed £0.013m during 2021/22 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2020/21	2021/22
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	11	11
• Later than 1 year not later than 5 years	8	5
	<u>19</u>	<u>16</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 2021/22 were £9,034 and £5,975 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.

	2020/21	2021/22
	£000's	£000's
• Cash incentive:		
Balance at 1st April	68	62
Amortised to Comprehensive Income and Expenditure Statement	(6)	(6)
Balance at 31st March	<u>62</u>	<u>56</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.

	2020/21	2021/22
	£000's	£000's
Balance at 1st April	(420)	(385)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(385)</u>	<u>(350)</u>

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 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 2021/22 £000's	Received 2021/22 £000's	Due (to)/from Councils 2021/22 £000's
City of Edinburgh Council	3,833	3,833	0
Midlothian Council	571	571	0
East Lothian Council	671	671	0
West Lothian Council	1,155	1,155	0
	<u>6,230</u>	<u>6,230</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 2022 amounted to £1.782m (2020/21 £1.750m). No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period, the Board held no collateral as security.

#### 27. CONTINGENT LIABILITY

Contingent Assets and Liabilities are not recognised in the accounting statements. Where there is probable inflow or outflow of economic benefits or service potential, these are disclosed in the notes to the financial statements.

Under the terms of the Board's property lease with The City of Edinburgh Council, the Council has undertaken a review of the annual rental value. Officers of the Council and Board are negotiating an outcome to the Review.



# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

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

LVJB is responsible for ensuring that it conducts its business in accordance with legislation, proper standards and that public money is properly accounted for and used economically, efficiently and effectively. LVJB has a duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

LVJB acknowledges its responsibility for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance that defines 3 main principles:

### Accountability

- as a public body, LVJB is held accountable to citizens and stakeholders;
- LVJB implements good practice in reporting, quality assurance and auditing;

### Transparency

- processes, procedures and data are directly accessible to those who need them, and enough information is provided to understand and monitor them;
- LVJB engages with its stakeholders and helps them understand the services provided;

### Effectiveness and Efficiency

- LVJB produces results that meet service delivery needs while making the best use of its resources;
- LVJB operates in a manner to secure an environment of continuous improvement.

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 Assurance Framework

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

- Behave with integrity, has strong ethical values and respects the rule of law;
- Ensure openness and comprehensive stakeholder engagement;
- Seek outcomes in terms of sustainable economic, social, and environmental benefits;
- Determine interventions necessary to optimise the achievement of intended outcomes;
- Develop capacity, including the capability of its leadership and the individuals within it;
- Manage risk and performance through robust internal control and strong financial management;
- Implement good practice in transparency, reporting, and audit to deliver effective accountability.

Internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, LVJB reflects the principles of the CIPFA/SOLACE framework - Delivering Good Governance in Local Government.

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.

LVJB's Governance Committee provides internal assurance and quality control over the primary functions and services of the organisation.

There is also an external Governance Strategy Group that meets regularly with Board members to ensure consistency in respect of governance and service assurance matters. The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge is City of Edinburgh Council (CEC) Internal Audit and external auditors, Azets.

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

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

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### Review of Effectiveness

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

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

- the work of Internal Auditors, based on the delivery of one internal audit review each year, follow-up to confirm effective implementation of previous internal audit findings raised and the status of any open internal audit findings;
- the Assessor's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Board Managers; and
- the External Auditors in their Annual Audit 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 Audit Services 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 concluded one review in 2021/22, which assessed the adequacy of design and operating effectiveness of the Board's Council Tax controls. The Board received a report on the recommendations and the outcome of the audit on 7th February 2022. Internal Audit found that, while some control weaknesses were identified in the design and/or effectiveness of the control environment and/or governance and risk management frameworks, reasonable assurance could be provided that risks are being managed, and that the Board's objectives should be achieved.

### CIPFA Financial Management Code

A requirement of the Annual Governance Statement is to disclose compliance with the CIPFA Financial Management (FM) Code and identify any outstanding areas for improvement or change. The Code is designed to support good practice and assist local government organisations in demonstrating their financial sustainability and resilience, by setting out expected standards of financial management.

An assessment has been undertaken and the Board's financial management arrangements are assessed as being compliant with the FM Code.

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### Coronavirus Pandemic

COVID-19 continues to present organisations with unique challenges. Though there is indication of a return to more familiar routines, there can be no doubt that businesses have had to adapt their operational and service models significantly. Over the last year, LVJB have maintained the provision of high levels of service quality around its three core functions and continue to oversee these services with the necessary governance and control mechanisms required to provide assurance to stakeholders and Board members. The organisation sustains clear and consistent communication with staff as there is a move closer towards a formal hybrid return to work situation. Staff who opt to work from home will undertake appropriate risk assessments to ensure that their working environment is safe and has the necessary resources for them to function effectively.

Risk management, assessment and evaluation, continues to be monitored via the LVJBs Governance Committee, Project Management Framework, Quality Assurance procedures and Corporate Leadership Team. This provides appropriate levels of assurance which are reviewed through our annual Internal and External audits and are incorporated in this Annual Governance Statement. The pandemic has produced one major risk to the organisation in that circa 17,000 material change of circumstance appeals have been lodged on COVID grounds. Resolving this number of appeals in what would in essence be a 6 month period and at the same time carrying out the 2023 Revaluation would be extremely difficult. Proposed legislation may yet impact on the validity of these appeals and although the disposal timetable has been pushed out to December 2023, this remains a significant risk.

