

10.00am, Monday 18th September 2023

**Audited Annual Accounts for the Year Ended
31st March 2023**

1. Recommendations

The Board is recommended to:

- 1.1 note the Audited Annual Accounts for the year ended 31st March 2023;
- 1.2 authorise the Annual Accounts 2022/23 for signature.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

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

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Audited Annual Accounts for the Year Ended 31st March 2023

2. Executive Summary

- 2.1 This report presents the audited Annual Accounts for the year ended 31st March 2023 and recommends approval for signature.

3. Background

- 3.1 The Audited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- 3.2 The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to aim to approve the annual accounts for signature no later than 30 September 2023.

4. Main Report

- 4.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its meeting on 12th June 2023.
- 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 of the state of affairs of Lothian Valuation Joint Board as at 31 March 2023 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 2022/23 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 46 to 48 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 2023 and its income and expenditure for the year then ended.
- 4.5 An adjustment of £6.250m was made to the unaudited annual accounts to reduce the net pension asset to zero, following receipt of a revised actuarial report, which reflected fund performance to 31st March 2023 and minimum future funding obligations.

Reserves

- 4.6 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 2023 is £1.295m.
- 4.6.1 £0.311m is earmarked for future costs of NDR Reform;
- 4.6.2 the non-earmarked reserve balance is £0.984m. This balance includes the minimum reserve balance of £0.180m noted above.
- 4.7 Reserve balances will be reviewed when the Board is presented for approval a revenue budget for 2024/25, on 5th February 2024.

5. Background reading/external references

None

6. Appendices

- 6.1 Appendix 1 - Audited Annual Accounts for the Year Ended 31st March 2023



LOTHIAN VALUATION JOINT BOARD

ELECTORAL REGISTRATION, VALUATION & COUNCIL TAX WITHIN LOTHIAN

Annual Accounts for the year to 31st March 2023

COUNCIL TAX

ELECTORAL REGISTRATION

VALUATION

Lothian Valuation Joint Board

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EDINBURGH
EH12 9FL

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

LOTHIAN VALUATION JOINT BOARD

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LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

Strategic Report

1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2023. 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 Lothian 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 61.36% to The City of Edinburgh Council, 9.08% to Midlothian Council, 10.99% to East Lothian Council, and 18.57% 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, an 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 and Cultural Change Programme (TCCP), has been rebranded as the Continual Improvement Programme (CIP). Longer term budget strategy proposals were drafted and reviewed by the Board on 12th June. Organisational and procedural change to adapt to the reduction of staffing resource continues. 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. 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. Work on delivering a new system to deal with non-domestic proposals is well underway. 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 2022/23

5.1 Financial Performance

The Board reported expenditure of £6.376m for 2022/23. This required a net drawdown of £0.155m from the Board's Reserves. Additional employee expenditure of £0.132m was incurred due to the cost of the COSLA pay award for 2022/23. A reduced level of employee turnover was partially offset by reduced National Insurance costs. The Board retains a General reserve of £1.295m. Included in this balance is (i) £0.180m retained to meet the Board's commitment to a minimum level of Reserve of 3% and (ii) a balance of £0.311m for future NDR Reform costs, with the remainder of the Board's Reserve retained to support costs of the Continual Improvement Programme in future years. 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 2022/23 (Contd.)

The outturn position is summarised below:

	Core Expenditure, Individual Electoral Registration (IER)			NDR Reform			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000
• Employees	4,408	4,624	216	353	192	(161)	4,761	4,816	55
• Property	611	498	(113)	0	0	0	611	498	(113)
• Transport and Plant	51	51	0	0	0	0	51	51	0
• Supplies and Services	704	809	105	21	99	78	725	908	183
• Third Party Payments	140	129	(11)	0	0	0	140	129	(11)
• Support services	67	69	2	0	0	0	67	69	2
Total gross expenditure	5,981	6,180	199	374	291	(83)	6,355	6,471	116
• Sales, fees & charges	(42)	(36)	6	0	0	0	(42)	(36)	6
• Other grants and contributions	0	(20)	(20)	0	0	0	0	(20)	(20)
• IORB	(3)	(39)	(36)	0	0	0	(3)	(39)	(36)
Total income	(45)	(95)	(50)	0	0	0	(45)	(95)	(50)
Net Expenditure	5,936	6,085	149	374	291	(83)	6,310	6,376	66
• Council Requisition	(5,847)	(5,847)	0	(374)	(374)	0	(6,221)	(6,221)	0
Reserve Drawdown	(89)	(238)	(149)	0	83	83	(89)	(155)	(66)

The principal reasons for budget variances are noted below:

• <u>Employees</u>	£'000
- COSLA pay award for 2022	132
- reduced level of employee turnover	130
- underspend on NDR Reform	(161)
- reduction in employers National Insurance costs	(20)
- other employee costs	(26)
	55
• <u>Property</u>	
A realignment of budget heads was undertaken in 2022-23 for an upward rent review of £47,000 and an increase in Non-Domestic Rates, following Revaluation. As Revaluation does not take effect until 2023/24, there is a budget underspend on property costs in 2022-23.	(113)
• <u>Supplies and Services</u>	
The variance includes additional postage costs of £86,000 to deliver the 2022 Council Election, ICT expenditure of £78,000 for NDR Reform and costs of £20,000 to support delivery of the requirements of the Elections Act 2022, which was funded by Government grant (see below).	183
• <u>Third Party Payments and Support Services</u>	
The variance reflects reduced costs for the Valuation Appeals Committee during 2022-23.	(9)
• <u>Income</u>	
The variance includes Government grant funding of £20,000 to support delivery of the requirements of the Elections Act 2022 and additional interest of £36,000 earned on the Board's revenue balances. This reflects the increase in interest rates experienced during 2022-23.	(50)
• <u>Reserve Drawdown</u>	
As the COSLA pay award for 2022-23 was higher than the budget provision of 3%, the additional cost of £132,000 has been met by draw down from the Board's unallocated General Reserve. Individual Electoral Registration costs of £89,000 and other Core budget costs of £17,000 were met by draw down from the Unallocated General Reserve. As costs of NDR Reform were £83,000 less than budget, the underspend has been transferred to General Reserves, resulting in a net Reserve draw down of £155,000	(66)
Total net expenditure	0

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 2023 is £1.295m. £0.311m is earmarked for future costs of NDR Reform. The non-earmarked usable reserve balance is £0.984m.

