



**10.00am, Wednesday 27<sup>th</sup> October 2021**

## **Audited Annual Accounts for the Year Ended 31st March 2021**

### **1. Recommendations**

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The Board is recommended to:

- 1.1 note the Audited Annual Accounts for the year ended 31st March 2021;
- 1.2 authorise the Annual Accounts 2020/21 for signature.

**Hugh Dunn,**

**Treasurer**

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate, City of Edinburgh Council

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

## **Audited Annual Accounts for the Year Ended 31st March 2021**

### **2. Executive Summary**

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- 2.1 This report presents the audited Annual Accounts for the year ended 31st March 2021 and recommends approval for signature.

### **3. Background**

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- 3.1 The Audited Annual Accounts are presented in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 amend the dates set in the 2014 Regulations and state that the annual accounts should be approved by 31 October 2021. The provisions of the Coronavirus (Scotland) Act 2000 have been extended to permit submission of 2020/21 audited accounts to Audit Scotland by 30 November 2021.

### **4. Main Report**

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- 4.1 The unaudited Annual Accounts were noted by the Lothian Valuation Joint Board at its meeting on 14 June 2021.
- 4.2 The External Auditor's report is presented separately on this agenda.
- 4.3 The Auditor's report provides an opinion on whether the financial statements:
- give a true and fair view in accordance with applicable law and the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom of the state of affairs of the Board as at 31 March 2021 and of its income and expenditure for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2020/21 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 present a true and fair view of the financial position of the Board as at 31st March 2021 and its income and expenditure for the year then ended.

- 4.5 Adjustments were made to the unaudited annual accounts in respect of:
- a reduction in the net pension liability of £75,000, following receipt of a revised actuarial report;
  - £0.182m for deferred income for Individual Electoral Registration – transferred to an earmarked balance;
  - Reduction of £0.09m for VERA liability;
  - £0.176m for deferred income for 2021 Scottish Parliamentary Election – transferred to an earmarked balance.
- 4.6 There were no unadjusted differences to the unaudited annual accounts.

### **Reserves**

- 4.7 The Board can hold a general reserve with a minimum value of 3% of annual requisition. The balance currently stands at £1.232m, of which £0.874m - 14% of 2021/22 requisition - is unallocated.
- 4.8 Earmarked balances are held as follows:
- £0.176m to meet costs of the Scottish Parliament Election 2021;
  - £0.182m to meet costs of Individual Electoral Registration.
- 4.9 Reserve balance will be reviewed when the Board is presented with a revenue budget for 2022/23 for approval in February 2022.

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

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None

## **6. Appendices**

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- 6.1 Appendix 1 - Audited Annual Accounts for the Year Ended 31st March 2021



# LOTHIAN VALUATION JOINT BOARD

ELECTORAL REGISTRATION, VALUATION & COUNCIL TAX WITHIN LOTHIAN

## Annual Accounts for the year to 31st March 2021



COUNCIL TAX



ELECTORAL REGISTRATION



VALUATION

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

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

# LOTHIAN VALUATION JOINT BOARD

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# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### Strategic Report

#### 1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2021. The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This is to ensure that the Annual Accounts "present a true and fair view" of the financial position and transactions of the Board. The Annual Accounts have been prepared in accordance with the following fundamental accounting principles: relevance, reliability, comparability, understandability and materiality.

The accounting concepts of accruals, going-concern, and primacy of legislation requirements also apply. All figures in the Annual Accounts are rounded to thousand pounds (£'000) unless stated otherwise.

To show the net position of the Board, adjustments are made to the Comprehensive Income and Expenditure Statement (CIES) to reflect differences in the accounting basis and funding basis under regulations. These adjustments ensure that the actual resources available to the Board are correctly accounted for in the Movement in Reserves Statement. These adjustments are shown in Note 7.

#### 2. Statutory Background

The Lothian Valuation Joint Board was established under the Valuation Joint Boards (Scotland) Order 1995 and provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation services. The Board comprises 16 members appointed from the constituency authorities of whom nine are elected from the City of Edinburgh Council, three from West Lothian and two each from East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for council tax within the area of each constituent authority. Expenditure is allocated 61.29% to The City of Edinburgh Council, 9.14% to Midlothian Council, 10.70% to East Lothian Council, and 18.87% to West Lothian Council.

#### 3. The Lothian Valuation Joint Board's strategy and business model

The Lothian Valuation Joint Board is a local authority organisation providing a range of services to and on behalf of City of Edinburgh, West Lothian, Midlothian, and East Lothian Councils. The services provided represent duties embedded in statute and associated case law. Specifically, they relate to the creation and maintenance of the Valuation Roll, Council Tax List and Electoral Register. The Board's strategy is to ensure best value while providing equitable, customer focused, high quality, professional valuation and electoral registration services for all its stakeholders. To support this aim, annual Corporate and Service Plans, embedded within a Governance Framework, are created that indicate a detailed range of activities and objectives necessary to deliver services. These plans are supported, where required, with detailed project governance and management, specific service delivery timetables, and associated risk analysis. The previous Corporate and Service plans for 2021/22 have been updated and consolidated into a single plan to enable improved ease of readability and understanding. This was presented to the Board at the meeting of 1st February 2021.

#### 4. Principal risks and uncertainties facing the Board.

The principal risks and uncertainties faced by the Board fall into two categories. Firstly, in common with the wider local authority community, there are uncertainties created by the ongoing environment of fiscal constraint within which services must be delivered. Set against this the Board has a range of statutory duties to enact and services to deliver. Failure to secure adequate funding places the delivery of these statutory services at considerable risk. The second phase of a Transformation Programme commenced and aimed to contain budget growth over the 2020/21 to 2022/23 period. During 2020/21 a number of staff left the Board under VERA. This coincided with organisational and procedural change to adapt to the reduction of staffing resource. The impact of Covid-19 undergoes continual assessment in terms of its impact on the Transformation Programme. Continued project oversight and governance enables appropriate adjustments to be considered and implemented as necessary.

The second category relates to changes in legislation that impact on the services to be delivered. This can create pressures from both a financial and organisational perspective. The Barclay Review of NDR has in the main been adopted by Scottish Government in the form of a national NDR Reform strategy. This has introduced the biggest changes to NDR services that have been enacted for many years. There are significant changes directly associated with the Valuation Roll function. These involve shortening the current 5-year revaluation cycle to a 3-year cycle and introducing significant alterations to the legislation which supports the Valuation Roll appeal process. Legislation which supports the Valuation Roll appeal process has yet to be passed. Primary legislation was enacted during 2020 with the principle elements due to come into force in 2022. Due to the Covid-19 pandemic the principle elements will now come into force in 2023. This has led to the delay of the next non-domestic revaluation by a year. Internal organisational timetables and proposed system developments have been reviewed to support the effective delivery of the NDR Reform agenda, taking account of the new timetable. Within the function of Electoral Registration, the cost legacy created by the introduction of Individual Electoral Registration remains an ongoing risk. During 2020 national revisions to the annual household canvass process were introduced, aimed at reducing costs while maintaining accuracy and completeness within the Register. There remains budgetary risks to the Board in respect of delivery of the Electoral Service. In terms of Council Tax, the system faces continual criticism and it is likely that further consultative processes shall emerge in the coming years concerning changes to the system. This uncertainty moving forward is a risk to the Board.