As LVJB has completed over two years of primarily imposed working from home conditions, it has provided the opportunity to refine work practices and to also improve remote security access and system protocols. New and alternative ways of working will continue to evolve and every effort must be made to create organisational and service delivery improvements during this period of continued transition.

### 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 2022. 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 2021/22, no significant Internal Audit findings were raised regarding the governance and scrutiny performed by the Board.

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

**Interim Assessor and Electoral Registration Officer:** Michael Wilkie      **Date:** \_\_\_\_\_

**Convener of Lothian Valuation Joint Board:** Tom Conn      **Date:** \_\_\_\_\_

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2021/22;
- 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.

### 2. Remuneration Policy

The Lothian Valuation Joint Board is responsible for approving the remuneration level of the Assessor and Electoral Registration Office. 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 Corporate Services, 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 2021/22 are as follows:

On earnings up to and including £22,300 (5.5%), on earnings above £22,301 and up to £27,300 (7.25%), on earnings above £27,301 and up to £37,400 (8.5%), on earnings above £37,401 and up to £49,900 (9.5%) and on earnings above £49,901 (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	
	2020/21	2021/22
£50,000 - £54,999	2	4
£55,000 - £59,999	4	-
£60,000 - £64,999	1	3
£65,000 - £69,999	2	1
£70,000 - £74,999	2	-
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
<b>Totals</b>	<b>14</b>	<b>11</b>

### 5. Remuneration paid to Senior Employees

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

Name and Post Title	Salary, Fees and Allowances 31 March 2021 £	Salary, Fees and Allowances 31 March 2022 £
G. Elliott - Assessor and Electoral Officer	101,936	129,600
G. Strachan - Assessor and Electoral Reg Officer (Retired)	64,300	n/a
<b>Total</b>	<b>166,236</b>	<b>129,600</b>

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2021	For year to 31 March 2022
<u>Name and Post Title</u>		£	£
G. Elliott - Assessor and Electoral Officer		22,827	28,253
G. Strachan - Assessor and Electoral Reg Officer (Retired)		14,403	n/a
<u>Accrued Pension Benefits</u>		As at 31 March 2022	Difference from 31 March 2021
<u>Name and Post Title</u>		£'000	£'000
G. Elliott - Assessor and Electoral Officer	Pension	61	47
	Lump sum	107	84
G. Strachan - Assessor and Electoral Reg Officer (Retired)	Pension	n/a	71
	Lump sum	n/a	136

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. 2021/22 £	Total Remun. 2020/21 £
D.Key - Convener	4,677	0	4,677	4,488
A. McGuire - Vice Convener *	3,965	0	3,965	3,892
	8,642	0	8,642	8,380

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

<u>In-year pension contributions</u>		For year to 31 March 2021	For year to 31 March 2022
<u>Name and Post Title</u>		£	£
D.Key - Convener		5,089	5,279
<u>Accrued Pension Benefits</u>		As at 31 March 2022	Difference from 31 March 2021
<u>Name and Post Title</u>			
D.Key - Convener	Pension	4	4
	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 2022, 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	
	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	0	0	£0	£0
£20,001 - £40,000	1	0	30,115	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	1	0	74,966	0
£80,001 - £100,000	1	0	93,461	0
£100,000+	2	0	220,349	0
<b>Totals</b>	<b>5</b>	<b>0</b>	<b>418,891</b>	<b>0</b>

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

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

The Lothian Valuation Joint Board is required to report a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2021/22, the equivalent of 1.03 FTE (over 4 individuals) of paid facility time was made available, with an associated cost of £14,411. This sum equates to 0.30% 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:

Michael Wilkie

Date:

Convener:

Tom Conn

Date:

### 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 The Lothian Valuation Joint Board for the year ended 31 March 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- Give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the body as at 31 March 2022 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

##### Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements 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 there is an intention to discontinue the body's operations.

The Board is responsible for overseeing the financial reporting process.



## LOTHIAN VALUATION JOINT BOARD

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

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#### **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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- Obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- Identifying which laws and regulations are significant in the context of the body;
- Assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- Considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other requirements**

##### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

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

##### **Other information**

The Treasurer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT (Contd.)

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### Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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.

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**Karen Jones, for and on behalf of Azets Audit Services**

Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

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



**10.00am, Monday 24<sup>th</sup> October 2022**

## **Revenue Budget 2022 - 2027**

### **1. Recommendations**

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The Board is recommended to note:

- 1.1 the projected outturn position of a budget pressure of £0.212m for 2022/23;
- 1.2 a further update on the 2022/23 budget will be presented to the Board on 30th January 2023;
- 1.3 the updated indicative medium-term financial planning estimates for the period 2023/24 to 2026/27 included at Appendix Two and
- 1.4 the indicative financial planning estimates for 2023/24 to 2026/27 will be the subject of further update to the Board meeting on 30th January 2023.

**Hugh Dunn,**

**Treasurer**

Contact: Iain Shaw, Principal Accountant,

Finance and Procurement Division, Corporate Services Directorate, City of Edinburgh Council

E-mail: [iain.shaw@edinburgh.gov.uk](mailto:iain.shaw@edinburgh.gov.uk) | Tel: 0131 469 3117

## Revenue Budget 2022 - 2027

### 2. Executive Summary

- 2.1 The forecast is for net expenditure to be £212,000 greater than the 2022/23 budget, based on the position at 31<sup>st</sup> August 2022.
- 2.2 Indicative financial plans have been updated for the period 2023 to 2027.