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

5. Review of the Lothian Valuation Joint Board performance 2022/23 (Contd.)

5.2 Overview of performance targets in 2022/23

During 2022/23, the residual impact of the COVID-19 pandemic and the significant resources allocated to the preparation for the 2023 Revaluation with a one year tone date, influenced the Board's performance, as defined by its Key Performance Indicators. The principal of these show that 86.26% (87.51% 2021/22; 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 35.47% (55.94% 21/22; 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 2022/23, 6,326 new houses were added to the Council Tax list while 2,064 amendments were made to the Valuation Roll. Following the 2017 Revaluation 13,000 appeals were lodged against rateable values appearing in the new Roll. As of 15th May 2023, 99.42% of these appeals had been dealt with. The statutory deadline for disposal of all appeals is 31st December 2023. The outstanding appeals have been referred to the Lands Tribunal.

The Electoral Register was maintained throughout 2022 (new register published December 2022) with 79,800 electors added and 77,152 deleted. The 2022 household canvass, which was based on the new canvass model, achieved a return rate of 88% (87.43% 2021; 85.61% 2020; 74.2% 2019; 75% 2018; 74% 2017; 70% 2016).

The electorate statistics at 2 May 2023 present a snapshot. There were 711,066 (includes attainers) persons on the electoral roll. (27th April 2022 708,315 ;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), now rebranded as the CIP, continued through 2022/23 with several key operational objectives coming online. Focus was on bringing in structural change to deal with the perceived "top heaviness" of upper management and deal with an apparent disconnect between staff and their managers. It is intended to improve the load balancing of allocation of technical work by removing distribution by geographic area and by bringing in a more agile working model where staff resource is task driven.

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 must be considered with other inescapable financial costs, including possible increases in utility costs for the Board's premises at South Gyle Crescent, the potential impact of the introduction of the workplace parking levy and unavoidable employee costs 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.

The transfer of the Valuation Appeal Committee (VAC) to the Scottish Court and Tribunal Service (SCTS) took place on 1st April 2023. All relevant proposals and appeals data for all council tax and non-domestic proposals and appeals have been provided to the SCTS to allow them to start the citation process.

In Electoral Registration, procedures have been brought in to issue Voter Authority Certificates to allow electors to vote who do not possess photo ID that is now required to vote at UK parliamentary elections. There is confidence that the Board will be able to issue these "at scale" in the busy pre-election period.

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. The long standing five yearly process of revaluation has been 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 to meet this new statutory requirement. The first phase of the new three yearly cycle has been delivered, with the valuation roll going live on the first of April 2023. The appeal disposal timetable for the 2017 Revaluation still remains at 31st December 2023. Excellent progress has been made in getting COVID appeals withdrawn. Of the 17,000 originally lodged within Lothian, 10,300 have now been withdrawn, leaving 6,700 remaining. Though to be welcomed, these 6,700 appeals still require to be programmed. Corresponding internal timetables and associated planning have been reviewed to reflect these changes.

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.

LOTHIAN VALUATION JOINT BOARD

MANAGEMENT COMMENTARY

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

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 Individual Electoral Registration (IER). The first three 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.

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, to members of the Board, out with 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.

Assessor and Electoral Registration Officer: _____ **Date:** _____
Michael Wilkie

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

Convener: _____ **Date:** _____
Tom Conn

LOTHIAN VALUATION JOINT BOARD

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required:

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

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 18th September 2023.

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 2023, and its income and expenditure for the year ended 31st March 2023.

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
	General Fund Balance		
	£'000	£'000	£'000
2021/22 - Previous Year Comparative			
Opening Balances at 1 April 2021	(1,232)	7,851	6,619
Movement in reserves during 2021/22			
(Surplus) or deficit on provision of services	711	0	711
Other Comprehensive Expenditure and Income	0	(10,373)	(10,373)
Total Comprehensive Income and Expenditure	711	(10,373)	(9,662)
Adjustments between accounting basis & funding basis under regulations (Note 7.2)	(930)	930	0
Net (increase)/decrease before transfers to Other Statutory Reserves	(218)	(9,443)	(9,662)
(Increase)/Decrease in 2021/22	(218)	(9,443)	(9,662)
Balance at 31 March 2022 carried forward	(1,450)	(1,592)	(3,042)

	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
2022/23 - Current Financial Year			
Opening Balances at 1 April 2022	(1,450)	(1,592)	(3,042)
Movement in reserves during 2022/23			
(Surplus) or deficit on provision of services	974	0	974
Other Comprehensive Expenditure and Income	0	698	698
Total Comprehensive Income and Expenditure	974	698	1,672
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(819)	819	0
Net (increase)/decrease before transfers to Other Statutory Reserves	155	1,517	1,672
(Increase)/Decrease in 2022/23	155	1,517	1,672
Balance at 31 March 2023 carried forward	(1,295)	(75)	(1,370)

General Fund analysed over:	£'000
Amounts earmarked	(311)
Amounts uncommitted	(984)
Total General Fund Balance at 31 March 2023	(1,295)

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.