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

### 5. Review of the Lothian Valuation Joint Board performance 2020/21

#### 5.1 Financial Performance

The Board achieved outturn expenditure within budget for 2020/21. Variance explanations are provided below.

This review of financial performance is based on management accounting information, rather than the Annual Accounts, which are stated after adjustments to reflect IFRS based Code of Practice.

The outturn position, split between Core, including the 2021 Scottish Parliamentary Election (SPE 2021) and IER is summarised below:

	Core Expenditure and SPE			Individual Electoral Registration (IER)			Total		
	2021								
	Budget 2020/21 £'000	Actual 2020/21 £'000	Variance 2020/21 £'000	Budget 2020/21 £'000	Actual 2020/21 £'000	Variance 2020/21 £'000	Budget 2020/21 £'000	Actual 2020/21 £'000	Variance 2020/21 £'000
• Employees	5,157	4,864	(293)	1	105	104	5,158	4,969	(189)
• Property	540	485	(56)	0	0	0	540	485	(56)
• Transport and Plant	76	45	(31)	0	0	0	76	45	(31)
• Supplies and Services	750	1,248	498	108	51	(57)	858	1,299	441
• Third Party Payments	320	95	(225)	0	0	0	320	95	(225)
• Support services	67	68	1	0	0	0	67	68	1
Total gross expenditure	6,911	6,805	(105)	109	156	47	7,020	6,962	(58)
• Sales, fees & charges	(43)	(30)	13	0	0	0	(43)	(30)	13
• IER Grant	0	0	0	(109)	(54)	55	(109)	(54)	55
• Other grants and contributions	0	(721)	(721)	0	0	0	0	(721)	(721)
• IORB	(3)	0	3	0	0	0	(3)	0	3
Total income	(46)	(751)	(705)	(109)	(54)	55	(155)	(805)	(650)
• Reserve Contribution	(657)	153	810	0	(102)	(102)	(657)	51	708
Total net expenditure	6,208	6,208	(0)	0	0	0	6,208	6,208	0

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

• <u>Employees</u>	£'000
Delays in filling vacant posts, including the non-filling of an Assistant Assessor post and Transformation Programme severance costs being £48,000 less than budget, resulted in a Core budget staff cost underspend.	(293)
• <u>Property</u>	(56)
Reduced spend due to COVID-19 related home working.	
• <u>Transport costs</u>	(31)
Staff travelling costs reduced due to external survey work ceasing during pandemic.	
• <u>Supplies and Services</u>	498
During 2020/21, the Board received additional funding of £0.721m from the Scottish Government for the 2021 Scottish Parliament Election, issue of a Household Notification letter and the extension of the electoral franchise to foreign national voters. The additional funding resulted in - and fully met - additional spend on Supplies - particularly ICT and postage costs (see Income below).	
• <u>Third Party Payments and Support Services</u>	(224)
Budget provision for Barclay activities, but cost spent against supplies and services. Minor overspend against Assessor Services budget caused by additional external contractor costs (e.g. COVID related cleaning costs).	
• <u>Income</u>	(705)
The Board received additional funding of £0.721m from the Scottish Government for (1) the 2021 Scottish Parliament Election (£0.487m), (2) issue of a Household Notification letter (£0.132m) and (3) the extension of the electoral franchise to foreign national voters (£0.102m) (see Supplies and Services above).	
• <u>Reserve Drawdown</u>	810
The approved revenue budget for 2020/21 included a planned drawdown of reserves of £0.657m to meet Transformation Programme severance costs (£0.468m) and running costs (£0.189m). Due to the underspends referred to above and additional funding received during 2020/21, a contribution of £51,000 is made to the unallocated reserve. The reduction in reserve drawdown will be retained as part of the Board's Unallocated Reserve. Unspent Scottish Government funding of £0.176m for Scottish Parliament Election will be transferred to an earmarked balance.	
<b>Total net expenditure</b>	<b>(0)</b>

# LOTHIAN VALUATION JOINT BOARD

## MANAGEMENT COMMENTARY

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### 5. Review of the Lothian Valuation Joint Board performance 2020/21 (Contd.)

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 2021 is £1.232m. £0.176m is earmarked for Scottish Parliament Election 2021 and £0.182m is earmarked for Individual Electoral Registration.

#### 5.2 Overview of performance targets in 2020/21

During 2020/21 the Covid-19 pandemic had a material effect on the Boards performance as defined by its Key Performance Indicators. The principal of these show that 84.90% (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 53.42% (67.39% 2019/20; 57.86% 2018/19; 63.10% 2017/18; 47.15% 2016/17) of all Valuation Roll amendments were made within three months following completion. During 2020/21 4,443 new houses were added to the Council Tax list while 2,561 amendments were made to the Valuation Roll.

Following the 2017 Revaluation 13,000 appeals were lodged against rateable values appearing in the new Roll. As at 19th May 2021 93.8% of these appeals had been dealt with. The statutory deadline for disposal of all appeals is 31st December 2021.

The Electoral Register was maintained throughout 2020/21 with 85,819 electors added and 72,425 deleted. The 2020 household canvass, which was based on the new canvass model, achieved a return rate of 85.61%, (74.2% 2019; 75% 2018; 74% 2017; 70% 2016).

The electorate statistics as at 28th April 2021 present a snapshot. As at 28th 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) continues through 2021/22 with key operational objectives coming online. These include moving to an IT driven mobile survey system for Council Tax, the completion of process and procedural changes to maximise the benefit of the implementation of the Valuation Services Team and the development of a Basic Rates Evaluation programme. These are all aimed at positioning the Board within a positive forward-looking environment where challenges set against fiscal constraint can be properly met. The second phase of this TCCP is aimed at constraining budget growth during the 2021/22 to 2023/24 period. This phase aims to create organisational savings while establishing increased modernisation, process efficiencies, and cultural change. However, any fiscal saving and drive for modernisation must be set against the requirement for the Board to deliver its statutory duties and services to a high standard and to be properly positioned to undertake any further legislative changes that shape and form future service. In general, the picture is one of competing priorities:- fiscal constraint and the need for savings and a change and modernisation strategy aimed at supporting changing legislative requirement within which services are delivered. While it is unlikely that the emergence of Covid-19 shall derail any of the expected changes to statutory service delivery requirements, it is possible certain details may be reviewed and the likely manner in which the organisation and its staff operate shall be subject to review and change. A full risk assessment has been undertaken with appropriate mitigation action taken where necessary. External survey activities have restarted but with restrictions in place. Currently no internal inspection of properties is being carried out. A draft working from home policy has been created, looking at a phased return to office working as and when it is safe to do so. It should be noted that Scottish Government guidance is that people should work from home in every tier level apart from Tier 0. A staff questionnaire is to be issued shortly to enable plans to be put in place and managed properly when a phased return to office working is appropriate.