### 3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. This report summarises the projected outturn at 31<sup>st</sup> March 2023, based on the position at 31<sup>st</sup> August 2022. The report has been prepared in consultation with the Assessor and ERO.
- 3.2 Following completion of the external audit of the Annual Accounts for 2021/22, the Board's Indicative Financial Plan has been updated.

### 4. Main Report

#### Revenue Budget 2022-23

- 4.1 The table below compares projected expenditure for 2022/23 with the approved budget. Based on the position at 31<sup>st</sup> August 2022, the forecast is for net expenditure to be £212,000 in excess of the approved budget – an increase of £177,000 from the forecast reported to the Board on 5<sup>th</sup> September.

	Core Budget and Individual Electoral Registration			Non-Domestic Rates Reform Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
<b>Expenditure</b>									
Employee costs	4,408	4,640	232	353	247	(106)	4,761	4,887	126
Premises costs	611	554	(57)	0	0	0	611	554	(57)
Transport costs	51	51	0	0	1	1	51	52	1
Supplies & Services	704	741	37	21	126	105	725	867	142
Third Party Payments	140	140	0	0	0	0	140	140	0
Support Services	67	67	0	0	0	0	67	67	0
<b>Gross Expenditure</b>	<b>5,981</b>	<b>6,193</b>	<b>212</b>	<b>374</b>	<b>374</b>	<b>0</b>	<b>6,355</b>	<b>6,568</b>	<b>212</b>
<b>Income</b>									
Sales, Fees & Charges	(42)	(42)	0	0	0	0	(42)	(42)	0
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(45)</b>	<b>(45)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(45)</b>	<b>(45)</b>	<b>0</b>
<b>Net Expenditure</b>	<b>5,936</b>	<b>6,148</b>	<b>212</b>	<b>374</b>	<b>374</b>	<b>0</b>	<b>6,310</b>	<b>6,523</b>	<b>212</b>

- 4.2 The forecast has been updated to reflect:
- 4.2.1 a cost pressure of £0.132m as a consequence of the recent COSLA pay offer to Local Government employees. The Scottish Government has identified additional funding to support the revised pay offer, with further detail awaited on the availability and nature of any associated revenue and capital financial flexibilities. An update on funding for the pay offer will be provided when the Scottish Government formally confirms the funding package for the overall pay settlement;
  - 4.2.2 a reduction of £0.020m in employers National Insurance contributions from November 2022, following the Chancellor's announcement on 23rd September 2022;
  - 4.2.3 property repair costs of £0.021m, following water ingress to the Board's office;
  - 4.2.4 additional Supplies and Services costs of £0.037m, due to increased printing and postage costs.
- 4.3 Previous financial monitoring reports noted the financial risk of pay award in excess of the 2022/23 provision of 3%.
- 4.4 All costs will continue to be the subject of ongoing review for the remainder of 2022/23. At this stage, the forecast anticipates that the budget pressure of £0.212m will require to be met from the unallocated General Reserve.
- 4.5 Constituent councils have funded £374,000 towards the Board's costs of implementing Non-Domestic Rates Reform (NDR) in 2022/23. It is forecast that this funding will be fully spent in 2022/23, with employee and ICT expenditure being incurred.
- 4.6 The approved budget for 2022/23 includes £89,000 for delivery of Individual Electoral Registration (IER). £80,000 will be met from an earmarked reserve and £9,000 from the core budget.
- 4.7 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). Balances held in excess of 3% require to be reviewed annually in-line with risk and identified commitments.
- 4.8 The Board's audited general reserve balance at 1st April 2022 is £1.450m.
- 4.8.1 £0.148m is earmarked for future costs of NDR Reform;
  - 4.8.2 £0.080m is earmarked for Individual Electoral Registration, as noted at paragraph 4.6;
  - 4.8.3 the non-earmarked reserve balance is £1.222m. This balance includes the minimum reserve balance of £0.180m noted at paragraph 4.7.
- 4.9 Details of financial risks are included at Appendix One.

## **Treasury Management**

- 4.10 The Board's cash management is undertaken by the City of Edinburgh Council. Cash balances are offset by expenditure incurred by the Council on behalf of the Board. Interest on cash balances will be calculated in March 2023.

### **Indicative Financial Plan 2023 - 2027**

- 4.11 The Indicative Financial Plan 2023/24 – 2026/27 approved by the Board on 7th February 2022 has been updated for:
- 4.11.1 an unallocated general reserve at 1<sup>st</sup> April 2022 of £1.042m – a net increase of £0.173m, following confirmation of the 2021/22 outturn;
  - 4.11.2 the 2022 COSLA pay offer. Pay awards of 3% are included for each year from 2023/24;
  - 4.11.3 a reduction of 1.25% in employers National Insurance contributions, following the Chancellor's announcement of 23rd September 2022;
  - 4.11.4 no employee turnover savings anticipated from 2023/24 (a turnover saving of £0.130m is included in the 2022/23 budget);
  - 4.11.5 an increase in office rental costs and a forecast increase in the rates liability following Revaluation.
- 4.12 The Indicative Financial Plan assumes:
- 4.12.1 a 'flat cash' constituent council requisition of £5.847m in each year. The Council requisition has remained at £5.847m since 2018/19, with the last increase being in 2009/10;
  - 4.12.2 constituent councils continue to fund the additional costs of Non-Domestic Rates Reform implementation, based on funding included in the Local Government Finance Settlement;
  - 4.12.3 full drawdown of Non-Domestic Rates Reform funding from the earmarked balance of £0.148m to meet statutory duties;
  - 4.12.4 no savings currently anticipated from the Board's Transformation Programme;
  - 4.12.5 a full drawdown of the Board's unallocated General Reserve by 2024/25, only leaving the Board's minimum General Reserves balance of £0.180m.
- 4.13 Based on these assumptions, a deficit of £0.790m is forecast from 2024/25.
- 4.14 A summary of the Indicative Financial Plan 2023 to 2027 is presented at Appendix Two.
- 4.15 The Financial Plan will be the subject of ongoing review and development. While the application of reserves to support service delivery offers a potential short-term solution for 2023/24, it does not achieve a sustainable financial plan to address the significant projected funding gap from 2024/25 onwards.