2021/22				2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,808	(33)	6,775	Assessor's Services - Non-Domestic Lands Valuation, Council Tax Valuation and Registration of Electors	7,319	(37)	7,282
6,808	(33)	6,775	Cost Of Services	7,319	(37)	7,282
			Financing and Investment Income:			
0	(2)	(2)	Interest & Investment income (Note 10.5)	0	(39)	(39)
1,419	0	1,419	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,834	0	1,834
0	(1,251)	(1,251)	Interest Income on Pension Assets (Note 21.4)	0	(1,862)	(1,862)
1,419	(1,253)	166	Total Financing and Investment Income	1,834	(1,901)	(67)
			Non-Specific Grant Income:			
0	(6,230)	(6,230)	Constituent council requisitions (Note 25)	0	(6,221)	(6,221)
0	0	0	Taxation and Non-Specific Grant Income (Note 26)	0	(20)	(20)
0	(6,230)	(6,230)	Total Non-Specific Grant Income	0	(6,241)	(6,241)
8,227	(7,516)	711	(Surplus) or Deficit on Provision of Services (Note 2)	9,153	(8,179)	974
			Other Comprehensive Income and Expenditure:			
0	(4,513)	(4,513)	Change in Financial Assumptions (Note 21.5)	0	(1,929)	(1,929)
0	(425)	(425)	Change in Demographic Assumptions (Note 21.5)	0	(519)	(519)
103	0	103	Other Experience (Note 21.4 & 21.5)	2,785	0	2,785
0	(5,538)	(5,538)	Return on pension assets excl. amounts included in net int. (Note 21.4)	361	0	361
8,330	(17,992)	(9,662)	Total Comprehensive Income and Expenditure	12,299	(10,627)	1,672

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 2022 £'000		Notes	31 March 2023 £'000
310	Property, plant and equipment	8.1	3,056
39	Intangible assets	9	55
56	Long-term debtors	23	51
1,410	Other long-term assets (Pensions)	21.3	0
1,815	Long term assets		3,162
130	Short-term debtors	11	113
1,782	Cash and cash equivalents	12	1,618
1,912	Current assets		1,731
(335)	Short-term creditors	13	(892)
(335)	Current liabilities		(892)
0	Other long-term liabilities - property lease	22	(2,317)
(350)	Other long-term liabilities	24	(315)
(350)	Long-term liabilities		(2,632)
3,042	Net assets/(liabilities)		1,370
(1,450)	Usable reserves	14	(1,295)
(1,592)	Unusable reserves	14	(75)
(3,042)	Total reserves		(1,370)

The unaudited Annual Accounts were authorised for issue by the Treasurer on 7th June 2023
The audited Annual Accounts were authorised for issue on 18th September 2023

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 2022 £'000	31 March 2022 £'000		31 March 2023 £'000	31 March 2023 £'000
OPERATING ACTIVITIES				
(33)		Cash received for goods and services	(42)	
0		Government grants	(20)	
0		Other local authorities	0	
(2)		Interest received	(39)	
(6,230)		Other operating cash receipts	(6,221)	
	(6,265)	Cash inflows generated from operating activities		(6,323)
4,612		Cash paid to and on behalf of employees	4,809	
1,559		Cash paid to suppliers of goods and services	1,624	
	6,170	Cash outflows generated from operating activities		6,433
	(94)	Net cash flows from operating activities (Note 15.1)		110
INVESTING ACTIVITIES				
62		Purchase of property, plant and equipment and intangible assets.	54	
	62	Net cash flows from investing activities		54
	(32)	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		164
1st April £'000	1st April £'000		1st April £'000	1st April £'000
1,750		Cash and cash equivalents	1,782	
	1,750			1,782
31st March			31st March	
1,782		Cash and cash equivalents	1,618	
	1,782			1,618
	(32)	Net (increase)/decrease in cash and cash equivalents (Note 15.2)		164

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 General

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

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

1.2 Accruals of Expenditure and Income

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

1.3 Cash and Cash Equivalents

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

1.4 Changes in Accounting Policies, Estimates and Errors

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

1.5 Revenue Expenditure

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

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

All revenue expenditure is accounted for on an accruals basis.

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

1.6 Capital Expenditure

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

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.7 Short Term Debtors and Short Term Creditors

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

1.8 Value Added Tax

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

1.9 Non-Current Assets

a) Intangible Assets

Recognition:

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

Amortisation:

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

Measurement:

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

b) Property, Plant and Equipment

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

- Leasehold improvements;
- Vehicles, plant, furniture and equipment
- Property lease - Right of Use asset;

The Board has adopted International Financial Reporting Standard 16 (IFRS16) with effect from 1st April 2022. This results in recognition of a right-of-use asset and related lease liability for the Board's property lease of 17a South Gyle Crescent, Edinburgh. The lease was previously accounted for as an operating lease. Under the provisions for adoption, there is not a requirement to restate the prior year figure.

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 asset's remaining useful life;

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.9 Non-Current Assets (Contd.)

b) Property, Plant and Equipment (Contd.)

Depreciation (Contd.):

- Non-current assets are depreciated as follows:

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

1.12 Leases

Leases for Right of Use assets are classified as finance leases where the terms of the lease are consistent with International Financial Reporting Standard 16 (IFRS16). All other leases are classified as operating leases.

A weighted average incremental borrowing rate of 0.95% has been applied to lease liabilities as at 1 April 2022."

a) Finance Leases

Leased-in assets

The Board has identified one leased-in property asset that falls within the definition of a finance lease.

The lease is recognised as a Right of Use asset on the Balance Sheet. Depreciation and an Interest expense is charged to the Comprehensive Income and Expenditure statement over the life of the lease.

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 probable 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.)

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 Pension 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/the value of the net pension asset, 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 required to meet short-term compensated absences for employees under IAS19.