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

- The Scottish Government has adopted the main recommendations contained within the 2017 Barclay Review of NDR into an NDR strategy. This strategy has far reaching consequences for the Board. In particular the long standing five yearly process of revaluation shall be condensed into a three-yearly cycle. This, and other associated legislative changes, have required that the NDR business model currently in operation within the Board be reviewed and overhauled in order to meet this new statutory requirement. While the first revaluation under these three yearly cycles shall now take place in 2023, planning, timetabling and systems developments have already commenced. The appeal timetable for the 2017 Revaluation has been extended to 31st December 2021. Covid -19 and its impact on the NDR Reform Agenda is continuously being assessed and while the overall objectives of the agenda shall be unaltered, certain key dates have been reviewed. Corresponding internal timetables and associated planning have been reviewed to reflect these changes. An appropriate risk register shall be compiled with corresponding mitigation action to reflect this change circumstance. It should be noted that additional funding has been made available by Scottish Government within the 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

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

- A new canvass model was introduced during 2020, in part to negate the high costs of IER (Individual Electoral Registration). Though the first year of this new canvass model has been successful, with an increased return rate and a significant reduction in the necessity to issue paper returns, it will only be in subsequent years where the full cost savings will become known. Cabinet Office funding was made available in 2020/21, albeit at a significantly reduced level and further funding, albeit reduced further, is available for 2021/22. There remains a financial risk to the Board from the introduction of IER.
- The 2017 Revaluation gave rise to receipt of 13,000 appeals - the highest ever following a revaluation exercise. 2021 is the final year in which these appeals must be concluded, following a change to the disposal timetable. Disposal scheduling is in place to ensure this will be achieved. The current disposal level is 93.8%. During the Covid pandemic, the disposal schedule has been significantly reduced. This has impacted on the deployment of resources within the organisation, with some impact on other areas of service delivery. In addition, the emergence of Covid-19 resulted in the receipt of circa 10,000 additional appeals during March 2020. Based on the current timetable, these shall require to be disposed of by 31st December 2021. A further 7,000 appeals were lodged in March 2021, with a current disposal date of March 2022. Nationally, progress with resolution of these appeals has been slow to date. It may be that a further extension to the appeal disposal date will be required.☒

### 7. COVID-19 pandemic

As the challenges and restrictions of the COVID-19 pandemic have continued to impact working conditions in 2020/21, most staff have continued to work from home throughout the year. Access to the office buildings at South Gyle has been on a strictly limited basis (e.g. to access essential paper files) to ensure that a high level of service delivery across all statutory functions was being maintained. An exception to this was during the recent Scottish Parliamentary Elections, where a larger number of staff were based at South Gyle offices to perform election duties. Throughout the year, stakeholder and public access to the organisation via email and telephone has been maintained. As a result, service delivery has only been restricted where the flow of necessary information from third parties has been disrupted, or where a physical inspection of properties was required. A COVID-19 office reopening risk assessment has been written, focusing on any areas where a resumption of "normal" service is not possible, with options for alternative approaches identified. This document undergoes regular review in accordance with any Scottish Government updates or other factors which may affect service resumption. This is available to view on the LVJB website.

As working from home arrangements continue, a high level of communication amongst all staff is being maintained. All staff now have remote access to organisational IT systems, and have been provided with office-issued IT hardware. A two-factor authentication process has been introduced to increase the security of IT systems. In anticipation of a future phased-return to office working, a Working from Home policy has been drafted, which currently assumes that a return will be on a blended basis. A questionnaire and workstation assessment is to be issued to staff in the near future, enquiring about their preferred working patterns, as well as any requirements for additional IT equipment. There is also a planned review of the flexitime system, in conjunction with staff representatives and a new Performance and Training framework is currently under discussion, to be introduced and implemented, in due course. Health and wellbeing of staff during the past year has been paramount, and considerable additional information has been made available to staff through regular updates on the internal staff intranet. Staff have been issued a Well Being questionnaire and analysis of the results will be undertaken, with procedures put in place to mitigate issues that have been identified.

At this stage, it is not possible to forecast long term budgetary impacts arising from COVID-19. To date, only minor costs have been incurred for additional IT equipment to support home working, which have been offset by reduced expenditure in other areas (e.g. staff travel expenses).

The Board acknowledges the financial pressures, service delivery challenges and uncertainties it faces. There exists a need to meet these challenges and provide the required services within a framework of financial sustainability while also ensuring sufficient flexibility to react to changes brought about by legislative intervention. Through the Transformation Programme, and in association with developing the medium-term Budget Strategy, the Board shall continue to balance these competing priorities, pressures and risks against a backdrop of statutory service delivery. ☒

**Assessor and Electoral Registration Officer:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Gary Elliot

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

**Convener:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
David Key

# LOTHIAN VALUATION JOINT BOARD

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

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### The Board's Responsibilities

The Board is required:

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

I confirm that these Annual Accounts were approved for signature by the Lothian Valuation Joint Board at its meeting on the 27th October 2021.

**Convener:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
David Key

### 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 2021, and its income and expenditure for the year ended 31st March 2021.

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

## 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.

2019/20 - Previous Year Comparative (Restated)	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2019</b>	<b>(1,268)</b>	<b>8,606</b>	<b>7,338</b>
<b>Movement in reserves during 2019/20</b>			
(Surplus) or deficit on provision of services	565	0	565
Other Comprehensive Expenditure and Income	0	(3,185)	(3,185)
<b>Total Comprehensive Income and Expenditure</b>	<b>565</b>	<b>(3,185)</b>	<b>(2,620)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7.2)</b>	<b>(478)</b>	<b>478</b>	<b>0</b>
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>87</b>	<b>(2,707)</b>	<b>(2,620)</b>
<b>(Increase)/Decrease in 2019/20</b>	<b>87</b>	<b>(2,707)</b>	<b>(2,620)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(1,181)</b>	<b>5,899</b>	<b>4,718</b>

2020/21 - Current Financial Year	Usable Reserves	Unusable Reserves	Total Board Reserves
	General Fund Balance		
	£'000	£'000	£'000
<b>Opening Balances at 1 April 2020</b>	<b>(1,181)</b>	<b>5,899</b>	<b>4,718</b>
<b>Movement in reserves during 2020/21</b>			
(Surplus) or deficit on provision of services	490	0	490
Other Comprehensive Expenditure and Income	0	1,411	1,411
<b>Total Comprehensive Income and Expenditure</b>	<b>490</b>	<b>1,411</b>	<b>1,901</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7.1)</b>	<b>(541)</b>	<b>541</b>	<b>0</b>
<b>Net (increase)/decrease before transfers to Other Statutory Reserves</b>	<b>(51)</b>	<b>1,952</b>	<b>1,901</b>
<b>(Increase)/Decrease in 2020/21</b>	<b>(51)</b>	<b>1,952</b>	<b>1,901</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(1,232)</b>	<b>7,851</b>	<b>6,619</b>