- 4.16 Potential options to develop the budget on a more sustainable basis include:
- 4.16.1 development of the Board's Transformation Programme to create sustainable employee cost savings in future years;
  - 4.16.2 a review of all non-employee costs, to identify potential savings;
  - 4.16.3 discussion with constituent councils regarding future years' requisition.
- 4.17 Budget estimates will continue to be updated in consultation with the Interim Assessor and ERO to develop a budget for approval by the Board at its meeting on 30<sup>th</sup> January 2023.

## **5. Background reading/external references**

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- 5.1 [Revenue Budget 2022/23 and Indicative Financial Plan 2023/24 - 2026/27](#) – report to Lothian Valuation Joint Board 7th February 2022
- 5.2 [Period 4 Financial Statement 2022/23](#) - report to Lothian Valuation Joint Board 5<sup>th</sup> September 2022

## **6. Appendices**

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- 6.1 Appendix One – Financial Risk Analysis
- 6.2 Appendix Two - Indicative Financial Plan 2023 to 2027

## Appendix One – Financial Risk Analysis

Risk	Detail	Mitigation
Pay Award	The 2022/23 revenue budget makes provision for a pay award of 3%. Each additional 1% is estimated to cost £45,000.	Liaison with constituent councils and review of the Board's unallocated General Reserve.
Office Energy costs	Energy budgets are based on full office occupancy and include an uplift for anticipated price increases. Given the current volatility in energy costs, there is a risk of additional cost.	Ongoing tracking of cost. Liaison with City of Edinburgh Council Energy and Sustainability Team.
Funding for additional costs of Non-Domestic Rates Reform	An estimate of the additional cost required was provided to the Scottish Government. Failure to receive the funding required will impact on delivery of Reform changes.	Fully mitigated for 2022/23 - constituent councils have paid the funding of £0.374m, which was included in the Local Government Settlement 2022/23 to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the Assessor and ERO anticipates the additional cost incurred on IER will require to be met from the core budget from 2023/24. A risk remains that additional costs shall continue to be incurred following the introduction of the annual canvass procedure.	Use of Cabinet Office IER grant funding carried forward from previous years to meet IER costs in 2022/23.  Ongoing tracking of cost throughout 2022/23.
Additional costs to deliver services during Coronavirus Pandemic	The Board will continue to track all expenditure incurred during the COVID-19 Pandemic.	Ongoing tracking of cost. Liaison with Scottish Assessor's Association.
Elections/Referendums – budget risk £0.050m	The possibility of either elections or referendums being called within short timescales, or dual electoral events occurring within a year is a financial risk in terms of staff overtime or the use of short-term temporary staff to meet the demand placed on the electoral registration process.	Ongoing tracking of cost throughout 2022/23.
Transformation Change costs	The cost of the Transformation Programme exceeds estimates.	Ongoing tracking and review of cost estimates.
Economic Changes	An increase in the number of rateable value appeals would have a significant impact on staff resources to achieve disposal by the statutory date of 31 December 2023.	Legislative changes being progressed by the Scottish Government may mitigate this risk.
Council Tax Reform	Any major legislative change to Council Tax that impacts on the Board is unlikely to be managed within current budgetary provision.	Ongoing liaison with Scottish Assessor's Association and Scottish Government.



## Appendix Two – Indicative Financial Plan 2023 to 2027

	2022/23 Forecast £'000	2023/24 Indicative £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
Core and IER	6,148	6,561	6,744	6,915	7,089
IER Funding in Reserves	(80)				
Total Requisition	(5,847)	(5,847)	(5,847)	(5,847)	(5,847)
<b>Core shortfall/(surplus)</b>	<b>221</b>	<b>714</b>	<b>897</b>	<b>1,068</b>	<b>1,242</b>
VR - one-off severance/pension strain	0	0	0	0	0
<b>Reserves Drawdown</b>	<b>(221)</b>	<b>(714)</b>	<b>(107)</b>	<b>0</b>	<b>0</b>
<b>NET TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>790</b>	<b>1,068</b>	<b>1,242</b>
<b>Budgeted FTE at 31 March</b>	<b>95.64</b>	<b>95.64</b>	<b>95.64</b>	<b>95.64</b>	<b>95.64</b>
<b>Reserve Balances</b>					
General Reserve – opening balance	(1,042)	(821)	(107)	0	0
Forecast General Reserve Drawdown - Core	212	714	107	0	0
Forecast Drawdown – IER	9	0	0	0	0
<b>Unallocated General Reserve - closing</b>	<b>(821)</b>	<b>(107)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Earmarked Reserve – Non- Domestic Rates Reform	(148)	0	0	0	0
Approved Minimum Reserve Balance (3%)	(180)	(180)	(180)	(180)	(180)
<b>Total General Reserves</b>	<b>(1,149)</b>	<b>(287)</b>	<b>(180)</b>	<b>(180)</b>	<b>(180)</b>
<b>Non-Domestic Rates Reform</b>					
Employee Costs	353	376	391	405	421
Supplies and Services	21	7	0	0	0
<b>Total</b>	<b>374</b>	<b>383</b>	<b>391</b>	<b>405</b>	<b>421</b>
<b>Additional Council Requisition</b>	<b>(374)</b>	<b>(383)</b>	<b>(391)</b>	<b>(405)</b>	<b>(421)</b>
<b>Budgeted FTE at 31 March</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>