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.21 Financial Instruments

a) *Financial Liabilities*

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. As at 31st March 2023, 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 are 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						
2021/22			2022/23			
Net Expend. Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES	Net Expend. Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES	
£000	£000	£000	£000	£000	£000	£000
6,012	763	6,775	Assessor's Services	6,396	886	7,282
6,012	763	6,775	Net Cost of Services	6,396	886	7,282
			Other Income and Expenditure			
(6,230)	0	(6,230)	Constituent council requisitions	(6,221)	0	(6,221)
			Taxation and Non-Specific Grant			
0	0	0	Income	(20)	0	(20)
0	(2)	(2)	Interest and investment income	0	(39)	(39)
0	168	168	Net pension interest cost	0	(28)	(28)
(218)	929	711	(Surplus) or deficit on the provision of services	155	819	974
(1,232)			Opening General Fund Balance (Surplus) / Deficit on the provision of services	(1,450)		
<u>(218)</u>				<u>155</u>		
(1,450)			Closing General Fund Balance at 31 March	(1,295)		

Notes to the Expenditure and Funding Analysis:

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2022/23:

	Adjusts. For Capital Purposes	Net Change for Pensions	Adjusts.	Other Differences	Total Statutory Adjusts.	Presentation Adjusts.	Total Adjusts.
	£000	£000	£000	£000	£000	£000	£000
Assessor's Services	99	740		9	847	39	886
Net Cost of Services	99	740		9	847	39	886
Other Income and Expenditure							
Constituent council requisitions	0	0		0	0	0	0
Interest and investment income	0	0		0	0	(39)	(39)
Net pension interest cost	0	(28)		0	(28)	0	(28)
(Surplus) or deficit on the provision of services	99	712		9	819	0	819

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:

Expenditure	Core Expenditure, Individual		Total £000
	Electoral Registration (IER) £000	NDR Reform £000	
Employee expenses	4,624	192	4,817
Other service expenses	1,487	99	1,586
Support service recharges	69	0	69
Total Expenditure	6,180	291	6,472
Income			
Revenues from external customers	(37)	0	(37)
Income from recharges for services	0	0	0
Interest and investment income	(39)	0	(39)
Total Income	(76)	0	(76)
Net Cost of Services per EFA	6,104	291	6,396

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:

	2021/22	2022/23
Expenditure	£000	£000
Employee expenses	5,204	5,565
Other service expenses	1,457	1,146
Support service recharges	66	69
Depreciation and impairment	81	539
Interest payments	1,419	1,834
Total Expenditure	8,227	9,153
Income		
Fees, charges and other service income	(33)	(37)
Government grants and other contributions	0	(20)
Interest and investment income	(1,253)	(1,901)
Income from constituent Councils	(6,230)	(6,221)
Total Income	(7,516)	(8,179)
(Surplus) or Deficit on the Provision of Services	711	974

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year);
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

CIPFA/LASAAC consider it is likely that, though they lead to improved reporting, the non-IFRS16 items above will not have a significant impact on the amounts anticipated to be reported in the financial statements.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is high degree of uncertainty about future levels of funding for local government. The Board has determined that this uncertainty is not yet sufficient to provide an indication that the Board's assets might be impaired as a result of a need to reduce 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 has allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The funding valuation results are used as the starting point for the accounting roll-forward calculations and therefore an allowance for full GMP indexation is included in the accounting disclosure;
- GMP equalisation – historical transfers (Further Lloyd's ruling) – the Board's actuary has advised this further ruling is unlikely to have a significant impact on the pension obligations of a typical employer. The historic individual member data needed to assess the impact is not readily available. As a result, no allowance has been made for this within the actuary's calculations;
- Local Government Pension Scheme (LGPS) - McCloud and Sargeant cases. Where an allowance was made for the McCloud case in 2021/22, the actuary has made no further adjustment to the 2022/23 Result Schedule. No explicit additional adjustment for the McCloud case has been added to the current service cost for 2022/23 or the projected service cost for 2023/24;
- The Goodwin case judgement in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities. The actuary has carried out analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain but the potential impact has been estimated to be very small. The actuary does not believe it is necessary or appropriate to make an adjustment to account for this at the moment;

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

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 £0.009m 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.)

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%	833
1 year increase in member life expectancy	4%	1,900
0.1% increase in the Salary Increase Rate	0%	107
0.1% increase in the Pension Increase Rate	2%	737

6. EVENTS AFTER THE REPORTING PERIOD

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.

2022/23 - Current Financial Year	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(114)	114	0	0	114
Depreciation of intangible assets	(38)	38	0	0	38
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	54	(54)	0	0	(54)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,536)	0	1,536	0	1,536
Employer's pension contributions and direct payments to pensioners payable in the year	824	0	(824)	0	(824)
Adjustments primarily involving the Employee Statutory Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	0	0	9	9
Total Adjustments	(819)	99	712	9	819

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.

2021/22 - Previous Year Comparative	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	(51)	51	0	0	51
Depreciation of intangible assets	(30)	30	0	0	30
Insertion of items not debited or credited to the CIES					
Capital expenditure charged against General Fund Balance	62	(62)	0	0	(62)
Adjustments primarily involving the Pensions Reserve					
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)
Adjustments primarily involving the Employee Statutory Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	0	0	(3)	(3)
Total Adjustments	(929)	19	913	(3)	929

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

8. PROPERTY PLANT AND EQUIPMENT

Movements on balances:

8.1 <u>Current Year Movements in 2022/23</u>	Right of Use Asset £000's	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
Cost or Valuation				
At 1st April 2022	3,128	432	186	3,746
Impairment	0	0	(14)	(14)
Derecognised assets GBV reversal	0	0	0	0
Additions	0	0	0	0
At 31st March 2023	3,128	432	172	3,732
Accumulated Depreciation				
At 1st April 2022	0	(256)	(53)	(309)
Derecognised assets depreciation reversal	0	0	0	0
Depreciation charge	(321)	(18)	(34)	(373)
Impairment	0	0	6	6
At 31st March 2023	(321)	(274)	(82)	(676)
Net Book Value at 31st March 2023	2,807	158	90	3,056

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

* The Board has adopted International Financial Reporting Standard 16 (IFRS16), effective from 1st April 2022. Under the provisions for adoption, there is not a requirement to restate the prior year figure.

8.3 Depreciation

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

- Right of Use asset (property lease) - 25 years
- Leasehold improvements (buildings) - 25 years
- Vehicles, plant and equipment - 5 years

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

8. PROPERTY PLANT AND EQUIPMENT (Contd.)

8.4 Capital Commitments

There were no capital commitments entered into by the Board as at 31st March 2023.