General Fund analysed over:	£'000
Amounts earmarked	(358)
Amounts uncommitted	(874)
<b>Total General Fund Balance at 31 March 2021</b>	<b>(1,232)</b>

# LOTHIAN VALUATION JOINT BOARD

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/20 (Restated)				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,280	(37)	6,243	Core budget	7,193	(751)	6,442
340	(229)	111	Individual electoral registration	165	(54)	111
<b>6,620</b>	<b>(266)</b>	<b>6,354</b>	<b>Cost Of Services</b>	<b>7,358</b>	<b>(805)</b>	<b>6,553</b>
			<b>Financing and Investment Income:</b>			
0	(9)	(9)	Interest & Investment income (Note 10.5)	0	0	0
1,603	0	1,603	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,408	0	1,408
0	(1,382)	(1,382)	Interest Income on Plan Assets (Note 21.4)	0	(1,263)	(1,263)
<b>1,603</b>	<b>(1,391)</b>	<b>212</b>	<b>Total Financing and Investment Income</b>	<b>1,408</b>	<b>(1,263)</b>	<b>145</b>
			<b>Non-Specific Grant Income:</b>			
0	(6,001)	(6,001)	Constituent council requisitions (Note 25)	0	(6,208)	(6,208)
<b>0</b>	<b>(6,001)</b>	<b>(6,001)</b>	<b>Total Non-Specific Grant Income</b>	<b>0</b>	<b>(6,208)</b>	<b>(6,208)</b>
<b>8,223</b>	<b>(7,658)</b>	<b>565</b>	<b>(Surplus) or Deficit on Provision of Services (Note 2)</b>	<b>8,766</b>	<b>(8,276)</b>	<b>490</b>
			<b>Other Comprehensive Income and Expenditure:</b>			
0	(6,684)	(6,684)	Change in Financial Assumptions (Note 21.5)	12,384	0	12,384
0	0	0	Change in Demographic Assumptions (Note 21.5)	0	(3,101)	(3,101)
0	(294)	(294)	Other Experience (Note 21.4 & 21.5)	0	(136)	(136)
3,793	0	3,793	Return on pension assets excl. amounts included in net int. (Note 21.4)	0	(7,736)	(7,736)
<b>12,016</b>	<b>(14,636)</b>	<b>(2,620)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>21,150</b>	<b>(19,249)</b>	<b>1,901</b>

# LOTHIAN VALUATION JOINT BOARD

## BALANCE SHEET

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

(Restated) 31 March 2020 £'000		Notes	31 March 2021 £'000
268	Property, plant and equipment	8.1	328
43	Intangible assets	9	40
68	Long-term debtors	23	62
379	<b>Long term assets</b>		430
125	Short-term debtors	11	145
1,492	Cash and cash equivalents	12	1,750
1,617	<b>Current assets</b>		1,895
(175)	Short-term creditors	13	(509)
(175)	<b>Current liabilities</b>		(509)
(420)	Other long-term liabilities	24	(385)
(6,119)	Other long-term liabilities (Pensions)	21.3	(8,050)
(6,539)	<b>Long-term liabilities</b>		(8,435)
(4,718)	<b>Net liabilities</b>		(6,619)
(1,181)	Usable reserves	14	(1,232)
5,899	Unusable reserves	14	7,851
4,718	<b>Total reserves</b>		6,619

The unaudited Annual Accounts were authorised for issue by the Treasurer on the 8th June 2021.

The audited Annual Accounts were authorised for issue on 27th October 2021.

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.

Restated				
31 March 2020 £'000	31 March 2020 £'000		31 March 2021 £'000	31 March 2021 £'000
<b>OPERATING ACTIVITIES</b>				
(269)		Cash received for goods and services	(220)	
0		Government grants	(590)	
(1)		Other local authorities	0	
(9)		Interest received	0	
(6,001)		Other operating cash receipts	(6,208)	
	<b>(6,280)</b>	<b>Cash inflows generated from operating activities</b>		<b>(7,018)</b>
4,732		Cash paid to and on behalf of employees	4,852	
1,738		Cash paid to suppliers of goods and services	1,778	
	<b>6,470</b>	<b>Cash outflows generated from operating activities</b>		<b>6,630</b>
	<b>190</b>	<b>Net cash flows from operating activities (Note 15.1)</b>		<b>(388)</b>
<b>INVESTING ACTIVITIES</b>				
33		Purchase of property, plant and equipment and intangible assets.	130	
	<b>33</b>	<b>Net cash flows from investing activities</b>		<b>130</b>
	<b>223</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(258)</b>
<b>1st April £'000</b>	<b>1st April £'000</b>		<b>1st April £'000</b>	<b>1st April £'000</b>
1,715		Cash and cash equivalents	1,492	
	1,715			1,492
<b>31st March</b>			<b>31st March</b>	
1,492		Cash and cash equivalents	1,750	
	1,492			1,750
	<b>223</b>	<b>Net (increase)/decrease in cash and cash equivalents (Note 15.2)</b>		<b>(258)</b>

# 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

###### **Recognition:**

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

###### **Amortisation:**

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

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



# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

---

#### 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 11 years remaining) Depreciated over remaining life of asset	11
Vehicles, plant and equipment	5

###### Measurement:

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

###### De-recognition:

An asset is de-recognised either on its disposal or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in "Surplus or Deficit on the Provision of Service" within the Comprehensive Income and Expenditure Statement when the asset is de-recognised. The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the "Movement in Reserves Statement for the General Fund".

###### Impairment:

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired, that is, that the carrying value of an asset on the Balance sheet exceeds its recoverable amount. Where indications exist and any possible differences are material, the recoverable amount is estimated and an impairment loss is recognised for the shortfall.

#### 1.10 Overheads and Support Services

The costs of support services are allocated on a basis appropriate to the service provided in order to match costs to service usage. Certain support service costs are provided under a Service Level Agreement between the Board and service provider.

#### 1.11 Charges to Comprehensive Income and Expenditure Statement for use of non-current assets

The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the Board;
- Impairment losses, if any, attributable to the clear consumption of economic benefits on property, plant and equipment used by the Board.

The Board is not required to raise requisitions on the constituent councils to cover depreciation or impairment losses. Depreciation and impairment losses are not proper charges under statutory accounting requirements and are therefore a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the Capital Adjustment Account.

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

---

#### 1.12 Leases

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

##### a) Finance Leases

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

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

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

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

##### b) Operating Leases

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

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

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

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

#### 1.13 Provisions

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

#### 1.14 Contingent Liability

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

#### 1.15 Contingent Assets

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

#### 1.16 Employee Benefits

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

# LOTHIAN VALUATION JOINT BOARD

## 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 Plan Assets have been included in the "Surplus or Deficit on the Provision of Services" within the Comprehensive Income and Expenditure Statement. Other comprehensive income and expenditure within the Comprehensive Income and Expenditure Statement also now shows the financial effect of changes in financial assumptions, other experience and return on pension assets excluding amounts included in net interest.