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**10.00am, Monday 24th October 2022**

## **2021/22 Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit**

### **1. Recommendations**

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The Board is recommended to note:

- 1.1 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 and Procurement Division, Corporate Services Directorate, City of Edinburgh Council

E-mail: [ian.shaw@edinburgh.gov.uk](mailto:ian.shaw@edinburgh.gov.uk) | Tel: 0131 469 3117

## **2021/22 Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit**

### **2. Executive Summary**

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- 2.1 The Annual Audit Report summarises the findings arising from the Board's 2021/22 external audit.

### **3. Background**

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- 3.1 The unaudited Annual Accounts were noted by the Board at its meeting on 13th June 2022 and submitted to Azets, the appointed external auditor, by the required date of 30th June 2022.

### **4. Main Report**

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#### **External Audit Annual Report 2021/22**

- 4.1 The Audited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 amend the 2014 Regulations to require local authorities to aim to approve the annual accounts for signature no later than 30 November 2022.
- 4.2 In discharging its work, the external auditor is required to comply with Audit Scotland's Code of Audit Practice.
- 4.3 An unqualified opinion has been given on the financial statements and other prescribed matters. The Auditor's opinion states that the financial statements give a true and fair view of the state of affairs of the Board as at 31st March 2022 and its income and expenditure for the year then ended.
- 4.4 The key messages from the audit are presented on pages 3 to 6 of the External Audit Annual Report. Appendix 3 summarises progress made in implementing the recommendations contained in previous years' reports.

### **5. Background reading/external references**

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None

## **6. Appendices**

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- 6.1 Appendix 1 - 2021/22 Annual Audit Report to members of Lothian Valuation Joint Board and the Controller of Audit



# Lothian Valuation Joint Board

2021/22 Annual Audit Report to members of  
Lothian Valuation Joint Board and the Controller of  
Audit

October 2022



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# Key messages

This report concludes our audit of the Lothian Valuation Joint Board (“the Board”) for 2021/22.

This section summarises the key findings and conclusions from our audit.



## Financial statements audit

<b>Audit opinion</b>	<p>The Board's annual accounts for the year ended 31 March 2022 are due to be approved by the Board on 24 October 2022.</p> <p>We report unqualified opinions within our independent auditor's report.</p>
<b>Key findings on audit risks and other matters</b>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Board had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers</p>
<b>Audit adjustments</b>	<p>One audit adjustment was made to the annual accounts following the receipt of a revised actuarial report. The overall impact on the annual accounts was a reduction in net assets of £272,000.</p> <p>We also identified disclosure and presentational adjustments during our audit, which have been reflect in the final set of financial statements.</p>
<b>Accounting systems and internal controls</b>	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Board's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were identified.</p>

## Wider scope audit

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:



### Annual Governance Statement

We are satisfied that the Annual Governance Statement for the year to 31 March 2022 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 internal control systems throughout the year.

### Auditor judgement



Risks exist to achievement of operational objectives



### Financial Sustainability

The future financial challenges faced by the Board are significant. The Board's revised revenue budget for 2022/23 and indicative budget estimates for the subsequent four years (to 2026/27) show a balanced financial position, utilising general fund reserves, for the first two years with an indicative funding shortfall from 2024/25.

The application of reserves to support service delivery offers a potential short-term solution for 2023/23, it does not achieve a sustainable financial plan to address the significant projected funding gap from 2024/25.

Potential options to develop the budget on a more sustainable basis were presented to the Board in October 2022. The development of future financial plans, on a timely basis and aligned to the Business Strategy, is critical to the Board demonstrating and achieving financial sustainability.

## Definition

Our wider scope audit involves consideration of the Board's arrangements as they relate to financial sustainability. We have used the following grading to provide an overall assessment of the arrangements in place.



# Introduction



We carried out our audit in accordance with Audit Scotland's  
Code of Audit Practice and maintained auditor independence

.....

## Scope

1. This report summarises the findings from our 2021/22 audit of the Lothian Valuation Joint Board (“the Board”).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Board at the outset of our audit. The core elements of our work include:
  - an audit of the 2021/22 annual accounts and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
  - any other work requested by Audit Scotland.

### Exhibit 1: Audit dimensions within the Code of Audit Practice



## Responsibilities

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 in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit 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 do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
5. This is the final year of our audit appointment under the current audit arrangements. We would like to thank all management and staff at both the Board and City of Edinburgh Council for their co-operation and assistance during our appointment period.

## Auditor 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 complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remain independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

## Openness and transparency

11. This report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

9. 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

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.