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:
 - Cohesity Replica Delivered as a Service -Data Retention for capacity
 - Unity - Pro Support 4HR/MC
 - Central Intercept X Advanced Software
 - Basic Support Vmware
 - Central Mobile Advanced Software
- 5 years:
 - FMP HR and Payroll Software Limited - Software

The carrying amount of intangible assets is depreciated on a straight-line basis. Amortisation of £0.038m was charged to the Comprehensive Income and Expenditure during 2022/23.

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

	2021/22	2022/23
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	172	153
• Accumulated amortisation	(132)	(115)
Net carrying amount at start of year	40	39
Additions	29	54
Amortisation for the period	(30)	(38)
Net carrying amount at end of year	39	55
Comprising:		
• Gross carrying amounts	153	207
• Accumulated amortisation	(115)	(153)
	39	55

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	31st March	31st March	31st March
	2022	2023	2022	2023
Financial Liabilities	£'000	£'000	£'000	£'000
Trade creditors	0	0	(335)	(892)
Trade creditors at 31 March 2022 are restated to include a comparator with the position at 31 March 2023.				

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

	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2022	2023	2022	2023
Cash and Cash Equivalents	£'000	£'000	£'000	£'000
Loans and receivables	0	0	1,782	1,618
Debtors				
Trade debtors	0	0	130	113
Trade debtors at 31 March 2022 are restated to include a comparator with the position at 31 March 2023.				

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 2023, 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 2023, 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 2022		31 March 2023	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	(335)	(335)	(892)	(892)
Trade debtors	130	130	113	113
Loans and receivables	1,782	1,782	1,618	1,618

10.5 Income, Expenses, Gains and Losses

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

	Financial Assets measured at amortised cost 31st March 2022 £'000	Financial Assets measured at amortised cost 31st March 2023 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	(2)	(39)

11. SHORT TERM DEBTORS

	2021/22 £'000	2022/23 £'000
Debtors:		
• Trade Receivables	7	0
• Prepayments	123	113
• Other receivable amounts	0	0
	<u>130</u>	<u>113</u>

12. CASH AND CASH EQUIVALENTS

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

	2021/22 £'000	2022/23 £'000
• Cash held by the Board	0	0
• Other local authorities	1,782	1,618
	<u>1,782</u>	<u>1,618</u>

13. SHORT TERM CREDITORS

	2021/22 £'000	2022/23 £'000
Creditors:		
• Trade payables	(54)	(42)
• Other payables	(281)	(305)
• Finance Lease obligations	0	(544)
	<u>(335)</u>	<u>(892)</u>

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		2021/22	2022/23
		£'000	£'000
14.1	General Fund Balance	(1,450)	(1,295)
		<u>(1,450)</u>	<u>(1,295)</u>

<u>UNUSABLE</u>		2021/22	2022/23
		£'000	£'000
14.2	Capital Adjustment Account	(349)	(250)
14.3	Pension Reserve	(1,410)	0
14.4	Accumulated Absence Account	166	175
		<u>(1,592)</u>	<u>(75)</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>	2021/22	2022/23
	£'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)	(218)
2022/23		<u>155</u>
	<u>(1,450)</u>	<u>(1,295)</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.)

	2021/22 £'000	2022/23 £'000
Balance at 1st April	(368)	(349)
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	51	114
• Depreciation of intangible assets	30	38
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in year	(287)	(197)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(62)	(54)
	<hr/>	<hr/>
Balance at 31st March	(349)	(250)

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.

	2021/22 £'000	2022/23 £'000
Balance at 1st April	8,050	(1,410)
Remeasurements of the net defined benefit liability / (asset)	(10,373)	698 *
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.	1,804	1,536
Employer's pension contributions and direct payments to pensioners payable in the year.	(891)	(824)
	<hr/>	<hr/>
Balance at 31st March	(1,410)	0

* International Accounting Standard 19 (IAS19) imposes a limit on the maximum amount of surplus which can be recognised on the balance sheet. The Remeasurement amount reduces the value of the Pension Asset to the maximum restricted amount.

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.

	2021/22 £'000	2021/22 £'000	2022/23 £'000	2022/23 £'000
Balance at 1st April		169		166
Settlement or cancellation of accrual made at the end of the preceding year	(169)		(166)	
Amounts accrued at the end of the current year	166		175	
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		(3)		9
Balance at 31st March		166		175

15 CASH FLOW STATEMENT

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

	2021/22 £'000	2022/23 £'000
Net (increase)/decrease in the General Fund Balance	(218)	155
Exclude accumulated absences	(3)	9
Exclude revenue contribution to capital	(62)	(54)
	(283)	110
(Decrease)/increase in revenue debtors	(15)	(17)
(Decrease)/increase in long term debtors	(6)	(5)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	174	(12)
Revenue activities net cash flow	(94)	110

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

	2021/22 £'000	2022/23 £'000
Due by/(to) the City of Edinburgh Council at 31st March	1,782	1,618
Due by/(to) the City of Edinburgh Council at 1st April	1,750	1,782
(Increase)/decrease in cash	(32)	164

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.

	2021/22	2022/23
	£000's	£000's
Salaries (incl. NI and Pensions)	14	5
Expenses	0	0
Total	14	5

17. EXTERNAL AUDIT COSTS

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

	2021/22	2022/23
	£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 2022/23 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:

	2021/22	2022/23
	£000's	£000's
• The City of Edinburgh Council:		
Rates	117	119
Rent	305	399
Central support costs	67	69
Interest on revenue balances	(2)	(39)
Constituent council contribution	(3,833)	(3,817)
Trade Waste/Ground Maintenance	4	5
Due from City of Edinburgh Council	1,782	1,618
Long term debtor - lease of office	56	51
Convener's remuneration	6	5

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

18. RELATED PARTIES (Contd.)

18.3 Other Parties (Contd.)

	2021/22 £000's	2022/23 £000's
<ul style="list-style-type: none">• Midlothian Council		
Constituent council contribution	(571)	(565)
<ul style="list-style-type: none">• East Lothian Council		
Constituent council contribution	(671)	(684)
<ul style="list-style-type: none">• West Lothian Council		
Constituent council contribution	(1,155)	(1,155)
Vice Convener remuneration	4	1
<ul style="list-style-type: none">• Clackmannanshire Council• Fife Council• Glasgow City Council• Renfrewshire Council• Convention of Scottish Local Authorities• Registers of Scotland• Scottish Court Service	29 2 8 2 2 2 0	46 0 2 1 0 2 0

19. TERMINATION BENEFITS

No employees left during 2022/23 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.