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

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

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

#### 1.19 Revenue Contributions

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

#### 1.20 Reserves

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

The Board operates the following usable reserves:

##### a) *General Fund*

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

The Board operates the following unusable reserves:

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

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

##### c) *Pension Reserve*

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

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

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

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

---

#### 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 2021, the Board had no borrowings.

##### b) *Financial Assets*

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The Board holds its surplus funds with the City of Edinburgh Council in a pooled investment arrangement and does not place external deposits in its own name. These sums are presented in the Balance Sheet as the balance due from the City of Edinburgh Council and interest receivable from this investment is credited to the Comprehensive Income and Expenditure Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

#### 1.22 Events After the Balance Sheet Date

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts is adjusted to reflect such items;
- those that are indicative of conditions that arose after the reporting period - the Annual Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

#### 1.23 Exceptional Items

When items of income and expenditure are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Board's financial performance.

#### 1.24 Going Concern

It is appropriate to adopt a going concern basis for the preparation of the Annual Accounts as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due.

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions from local authorities) by the Lothian Valuation Joint Board in comparison with those resources consumed or earned by the Lothian Valuation Joint Board in accordance with general accounting practice. It also shows how this expenditure is allocated for decision making purposes between service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) (see page 7).

EXPENDITURE AND FUNDING ANALYSIS						
Net Expend. Chargeable to the General Fund	2019/20		Net Expenditure in the CIES	Net Expend. Chargeable to the General Fund	2020/21	
	Adjustments	Net Expenditure			Adjustments	Net Expenditure
£000	£000	£000		£000	£000	£000
6,001	242	6,243	Core Budget	6,054	387	6,442
87	24	111	Individual Electoral Registration	102	9	111
<b>6,088</b>	<b>266</b>	<b>6,354</b>	<b>Net Cost of Services</b>	<b>6,156</b>	<b>396</b>	<b>6,553</b>
			<b>Other Income and Expenditure</b>			
(6,001)	0	(6,001)	Constituent council requisitions	(6,208)	0	(6,208)
0	(9)	(9)	Interest and investment income	0	0	0
0	221	221	Net pension interest cost	0	145	145
<b>87</b>	<b>478</b>	<b>565</b>	<b>(Surplus) or deficit on the provision of services</b>	<b>(51)</b>	<b>541</b>	<b>490</b>
(1,268)			Opening General Fund Balance	(1,181)		
87			(Surplus) / Deficit on the provision of services	(51)		
<b>(1,181)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(1,232)</b>		

Notes to the Expenditure and Funding Analysis:

#### 2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2020/21:

	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
Core budget	(57)	520	79	541	0	541	
Individual electoral registration	0	0	0	0	0	0	
<b>Net Cost of Services</b>	<b>(57)</b>	<b>520</b>	<b>79</b>	<b>541</b>	<b>0</b>	<b>541</b>	
<b>Other Income and Expenditure</b>							
Constituent council requisitions	0	0	0	0	0	0	
Interest and investment income	0	0	0	0	0	0	
Net pension interest cost	0	0	0	0	0	0	
<b>(Surplus) or deficit on the provision of services</b>	<b>(57)</b>	<b>520</b>	<b>79</b>	<b>541</b>	<b>0</b>	<b>541</b>	

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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

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

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

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

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

	Core Budget £000	Individual Electoral Registration £000	Total £000
<b>Expenditure</b>			
Employee expenses	4,864	105	4,969
Other service expenses	1,873	51	1,924
Support service recharges	68	0	68
<b>Total Expenditure</b>	<b>6,805</b>	<b>156</b>	<b>6,961</b>
<b>Income</b>			
Revenues from external customers	(619)	(54)	(673)
Income from recharges for services	(132)	0	(132)
Interest and investment income	0	0	0
<b>Total Income</b>	<b>(751)</b>	<b>(54)</b>	<b>(805)</b>
<b>Net Cost of Services per EFA</b>	<b>6,054</b>	<b>102</b>	<b>6,156</b>

#### 2.3 Expenditure and Income Analysed by Nature

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

	2019/20 £000	2020/21 £000
<b>Expenditure</b>		
Employee expenses	4,837	5,423
Other service expenses	1,631	1,795
Support service recharges	68	68
Depreciation and impairment	84	72
Interest payments	1,603	1,408
<b>Total Expenditure</b>	<b>8,223</b>	<b>8,766</b>
<b>Income</b>		
Fees, charges and other service income	(353)	(317)
Government grants and other contributions	87	(488)
Interest and investment income	(1,391)	(1,263)
Income from constituent Councils	(6,001)	(6,208)
<b>Total Income</b>	<b>(7,658)</b>	<b>(8,276)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>565</b>	<b>490</b>

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

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

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations,
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

#### **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

- There is high degree of uncertainty about future levels of funding for local government, however, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to reduce levels of service provision.
- Local Government Pension Scheme - Guaranteed minimum pension (GMP). The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single State Pension in 2016 resulted in a recalculation of pension liabilities for the estimated impact of GMP indexation changes. The Board's actuary's understanding is that the further Lloyd's ruling is unlikely to have a significant impact on the pension obligations of a typical employer. As the historic individual member data required to assess an impact is not readily available, the Board's actuary has not made any allowance for this within the pension liability calculation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance is therefore included in the 31 March 2021 pension liability.
- The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, the Board's actuary has undertaken analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations). The Board's actuary does not believe there are sufficient grounds to apply an additional adjustment to account for this.
- The Walker and O'Brien court cases may impact on future LGPS benefits. The Board's actuary understands these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies for these judgements.

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

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

##### **5.1 Property, Plant and Equipment**

###### ***Uncertainties***

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

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

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

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

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

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#### 5.2 Pension Liabilities

##### *Uncertainties*

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

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

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. For all LGPS Funds, investment returns have been significantly greater than expected compared to last year's accounting date assumption. However, the discount rate net of inflation has fallen compared to last year's accounting date assumption which has served to significantly increase the value placed on the obligations and worsen the balance sheet position. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. For a typical employer, this could be of the order of 25% of obligations and are shown under 'Changes in financial assumptions'.

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

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

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

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

The following table shows the sensitivity of the results to the changes in the assumptions used to measure the scheme liabilities. Approximate percentage changes and monetary values are shown:

	Approximate % increase to Employer Obligations %	Approximate monetary value £000
0.5% decrease in Real Discount Rate	9%	6,661
0.5% increase in the Salary Increase Rate	1%	911
0.5% increase in the Pension Increase Rate	8%	5,589

### 6. EVENTS AFTER THE REPORTING PERIOD

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There are no events after the reporting period.



# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

2019/20 - Previous Year Comparative	Usable Reserves	Unusable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Adjustment Account	Pension Reserve	Accumulated Absence Account	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(64)	64	0	0	64
Depreciation of intangible assets	(20)	20	0	0	20
<b>Insertion of items not debited or credited to the CIES</b>					
Capital expenditure charged against General Fund Balance	34	(34)	0	0	(34)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,225)	0	1,225	0	1,225
Employer's pension contributions and direct payments to pensioners payable in the year	805	0	(805)	0	(805)
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	0	0	8	8
<b>Total Adjustments</b>	<b>(478)</b>	<b>50</b>	<b>420</b>	<b>8</b>	<b>478</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 8. PROPERTY PLANT AND EQUIPMENT

#### Movements on balances:

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

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

#### 8.3 Depreciation

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

- Leasehold improvements (buildings) - 25 years (currently 11 years remaining)
- Vehicles, plant and equipment - 5 years

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

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

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##### 8.4 Capital Commitments

There were no capital commitments entered into by the Board as at 31st March 2021.

##### 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:

- 3 years:
  - Trustmarque Solutions Ltd - Anti-virus software
  - Unity - Pro Support 4HR/MC
  
- 5 years:
  - Civica UK Ltd - Software to increase robustness
  - Trustmarque Solutions Ltd - Sharepoint software
  - Zerion - Canvass operation software
  - Trustmarque Solutions Ltd - Visual Studio and SQL server licences
  - FMP HR and Payroll Software Limited - Software
  
- 10 years :
  - Dacoll virtual environment - software/licences
  - Microsoft Office licences
  - Document & Data Disposal Module software

The carrying amount of intangible assets is depreciated on a straight-line basis. Amortisation of £0.018m was charged to the Comprehensive Income and Expenditure during 2020/21.

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

	2019/20	2020/21
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	152	157
• Accumulated amortisation	(94)	(114)
<b>Net carrying amount at start of year</b>	<b>58</b>	<b>43</b>
Additions	5	15
Amortisation for the period	(20)	(18)
<b>Net carrying amount at end of year</b>	<b>43</b>	<b>40</b>
Comprising:		
• Gross carrying amounts	157	172
• Accumulated amortisation	(114)	(132)
	43	40

# 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
	2020	2021	2020	2021
<b>Financial Liabilities</b>	£'000	£'000	£'000	£'000
Trade creditors	0	0	0	0

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

	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2020	2021	2020	2021
<b>Cash and Cash Equivalents</b>	£'000	£'000	£'000	£'000
Loans and receivables	0	0	1,492	1,750
<b>Debtors</b>				
Trade debtors	0	0	0	0

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

#### 10.4 Financial Instruments - Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, 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 2021, 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 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	0	0	0	0
Trade debtors	0	0	0	0
Loans and receivables	1,492	1,492	1,750	1,750

#### 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 2020 £'000	Financial Assets measured at amortised cost 31st March 2021 £'000
Total expense and income in Surplus or Deficit on the Provision of services :		
Interest income	9	0

### 11. SHORT TERM DEBTORS

	2019/20 £'000	2020/21 £'000
Debtors:		
• Trade Receivables	12	9
• Prepayments	113	136
	<u>125</u>	<u>145</u>

### 12. CASH AND CASH EQUIVALENTS

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

	2019/20 £'000	2020/21 £'000
• Cash held by the Board	1	1
• Other local authorities	1,491	1,749
	<u>1,492</u>	<u>1,750</u>

### 13. SHORT TERM CREDITORS

	2019/20 £'000	2020/21 £'000
Creditors:		
• Trade payables	(50)	(42)
• Other payables	(125)	(467)
	<u>(175)</u>	<u>(509)</u>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 14. USABLE AND UNUSABLE RESERVES

<u>USABLE</u>		2019/20	2020/21
		£'000	£'000
14.1	General Fund Balance	(1,181)	(1,232)
		<u>(1,181)</u>	<u>(1,232)</u>

<u>UNUSABLE</u>		2019/20	2020/21
		£'000	£'000
14.2	Capital Adjustment Account	(311)	(368)
14.3	Pension Reserve	6,119	8,050
14.4	Accumulated Absence Account	91	169
		<u>5,899</u>	<u>7,851</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>	2019/20	2020/21	
	£'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)	
		<u>(1,181)</u>	<u>(1,232)</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.)

	2019/20 £'000	2020/21 £'000
<b>Balance at 1st April</b>	(361)	(311)
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	64	55
• Depreciation of intangible assets	20	18
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in year	(277)	(238)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(34)	(130)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	<u>(311)</u>	<u>(368)</u>

##### 14.3 Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20 £'000	2020/21 £'000
<b>Balance at 1st April</b>	8,884	6,119
Remeasurements of the net defined benefit liability / (asset)	(3,185)	1,411
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.	1,225	1,465
Employer's pension contributions and direct payments to pensioners payable in the year.	(805)	(945)
	<hr/>	<hr/>
<b>Balance at 31st March</b>	<u>6,119</u>	<u>8,050</u>

# 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.

	2019/20	2019/20	2020/21	2020/21
	£'000	£'000	£'000	£'000
<b>Balance at 1st April</b>		83		91
Settlement or cancellation of accrual made at the end of the preceding year	(83)		(91)	
Amounts accrued at the end of the current year	91		169	
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		8		78
<b>Balance at 31st March</b>		<u>91</u>		<u>169</u>

### 15 CASH FLOW STATEMENT

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

	2019/20	2020/21
	£'000	£'000
Net (increase)/decrease in the General Fund Balance	87	(51)
Exclude accumulated absences	8	79
Exclude revenue contribution to capital	(34)	(130)
	<u>61</u>	<u>(102)</u>
(Decrease)/increase in revenue debtors	0	20
(Decrease)/increase in long term debtors	(5)	(6)
Decrease/(increase) in deferred credit	35	35
Decrease/(increase) in revenue creditors	99	(335)
Revenue activities net cash flow	<u>190</u>	<u>(388)</u>

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

	2019/20	2020/21
	£'000	£'000
Due by/(to) the City of Edinburgh Council at 31st March	1,492	1,750
Due by/(to) the City of Edinburgh Council at 1st April	1,715	1,492
(Increase)/decrease in cash	<u>(223)</u>	<u>258</u>

# 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.

	2019/20	2020/21
	£000's	£000's
Salaries (incl. NI and Pensions)	9	10
Expenses	0	0
<b>Total</b>	<b>9</b>	<b>10</b>

### 17. EXTERNAL AUDIT COSTS

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

	2019/20	2020/21
	£000's	£000's
External audit services carried out for the year	7	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 2020/21 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:

	2019/20	2020/21
	£000's	£000's
<b>• The City of Edinburgh Council:</b>		
Rates	117	117
Rent	305	305
Central support costs	68	60
Interest on revenue balances	(9)	0
Constituent council contribution	(3,678)	(3,805)
Constituent council requisition refund	0	0
Council Tax hearings	4	0
Vehicle hires	1	0
Printing	2	0
Trade Waste/maintenance	4	4
Due from City of Edinburgh Council	1,492	1,750
Long term debtor - lease of office	68	62
Convener remuneration	6	6
Legal fees	6	0

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 18. RELATED PARTIES (Contd.)