# Annual accounts audit

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.

## Overall conclusion

12. The annual accounts are due to be considered by the Board on 24 October 2022. Our independent auditor's report is unqualified.

### Administrative processes

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

## Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Board's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Board.</p>	<p>We reviewed the financial forecasts for 2022/23. 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.</p> <p>Our audit opinion is unqualified in this respect.</p>



Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission on:</p> <ul style="list-style-type: none"> <li>• Management Commentary</li> <li>• Annual Governance Statement</li> <li>• Remuneration Report</li> </ul>	<p>We plan and perform audit procedures to gain assurance that the Management Commentary, Annual Governance Statement and the audited part of the Remuneration Report are prepared in accordance with;</p> <ul style="list-style-type: none"> <li>• statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary);</li> <li>• the Delivering Good Governance in Local Government: Framework (Annual Governance Statement); and</li> <li>• The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report).</li> </ul>	<p>We have concluded that:</p> <ul style="list-style-type: none"> <li>• the management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.</li> <li>• 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 framework.</li> <li>• the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.</li> </ul>
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept; or</li> <li>• the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>	<p>We have no matters to report.</p>

## An overview of the scope of our audit

14. The scope of our audit was detailed in our External Audit Plan, which was presented to the Board in April 2022. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
15. 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.
16. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.
18. The significant risk areas 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 financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described below.

## Significant risk areas

17. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

## Significant risk areas

### 1. Management override

#### Significant risk description

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the 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*.

#### How the scope of our audit responded to the significant risk

##### Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

##### Audit procedures

- Review of the Board's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

#### Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## Significant risk areas

### 2. Revenue recognition

#### Significant risk description

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 Partnership could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

#### How the scope of our audit responded to the significant risk

##### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present in requisitions received from the constituent local authorities due to a lack of incentive and opportunity to manipulate transactions.

##### Audit procedures

- Evaluate the significant income streams and review the controls in place over accounting for revenue.
- Consideration of the Board's key areas of income and obtain evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

#### Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for requisitions from constituent local authorities. Our conclusion remained the same throughout the audit.

Based on the work performed, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that it is fairly stated in the financial statements.

## Significant risk areas

### 3. Expenditure recognition

#### Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

#### How the scope of our audit responded to the significant risk

##### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.

##### Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of the Board's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

#### Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

## Significant risk areas

### 4. Pension assumptions (significant accounting estimate)

#### Significant risk description

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 data 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.

#### How the scope of our audit responded to the significant risk

##### Key judgements

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability.

##### Audit procedures

- Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.
- Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.
- Agree the disclosures in the financial statements to information provided by the actuary.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

#### Key observations

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.

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.

## Other risk factors

### Impact of COVID-19 on the annual accounts

19. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential

areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
Access to audit evidence	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.	<p>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.</p> <p>We stayed in close contact with Board and City of Edinburgh Council colleagues to ensure all relevant issues were satisfactorily addressed.</p>

## Estimates and judgements

20. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
21. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to pension assumptions, depreciation

and accruals. Other than pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the audit and concluded that our assessment remained appropriate.

22. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

## Estimates and judgements

### Pension assumptions

Balanced

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience.

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.

We reviewed the reasonableness of the 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.

The Board has disclosed in its financial statements a sensitivity analysis to help users of the financial statements understand the judgements management have made about the sources of estimation uncertainty.

## Materiality

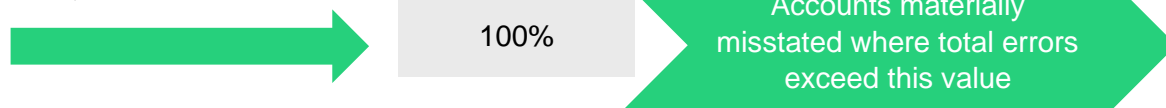
23. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
24. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Board and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.
25. Our initial assessment of materiality for the Board's financial statements was £110,000. On receipt of the unaudited annual accounts, we reassessed materiality and updated it to £102,000. We consider that our updated assessment has remained appropriate throughout our audit.



## Materiality

### Overall materiality

£102,000



### Performance materiality

£76,500



### Trivial threshold

£5,100



### 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 financial performance.

Our assessment of materiality equates to approximately 1.5% of the Board's gross expenditure as disclosed in the 2021/22 unaudited annual accounts.

In performing our audit we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.

### Performance materiality

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.

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.

### Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

## Audit differences

26. One adjustment was made to the unaudited annual accounts. In line with previous years, a revised actuarial report was received following the publication of the unaudited annual accounts. The audited accounts reflect the revised actuarial report. The overall impact on the financial statements was a reduction in the reported net pension asset of £272,000.
27. We also identified some disclosure or presentational adjustments during our audit, which have been reflected in the final set of accounts.

## Internal controls

28. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	<b>Satisfactory</b>	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	<b>Satisfactory</b>	The supporting schedules received during the course of the fieldwork were of a good standard and sufficient for our audit purposes.
Responses to audit queries	<b>Satisfactory</b>	Management and City of Edinburgh Council responses to our audit queries were appropriate and received on a timely basis.

## Other communications

### Accounting policies, presentation and disclosures

29. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.
30. The accounting policies, which are disclosed in the financial statements, are considered appropriate.
31. There are no significant financial statements 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.

32. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

#### Fraud and suspected fraud

33. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.
34. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

#### Non-compliance with laws and regulations

35. As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

#### The Local Authority Accounts (Scotland) Regulations 2014

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

#### Written representations

38. We will present a letter of representation to the Treasurer to sign at the same time as the annual accounts are approved.

#### Related parties

39. We are not aware of any related party transactions which have not been disclosed.

#### Confirmations from third parties

40. All requested third party confirmations in respect of bank and legal confirmations have been received.

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<sup>1</sup> 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.

## Wider scope

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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

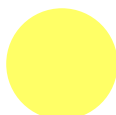


### Governance Statement

We are satisfied that the Annual Governance Statement for the year to 31 March 2022 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 internal control systems throughout the year.

### Auditor judgement



Risks exist to achievement of operational objectives



### Financial Sustainability

The future financial challenges faced by the Board are significant. The Board's revised revenue budget for 2022/23 and indicative budget estimates for the subsequent four years (to 2026/27) show a balanced financial position, utilising general fund reserves, for the first two years with an indicative funding shortfall from 2024/25.

The application of reserves to support service delivery offers a potential short-term solution for 2023/23, it does not achieve a sustainable financial plan to address the significant projected funding gap from 2024/25.

Potential options to develop the budget on a more sustainable basis were presented to the Board in October 2022. The development of future financial plans, on a timely basis and aligned to the Business Strategy, is critical to the Board demonstrating and achieving financial sustainability.

## Our approach to the wider scope audit

41. Our approach to the wider scope audit (as set out in our 2021/22 External Audit Plan) builds on our understanding of the Board which we developed from previous years, along with discussions with management and City of Edinburgh Council staff, review of minutes and key strategy documents.



### 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.**

42. We are satisfied that the Annual Governance Statement for the year to 31 March 2022 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
43. From our audit work we have 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.
44. 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.

45. The Board's internal audit service is provided by City of Edinburgh Council's internal audit function. 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.

### Governance arrangements

46. Governance arrangements continued as normal throughout 2021/22, with Board meetings held remotely.
47. The accounting and internal control system continued to operate effectively during remote working, with no significant changes in controls.
48. The Board received and considered all standing items in 2021/22 including regular budget monitoring reports, performance information and updates on ongoing activity.
49. We are satisfied that the Board received sufficient and timely information throughout the year to support effective scrutiny, challenge and decision making.
50. The Assessor and Electoral Registration Officer retired from the Board in October 2022; prior to the approval of the 2021/22 annual accounts. An "acting up" Assistant Assessor has been appointed (Michael Wilkie) from 1 November 2022 to 16 July 2023.
51. Suitable handover arrangements were in place to ensure a smooth transition between Assessors in 2021/22 to enable the Assistant Assessor to sign the annual accounts.

### Scottish Local Government Elections

52. The local government elections in May 2022 resulted in changes to the Board's membership. Board members

received induction training at the Board meeting in September 2022.



## 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

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

### Financial sustainability

In February 2022 the Board approved its revenue budget for 2022/23 and indicative budget estimates for the subsequent four years (to 2026/27). The indicative financial plan 2023/24 to 2026/27 identifies that, without an increase in council requisition and/or delivery of sustainable savings, a funding shortfall of £0.513million is forecast from 2023/24. This increases to £1.038million by 2026/27, before any drawdown from the Board's unallocated General Fund Reserve which is set at £0.869million across the five year period.

The Board faces increasing cost pressures, particularly around employee costs which comprise c.74% of the Board's expenditure.

The Financial Plan assumes that there will be no increase in council requisition until at least 2026/27. The last increase in council requisition was in 2009/10, with the approved 2021/22 annual budget marking over a decade without increase in requisitions.

The Board has committed to developing a comprehensive and sustainable medium term strategic plan to address the significant projected funding gaps.

*Noted in the 2021/22 External Audit Plan*

54. Our detailed findings on the Board's financial framework for achieving medium term financial sustainability are set out below.

## Financial plans

55. The Board's revised revenue budget for 2022/23 and indicative budget estimates for the subsequent four years (to 2026/27) show a balanced

financial position, utilising general fund reserves, for the first two years with an indicative funding shortfall from 2024/25.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Core expenditure and IER	6,148	6,561	6,744	6,915	7,089
Council requisitions	(5,847)	(5,847)	(5,847)	(5,847)	(5,847)
<b>Net expenditure</b>	<b>301</b>	<b>714</b>	<b>897</b>	<b>1,068</b>	<b>1,242</b>
Opening balance on unearmarked General Fund	1,122	821	107	-	-
Use of IER grant reserves	(80)	-	-	-	-
General reserve drawdown - core	(221)	(714)	(107)	-	-
<b>Total unearmarked balance on General Fund at 31 March</b>	<b>821</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net shortfall</b>	<b>-</b>	<b>-</b>	<b>790</b>	<b>1,068</b>	<b>1,242</b>
<b>Total General Reserves</b>					
Unearmarked balance	821	107	(790)	(1,858)	(3,100)
Earmarked for future costs of NDR Reform	148	-	-	-	-
Approved Minimum Reserve Balance (3%)	180	180	180	180	180
<b>Total General Fund Reserves at 31 March</b>	<b>1,149</b>	<b>287</b>	<b>(610)</b>	<b>(1,678)</b>	<b>(2,920)</b>

Source: Revenue Budget 2022 - 2027 (October 2022)