	2021/22 £000's	2022/23 £000's
Opening Capital Financing Requirement	0	0
Capital investment		
<ul style="list-style-type: none">• Property, Plant and Equipment• Intangible assets	33 29	0 54
Sources of finance		
<ul style="list-style-type: none">• Direct revenue contributions	(62)	(54)
Closing Capital Financing Requirement	0	0

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:

	2021/22	2021/22	2022/23	2022/23
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services, comprising:				
Current service costs	1,636		1,564	
Past service costs	<u>0</u>		0	
		1,636		1,564
Financing and investment income:				
Net interest expense		<u>168</u>		<u>(28)</u>
Total post employee benefit charged to the surplus on the provision of services		1,804		1,536
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Remeasurement of the net defined liability, comprising:				
Return on pension assets, excluding the amount incl. in the net interest expense above.	(5,538)		361	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(4,938)		(25,255)	
Restriction in Pension Asset	0		22,807	
Other experience	<u>103</u>		<u>2,785</u>	
		<u>(10,373)</u>		<u>698</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(8,569)</u>		<u>2,234</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>9,460</u>		<u>(1,410)</u>
Actual amount charged against the General Fund				
Balance for pensions in the year:				
Employer's contributions payable to the scheme		807		746
Contributions in respect of unfunded benefits		<u>84</u>		<u>78</u>
		<u>891</u>		<u>824</u>

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:

	2021/22	2022/23
	£000	£000
Fair value of employer assets	69,216	70,306
Restriction in Pension Asset *	0	(22,807)
Present value of funded liabilities	(66,111)	(46,222)
Present value of unfunded liabilities	(1,695)	(1,277)
Net asset arising from defined benefit obligation	<u>1,410</u>	<u>0</u>

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

	2021/22	2022/23
	£000	£000
Opening fair value of scheme assets	62,734	69,216
Interest income	1,251	1,862
Remeasurement gain / (loss):		
Return on pension assets, excluding the amount included in the net interest expense	5,538	(361)
Contributions from employer	807	746
Contributions from employees into the scheme	213	229
Contributions in respect of unfunded benefits	84	78
Benefits paid	(1,327)	(1,386)
Other Experience	0	0
Unfunded benefits paid	(84)	(78)
Closing fair value of scheme assets	<u>69,216</u>	<u>70,306</u>

21.5 Reconciliation of Present Value of the Scheme Liabilities

	2021/22	2022/23
	£000	£000
Present value of funded liabilities	(68,978)	(66,111)
Present value of unfunded liabilities	(1,806)	(1,695)
Opening balance at 1 April	<u>(70,784)</u>	<u>(67,806)</u>
Current service cost	(1,636)	(1,564)
Interest cost	(1,419)	(1,834)
Contributions from employees into the scheme	(213)	(229)
Remeasurement gain / (loss):		
Change in financial assumptions	4,513	24,736
Change in demographic assumptions	425	519
Other experience	(103)	(2,785)
Past service cost	0	0
Benefits paid	1,327	1,386
Unfunded benefits paid	84	78
Closing balance at 31 March	<u>(67,806)</u>	<u>(47,499)</u>

* International Accounting Standard 19 imposes a limit on the maximum amount of surplus which can be recognised on the balance sheet. This adjustment reduces the value of the Pension Asset to the maximum restricted amount.

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.

	2021/22 £000	2021/22 %	2022/23 £000	2022/23 %
Equity Securities				
Consumer *	8,515.1	12%	8,619.8	12%
Manufacturing *	9,160.4	13%	9,691.4	14%
Energy and Utilities *	3,821.1	6%	4,241.1	6%
Financial Institutions *	3,989.2	6%	4,229.3	6%
Health and Care *	4,794.6	7%	5,164.3	7%
Information Technology *	3,145.1	5%	2,919.9	4%
Other *	5,160.3	7%	4,800.6	7%
Sub-total Equity Securities	38,585.8		39,666.4	
Debt Securities:				
Corporate Bonds (investment grade) *	0.0	0%	0.0	0%
Corporate Bonds (investment grade)	0.0	0%	1,096.5	2%
Corporate Bonds (non-investment grade)	0.0	0%	0.0	0%
UK Government *	6,044.5	9%	8,150.6	12%
Other	1,298.3	2%	1,468.3	2%
Sub-total Debt Securities	7,342.8		10,715.4	
Private Equity				
All	325.5	0%	274.7	0%
Sub-total Private Equity	325.5		274.7	
Real Estate:				
UK Property *	0.0	0%	0.0	0%
UK Property	3,659.1	5%	3,167.1	5%
Overseas Property	19.5	0%	112.9	0%
Sub-total Real Estate	3,678.6		3,280.0	
Investment Funds and Unit Trusts:				
Equities *	1,243.3	2%	990.5	1%
Bonds *	3,241.2	5%	2,035.7	3%
Infrastructure	7,017.8	10%	10,019.8	14%
Sub-total Investment Funds and Unit Trusts	11,502.3		13,046.0	
Derivatives:				
Foreign Exchange *	3.3	0%	3.0	0%
Sub-total Derivatives	3.3		3.0	
Cash and Cash Equivalents				
All *	7,777.7	11%	3,320.5	5%
Sub-total Cash and Cash Equivalents	7,777.7		3,320.5	
Total Fair Value of Employer Assets	69,216.0	100%	70,306.0	100%

Scheme assets marked with an asterisk (*) have quoted prices in current active markets or were in active markets 2022/23.