##### 18.3 Other Parties (Contd.)

	2019/20 £000's	2020/21 £000's
<b>• The Cabinet Office</b>		
IER grant received	(600)	(54)
<b>• Midlothian Council</b>		
Constituent council contribution	(549)	(567)
CT liability hearings	(2)	0
<b>• East Lothian Council</b>		
Constituent council contribution	(642)	(665)
<b>• West Lothian Council</b>		
Constituent council contribution	(1,132)	(1,171)
Vice Convener remuneration	4	4
<b>• Clackmannanshire Council</b>	36	12
<b>• Fife Council</b>	2	0
<b>• Glasgow City Council</b>	7	8
<b>• Renfrewshire Council</b>	1	2
<b>• HM Revenue and Customs</b>	5	5
<b>• Convention of Scottish Local Authorities</b>	1	1
<b>• Lothian Buses PLC</b>	1	0
<b>• Registers of Scotland</b>	2	2
<b>• Scottish Court Service</b>	(4)	(3)

#### 19. TERMINATION BENEFITS

Five employees left during 2020/21 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.

	2019/20 £000's	2020/21 £000's
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
Capital investment		
• Property, Plant and Equipment	28	115
• Intangible assets	6	15
Sources of finance		
• Direct revenue contributions	(34)	(130)
<b>Closing Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

# LOTHIAN VALUATION JOINT BOARD

## NOTES TO THE ANNUAL ACCOUNTS

### 21. DEFINED BENEFIT PENSION SCHEMES

#### 21.1 Participation in Pension Schemes

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

The Board participates in the following post employment scheme:

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

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

#### 21.2 Transactions Relating to Post-employment Benefits

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

	2019/20	2019/20	2020/21	2020/21
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services, comprising:</b>				
Current service costs	1,462		1,223	
Past service costs	<u>(458)</u>		<u>97</u>	
		1,004		1,320
<b>Financing and investment income:</b>				
Net interest expense		<u>221</u>		<u>145</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		1,225		1,465
<b>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</b>				
<b>Remeasurement of the net defined liability, comprising:</b>				
Return on plan assets, excluding the amount incl. in the net interest expense above.	3,793		(7,736)	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	(6,684)		9,283	
Other experience	<u>(294)</u>		<u>(136)</u>	
		<u>(3,185)</u>		<u>1,411</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(1,960)</u>		<u>2,876</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>2,765</u>		<u>(1,931)</u>
<b>Actual amount charged against the General Fund</b>				
<b>Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		720		862
Contributions in respect of unfunded benefits		<u>85</u>		<u>83</u>
		<u>805</u>		<u>945</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:

	2019/20	2020/21
	£000	£000
Fair value of employer assets	55,093	62,734
Present value of funded liabilities	(59,444)	(68,978)
Present value of unfunded liabilities	(1,768)	(1,806)
Net liability arising from defined benefit obligation	<u>(6,119)</u>	<u>(8,050)</u>

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

	2019/20	2020/21
	£000	£000
Opening fair value of scheme assets	57,672	55,093
Interest income	1,382	1,263
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(3,793)	7,736
Contributions from employer	720	862
Contributions from employees into the scheme	218	215
Contributions in respect of unfunded benefits	85	83
Benefits paid	(1,106)	(1,330)
Other Experience		(1,105)
Unfunded benefits paid	(85)	(83)
Closing fair value of scheme assets	<u>55,093</u>	<u>62,734</u>

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

	2019/20	2020/21
	£000	£000
Present value of funded liabilities	(64,635)	(59,444)
Present value of unfunded liabilities	(1,921)	(1,768)
Opening balance at 1 April	<u>(66,556)</u>	<u>(61,212)</u>
Current service cost	(1,462)	(1,223)
Interest cost	(1,603)	(1,408)
Contributions from employees into the scheme	(218)	(215)
Remeasurement gain / (loss):		
Change in financial assumptions	6,684	(12,384)
Change in demographic assumptions	0	3,101
Other experience	294	1,241
Past service cost	458	(97)
Benefits paid	1,106	1,330
Unfunded benefits paid	85	83
Closing balance at 31 March	<u>(61,212)</u>	<u>(70,784)</u>

# 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.

	2019/20 £000	2019/20 %	2020/21 £000	2020/21 %
<b>Equity Securities</b>				
Consumer *	5,250.8	10	8,157.0	13
Manufacturing *	7,945.7	15	9,046.0	14
Energy and Utilities *	3,513.9	6	3,196.0	5
Financial Institutions *	3,583.1	7	3,845.0	6
Health and Care *	3,812.4	7	3,920.0	6
Information Technology *	2,381.4	4	2,973.0	5
Other *	4,022.2	7	4,981.0	8
<b>Sub-total Equity Securities</b>	<b>30,509.5</b>		<b>36,118.0</b>	
<b>Debt Securities:</b>				
Corporate Bonds (investment grade) *	922.8	2	0.0	0
Corporate Bonds (investment grade)	2,027.6	4	2,140.0	4
UK Government *	3,391.7	6	5,033.0	8
<b>Sub-total Debt Securities</b>	<b>6,342.1</b>		<b>7,173.0</b>	
<b>Private Equity</b>				
All	479.3	1	384.0	1
<b>Sub-total Private Equity</b>	<b>479.3</b>		<b>384.0</b>	
<b>Real Estate:</b>				
UK Property *	633.7	1	0.0	0
UK Property	2,976.4	5	3,272.0	5
Overseas Property	48.5	0	7.0	0
<b>Sub-total Real Estate</b>	<b>3,658.6</b>		<b>3,279.0</b>	
<b>Investment Funds and Unit Trusts:</b>				
Equities *	674.6	1	886.0	1
Bonds *	236.5	0	1,291.0	2
Infrastructure	7,746.3	14	7,182.0	12
<b>Sub-total Investment Funds and Unit Trusts</b>	<b>8,657.4</b>		<b>9,359.0</b>	
<b>Derivatives:</b>				
Foreign Exchange *	112.4	0	3.0	0
<b>Sub-total Derivatives</b>	<b>112.4</b>		<b>3.0</b>	
<b>Cash and Cash Equivalents</b>				
All *	5,333.7	10	6,418.0	10
<b>Sub-total Cash and Cash Equivalents</b>	<b>5,333.7</b>		<b>6,418.0</b>	
<b>Total Fair Value of Employer Assets</b>	<b>55,093.0</b>	<b>100</b>	<b>62,734.0</b>	<b>100</b>

Scheme assets marked with an asterisk (\*) have quoted prices in current active markets or were in active markets 2020/21.