56. Key assumptions in the 2022/23 budget and indicative financial plans include;
    - Pay awards of 3% each year from 2023/24 and a reduction of 1.25% in employers National Insurance contributions;
    - No employee turnover savings from 2023/24;
    - An increase in office rental costs and forecast increase in the rates liability following Revaluation.
  57. The Financial Plan assumes there will be no change in council requisitions. Increasing cost pressures will instead be met through utilisation of reserves. The Board's approved reserve policy is to maintain a minimum general fund reserve level of 3% of annual requisition (£180,000). The Board will fall below its approved reserve level in 2024/25.
  58. The challenges faced by the Board are significant. The Business Strategy 2020/21 – 2022/23, considered by the Board in November 2019, recognised that a three year strategic plan was required to address:
    - Projected funding gaps;
    - The ongoing expectation that financial sustainability should be established;
    - The need to meet legislative changes on service delivery.
  59. A key outcome of the Business Strategy was the creation of a medium-term financial forecast to identify funding shortfalls. Four year financial plans are now presented to the Board on an annual basis.
  60. The financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for 2023/23, it does not achieve a sustainable financial plan to address the significant projected funding gap from 2024/25.
  61. Potential options to develop the budget on a more sustainable basis; as presented by the Treasurer to the Board in October 2022, include:
    - Development of the Board's Transformation Programme to create sustainable employee cost savings in future years;
    - A review of all non-employee costs, to identify potential savings;
    - Discussion with constituent councils regarding future years' requisition.
  62. The development of future financial plans, on a timely basis and aligned to the Business Strategy, is critical to the Board demonstrating and achieving financial sustainability.
- ### Financial performance in 2021/22
63. The Comprehensive Income and Expenditure Statement for 2021/22 shows that the Board spent £6.808million on the delivery of services, resulting in an accounting deficit of £711,000.
  64. 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 2021/22 Code),

and which are subsequently adjusted to show their impact on reserves.

65. Taking account of these adjustments, the Board reported a surplus of £218,000 increasing general fund reserves to £1.450million.
66. At the outset (February 2021) the Board approved a balanced revenue budget. The actual outturn position (a net underspend of £320,000 against core expenditure) is primarily a result of underspends (including filling of vacant posts, reduced property and travel costs due to the pandemic) offset with additional costs associated with elections. After drawing down £102,000 to meet costs of Individual Electoral Registration, a contribution of £218,000 was made to the Board's Reserves. Of this, unspent Non-Domestic Rates Reform funding of £148,000 was transferred to an earmarked balance.

# Appendices



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## Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of the Board and the auditor and are detailed below.

### Board responsibilities

The Board is required to make arrangements for the proper administration of 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).

Area	Board responsibilities
<b>Corporate governance</b>	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of its 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>
<b>Financial statements.</b>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"><li>• preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li><li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures;</li><li>• maintaining proper accounting records; and</li><li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the Board.</li></ul> <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate</p>

Area	Board responsibilities
	<p>disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</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 its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<b>Standards of conduct for prevention and detection of fraud and error</b>	<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.</p>
<b>Financial position</b>	<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"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<b>Best value</b>	<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>

## Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the 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; and
- demonstrate compliance with the wider scope of public 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.

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

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The total fees charged to the Board for the provision of services in 2021/22 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of Lothian Valuation Joint Board (Auditor remuneration)	7,160	6,620
<b>Total audit</b>	<b>7,160</b>	<b>6,620</b>
Non-audit services	-	-
<b>Total fees</b>	<b>7,160</b>	<b>6,620</b>

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to the Board.

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the Board since appointment can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

## Appendix 2: Audit differences identified during the audit

### Adjusted audit differences

No	Detail	Assets Dr / (Cr) £'000	Liabilities Dr / (Cr) £'000	Reserves Dr / (Cr) £'000	CIES Dr / (Cr) £'000
1.	Revision of pension figures following receipt of revised actuarial report	(272)	-	-	272
Net impact of adjustments					272
Total reserves per the unaudited annual accounts					3,314
Total reserves per the audited annual accounts					3,042

### Uncorrected misstatements

We did not identify any uncorrected misstatements during our audit of the annual accounts.



## Appendix 3: Follow up of prior year recommendations

We have followed up on progress in implementing the outstanding actions raised in prior years.

### Payroll reconciliations

**Recommendation** The Board should undertake a year-end reconciliation of employee expenditure per the nominal ledger to the payroll system.

**Rating**

**Other deficiency**

**Implementation date:**

March 2022

**Complete**

Reconciliations now performed.

### Review of the Board's Business Strategy

**Recommendation** The Board should carry out a review of its Business Strategy to ensure it remains appropriate and applicable. The review should consider any lessons learned as a result of the pandemic. Any updates to the strategy should be reflected in the medium term financial plans.

**Rating**

**Other observation**

**Implementation date:**

March 2022

**Ongoing**

Following the change in the Board's Senior Management Team in Summer 2022, the new Interim Assessor will progress a review and update of the Business Strategy, recognising the importance of the Strategy in the current economic climate

## Financial forecasts

**Recommendation** We 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.

Rating	Other observation	Implementation date:
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1 February 2021

<b>Ongoing</b>	An update of the indicative Financial Plan was reported to the Board on 7 February 2022. A further update is reported to the Board on 24 October 2022. Given ongoing financial and economic developments, a further update will be prepared for the Board meeting of 30 January 2023, when a budget for 2023/24 will be presented for approval. The Financial Plan will then continue to be updated and reported to the Board, as material changes occur.
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