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 2023 were those from the beginning of the year (i.e. 31 March 2022) and have not been changed during the year. The main assumptions in the calculations are:

<u>Average future life expectancies at age 65:</u>		2021/22	2022/23
Current pensioners	male	20.3 years	19.9 years
Current pensioners	female	23.1 years	22.9 years
Future pensioners	male	21.6 years	21.2 years
Future pensioners	female	25 years	24.7 years
<u>Financial assumptions:</u>		2021/22	2022/23
Pension increase rate		3.20%	2.95%
Salary increase rate		3.70%	3.45%
Discount rate		2.70%	4.75%

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 2023 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 has 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% to 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 2023:</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.1% decrease in Real Discount Rate	2.0%	833
1 year increase in member life expectancy	4.0%	1,900
0.1% increase in the Salary Increase Rate	0.0%	107
0.1% increase in the Pension Increase Rate	2.0%	737

21.8 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2023

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Projected current service cost	0	(721)	(721)	(21.1%)
Total Service Cost	0	(721)	(721)	(21.1%)
Interest income on plan assets	3,328	0	3,328	97.3%
Interest cost on defined benefit obligation	0	(2,242)	(2,242)	(65.5%)
Total Net Interest Cost	3,328	(2,242)	1,086	31.8%
Total included in Profit or Loss	3,328	(2,963)	365	10.7%

The Board's estimated contribution to Lothian Pension Fund for 2023/24 is £0.746m

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

Finance Lease

The Board has a lease of land and buildings, as listed below. Following adoption of IFRS16 for 2022/23, this lease is accounted for as a Finance lease.

17a South Gyle Crescent - offices		
	2021/22	2022/23
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	-	277
• Later than 1 year not later than 5 years	-	965
• Later than 5 years	-	1,352
	<u>0</u>	<u>2,595</u>

Operating Leases

Prior to the adoption of IFRS16 for 2022/23, the Board's lease of land and buildings was accounted for as an operating lease.

The Board has three other operational leases. The leases and 2022/23 costs are : mobile phones/tablet devices (£11,529), a photocopying agreement (£3,077) and a pool vehicle (£2,633).

	2021/22	2022/23
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	305	3
• Later than 1 year not later than 5 years	1,221	-
• Later than 5 years	1,450	-
	<u>2,976</u>	<u>3</u>

Car Leases

The Board operates an employee car leasing scheme. There were three active leases in operation at 31st March 2023. Employees contributed £0.012m during 2022/23 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2021/22	2022/23
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	11	7
• Later than 1 year not later than 5 years	5	3
	<u>16</u>	<u>10</u>

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 9 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2021/22	2022/23
	£000's	£000's
• Cash incentive:		
Balance at 1st April	62	56
Amortised to Comprehensive Income and Expenditure Statement	(6)	(5)
Balance at 31st March	<u>56</u>	<u>51</u>

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

24. OTHER LONG TERM LIABILITIES

The Board relocated to its current office 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.

	2021/22	2022/23
	£000's	£000's
Balance at 1st April	(385)	(350)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(350)</u>	<u>(315)</u>

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	Received	Due (to)/from
	2022/23	2022/23	Councils
	£000's	£000's	2022/23
			£000's
City of Edinburgh Council	3,817	3,817	0
Midlothian Council	565	565	0
East Lothian Council	684	684	0
West Lothian Council	1,155	1,155	0
	<u>6,221</u>	<u>6,221</u>	<u>0</u>

26. TAXATION AND NON-SPECIFIC GRANT INCOME

	2021/22	2022/23
	£000's	£000's
Government Grant - Elections Act 2022	0	(20)
	<u>0</u>	<u>(20)</u>

LOTHIAN VALUATION JOINT BOARD

NOTES TO THE ANNUAL ACCOUNTS

27. 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 2023 amounted to £1.618m (2021/22 £1.782m). No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period, the Board held no collateral as security.

LOTHIAN VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

Lothian Valuation Joint Board (LVJB) has responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and expended to achieve maximum value. LVJB is committed to pursuing continuous improvement in the way in which services are delivered to attain organisational efficiency.

In discharging this responsibility, LVJB has established comprehensive arrangements for the governance of its activities and the operational exercise of its functions, which includes arrangements for the management and oversight of risk.

LVJB acknowledges its duty for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance defined by three 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 service oriented results while making the best use of its resources;
- LVJB operates in 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 are City of Edinburgh Council (CEC) Internal Audit and external auditors, Audit Scotland.

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

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

LOTHIAN VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT (Contd.)

Review of Effectiveness

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

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

- the work of Internal Auditors, based on the delivery of one internal audit review each year, follow-up to confirm effective implementation of previous internal audit findings raised and the status of any open internal audit findings;
- the Assessor's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Board Managers; and
- the External Auditors in their Annual Audit Report.

Throughout the year Elected Members and Officers have responsibility for the development and maintenance of the risk management framework and control and governance environment. These review mechanisms include:

- **The Lothian Valuation Joint Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Board's performance.
- **Internal Audit** provides an independent and objective assurance service to the Board by delivering one audit each year and providing an opinion on the design and operating effectiveness of the key internal controls established to manage the Board's most significant risks.
- the **External Audit** undertaken by Audit Scotland 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 2022/23, which assessed the adequacy of design of the key controls established to support the processing of Non-domestic Business Rate appeals. The Board received a report on the recommendations and the outcome of the audit on 24th April 2023. Internal Audit found that, The design of the controls in place to support the processing of Non-domestic Rate appeals, are effective.

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.)

Risk management, assessment and evaluation continues to be monitored via the Board's 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 & External audits and are incorporated in this Annual Governance Statement.

The Board has now formally adopted a hybrid model of working. Staff were provided with the opportunity to work occasionally, regularly or permanently from home with the necessary health and safety checks being undertaken to support their choice. The model gives staff a healthy work/life balance whilst enabling the organisation to maintain required service levels.

In 2022/23, the Board introduced the Continuous Improvement Programme (CIP - previously known as the Transformation and Cultural Change Programme, TCCP). The CIP will continue to build on the foundations of the transformation to date, seeking to simplify the message behind the drive for change;

“With clear understanding of our ongoing budget challenges, we will adopt a sustainable programme of continual improvement that provides increased cost and operational efficiency across all aspects of our valuation and electoral registration services. By supporting the creation of a positive work environment, delivery of these services will be carried out by investing in a motivated, skilled, and flexible staffing resource.”

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 2023. 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 2022/23, 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.

Assessor and Electoral Registration Officer: Michael Wilkie

Date: _____

Convener of Lothian Valuation Joint Board: Tom Conn

Date: _____

LOTHIAN VALUATION JOINT BOARD

REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2022/23;
- 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

Tables 4 to 9 on pages 43, 44 and 45 in the Remuneration Report have been audited by the Board's external auditor. The other sections in the Remuneration Report have been reviewed by the external auditor to identify material inconsistencies with the financial statements, or is inconsistent with knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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 (LGPS) administered by the Lothian Pension Fund. The LGPS became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

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 2022/23 are as follows:

On earnings up to and including £23,000 (5.5%), on earnings above £23,001 and up to £28,100 (7.25%), on earnings above £28,101 and up to £38,600 (8.5%), on earnings above £38,601 and up to £51,400 (9.5%) and on earnings above £51,400 (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	
	2021/22	2022/23
£50,000 - £54,999	4	4
£55,000 - £59,999	-	5
£60,000 - £64,999	3	-
£65,000 - £69,999	1	2
£70,000 - £74,999	-	2
£75,000 - £79,999	1	1
£80,000 - £84,999	-	-
£85,000 - £89,999	1	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
Totals	11	16

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 2022	Salary, Fees and Allowances 31 March 2023
	£	£
G Elliott-Assessor and ERO (Retired 16 October 2022)	129,600	74,339
M Wilkie-Interim Assessor and ERO (Appointed 17 October 2022)	n/a	107,072
Total	129,600	181,411

LOTHIAN VALUATION JOINT BOARD

REMUNERATION REPORT (Contd.)

6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2022	For year to 31 March 2023
<u>Name and Post Title</u>		£	£
G Elliott-Assessor and ERO (Retired 16 October 2022)		28,253	14,105
M Wilkie-Interim Assessor and ERO (Appointed 17 October 2022)		n/a	24,179
<u>Accrued Pension Benefits</u>		As at 31 March 2023	Difference from 31 March 2022
<u>Name and Post Title</u>		£'000	£'000
G Elliott-Assessor and ERO (Retired 16 October 2022)	Pension	62	1
	Lump sum	107	0
M Wilkie-Interim Assessor and ERO (Appointed 17 October 2022)	Pension	56	n/a
	Lump sum	93	n/a

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 remuneration paid to the Board's Convener and Vice-Convener, excluding NI and Pensions.

<u>Name and Post Title</u>	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2022/23 £	Total Remun. 2021/22 £
D Key-Convener (to 4 May 2022)	474	0	474	4,677
T Conn-Convener (from 13 June 2022)	0	0	0	0
A McGuire-Vice Convener (to 4 May 2022)	582	0	582	3,965
A Beal-Vice Convener (from 13 June 2022)	2,938	0	2,938	0
	<u>3,994</u>	<u>0</u>	<u>3,994</u>	<u>8,642</u>

8. Pension Entitlement of Convener and Vice Convener

<u>In-year pension contributions</u>		For year to 31 March 2022	For year to 31 March 2023 *
<u>Name and Post Title</u>		£	£
D Key-Convener		5,279	4,550
T Conn-Convener		n/a	6,128
A McGuire-Vice Convener		0	6,280 **
A Beal-Vice Convener		n/a	4,679
<u>Accrued Pension Benefits</u>		As at 31 March 2023	Difference from 31 March 2022
<u>Name and Post Title</u>			
D Key-Convener	Pension	5	4
	Lump sum	0	0
T Conn-Convener	Pension	9	n/a
	Lump sum	2	n/a
A McGuire-Vice Convener	Pension	0	n/a
	Lump sum	0	n/a
A Beal-Vice Convener	Pension	0	n/a
	Lump sum	0	n/a

* Calculated using full service cost to 31 March 2023
** Former Vice-Convener (Councillor McGuire) joined the Local Government Pension Scheme on 1 April 2022.

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 2023, 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	
	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	0	0	£0	£0
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000+	0	0	0	0
Totals	0	0	0	0

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

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

The Lothian Valuation Joint Board is required to report a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2022/23, the equivalent of 1.55 FTE (over 4 individuals) of paid facility time was made available, with an associated cost of £17,427. This sum equates to 0.40% 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%.

Assessor and Electoral Registration Officer:
Michael Wilkie

Date: _____

Convener:
Tom Conn

Date: _____

LOTHIAN VALUATION JOINT BOARD

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Lothian Valuation Joint Board for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, the 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 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Lothian Valuation Joint Board as at 31 March 2023 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 2022/23 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of Lothian Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Lothian Valuation Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I 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 I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Lothian Valuation Joint Board'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 Lothian Valuation Joint Board's current or future financial sustainability. However, I report on Lothian Valuation Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Treasurer and Lothian Valuation Joint 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 Lothian Valuation Joint Board'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 Lothian Valuation Joint Board's operations.

The Treasurer is responsible for overseeing the financial reporting process.

LOTHIAN VALUATION JOINT BOARD

INDEPENDENT AUDITOR'S REPORT (Contd.)

Auditor's responsibilities for the audit of the financial statements

My 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 my 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. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of Lothian Valuation Joint Board;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of Lothian Valuation Joint Board;
- inquiring of the Treasurer concerning Lothian Valuation Joint Board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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 my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Lothian Valuation Joint Board'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. This description forms part of my 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 the 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.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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.)

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

In my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Christopher Gardner

Senior Audit Manager, Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Date: _____