## 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 2021 were those from the beginning of the year (i.e. 31 March 2020) and have not been changed during the year. The main assumptions in the calculations are:

<u>Average future life expectancies at age 65:</u>		2019/20	2020/21
Current pensioners	male	21.7 years	20.5 years
Current pensioners	female	24.3 years	23.3 years
Future pensioners	male	24.7 years	21.9 years
Future pensioners	female	27.5 years	25.2 years
<u>Financial assumptions:</u>		2019/20	2020/21
Pension increase rate		1.90%	2.85%
Salary increase rate		3.50%	3.35%
Discount rate		2.30%	2.00%

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 2021 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

To quantify the uncertainty around life expectancy, the Actuary have calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

<u>Change in assumptions at 31 March 2021:</u>	Approximate % increase to Employer	Approximate Monetary Amount
0.5% decrease in Real Discount Rate	9.0%	6,661
0.5% increase in the Salary Increase Rate	1.0%	911
0.5% increase in the Pension Increase Rate	8.0%	5,589

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

	Assets £000	Obligations £000	Net (liability) / asset	
			£000	% of pay
Projected current service cost	0	(1,660)	(1,660)	(51.3%)
Total Service Cost	0	(1,660)	(1,660)	(51.3%)
Interest income on plan assets	1,251	0	1,251	38.7%
Interest cost on defined benefit obligation	0	(1,420)	(1,420)	(43.9%)
Total Net Interest Cost	1,251	(1,420)	(169)	(5.2%)
Total included in Profit or Loss	1,251	(3,080)	(1,829)	(56.5%)

The Board's estimated contribution to Lothian Pension Fund for 2021/22 is £0.705m.

##### 21.9 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Following Lothian Pension Fund's Triennial Actuarial Review in 2020, employer pension fund contribution rates are now confirmed at 21.8% until 31 March 2024.



## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 22. LEASES

##### Operating Leases

The Board currently occupies land and buildings listed below by entering into the following operating lease:

17a South Gyle Crescent - offices		
	2019/20	2020/21
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,221	1,221
• Later than 5 years	2,060	1,775
	<u>3,586</u>	<u>3,301</u>

##### Car Leases

The Board operates an employee car leasing scheme. There were seven active leases in operation at 31st March 2021 and employees contributed £0.018m during 2020/21 towards the cost of car leasing. The Board is committed to paying the following sums in future years:

	2019/20	2020/21
	£000's	£000's
The future minimum lease payments due in future years are:		
• Not later than 1 year	18	11
• Later than 1 year not later than 5 years	14	8
	<u>32</u>	<u>19</u>

The Board has two operational leases. These relate to mobile phones/tablet devices and a Xerox photocopying agreement. The costs incurred under both for financial year 2020/21 were £7,284 and £5,033 respectively.

The Board has no finance lease obligations.

#### 23. LONG TERM DEBTORS

The long term debtor is in respect of a cash incentive received by the Board on its relocation of offices to its new premises at 17a South Gyle Crescent. The cash incentive is amortised on a straight line basis over the term of the lease. A 25 year lease was entered into in December 2006, the remaining life amounts to 12 years, consequently £5,642 will be written to the Comprehensive Income and Expenditure Statement each year.

	2019/20	2020/21
	£000's	£000's
• Cash incentive:		
Balance at 1st April	73	68
Amortised to Comprehensive Income and Expenditure Statement	(5)	(6)
Balance at 31st March	<u>68</u>	<u>62</u>

#### 24. OTHER LONG TERM LIABILITIES

The Board relocated to its new offices in December 2006. As part of the agreement, the landlord agreed to pay a cash incentive of £0.400m on date of entry and £0.475m in 2011. This will be amortised on a straight line basis totalling £0.035m per annum over 25 years, the term of the lease.

	2019/20	2020/21
	£000's	£000's
Balance at 1st April	(455)	(420)
Amortised to Comprehensive Income and Expenditure Statement	35	35
Balance at 31st March	<u>(420)</u>	<u>(385)</u>

## LOTHIAN VALUATION JOINT BOARD

### NOTES TO THE ANNUAL ACCOUNTS

#### 25. CONSTITUENT COUNCIL REQUISITIONS

The net expenditure of the Board is a charge upon the City of Edinburgh Council, West, East and Midlothian Councils. The division of net expenditure borne by the constituent councils is made in accordance with the Valuations Joint Boards (Scotland) Order 1995.

	Due for 2020/21 £000's	Received 2020/21 £000's	Due (to)/from Councils 2020/21 £000's
City of Edinburgh Council	3,805	3,805	0
Midlothian Council	567	567	(0)
East Lothian Council	665	665	0
West Lothian Council	1,171	1,171	(0)
	<u>6,208</u>	<u>6,208</u>	<u>(0)</u>

#### 26. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

All Treasury Management is carried out on the Board's behalf by the City of Edinburgh Council. The Council complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. The City of Edinburgh Council, on behalf of the Board, has overall risk management procedures that focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks.

The Board's activities expose it to a variety of financial risks which have been assessed in order to determine whether or not such risks have, in order to comply with financial instrument accounting requirements, an impact on these Annual Accounts. For all of the financial risks, the impact on Annual Accounts was found to be immaterial. Each risk is detailed below along with an explanation as to why there is no financial effect arising:

- Re-financing risk - the possibility that the Board might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms is considered immaterial because although the Board has powers to obtain loan finance, no such loans were held during the year;
- Market risk - the possibility that financial loss might arise for the Board as a result of changes in such measures as interest rate movements is considered immaterial because the finances of the Board are such that during the year there was no interest payable and interest receivable was immaterial;
- Credit risk - the possibility that other parties might fail to pay amounts due to the Board is considered immaterial on the basis of past experience and the fact that most debt payable to the Board is due from other public bodies;
- Liquidity risk - the possibility that the Board might not have funds available to meet its commitments to make payments is considered immaterial given the statutory responsibility that the Board has to have a balanced budget and that constituent authorities have to fund the activities of the Board;
- Price risk - the possibility that fluctuations in equity prices has a significant impact on the value of financial instruments held by the Board is considered immaterial because the Board does not generally invest in equity shares; and
- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Board is considered immaterial because there are no financial assets or liabilities held at the year end denominated in foreign currencies.

The Board holds its surplus funds with the City of Edinburgh Council and does not place external deposits in its own name. The balance held by and due from the City of Edinburgh Council at 31st March 2021 amounted to £1.750m (2019/20 £1.492m). 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

### NOTES TO THE ANNUAL ACCOUNTS

#### 27. ACCOUNTING TREATMENT OF INDIVIDUAL ELECTORAL REGISTRATION GRANT

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Since 2013/14, The Cabinet Office has provided grant funding to meet costs of Individual Electoral Registration (IER).

The Accounting Code requires bodies to account for grants in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, as adapted by paragraph 2.3.1.2. The adaptation extends the scope of IAS 20 to require immediate recognition rather than recognition over the period of the related expenditure.

Deferred IER grant income of £0.182m (prior year restatement of £0.284m and 2020/21 drawdown of £0.102m) has been removed from short-term creditors and recognised as an earmarked reserve. The adjustments are shown in the table below.

	<b>Annual Accounts 2019/20</b>	<b>IER Restatement</b>	<b>Restated Balance</b>
<b>Movement on Reserves Statement</b>	£'000	£'000	£'000
General Fund -Usable Reserve at 1 April 2019	(897)	(371)	(1,268)
<b>Comprehensive Income and Expenditure Statement</b>			
(Surplus) or deficit on provision of services	478	87	565
<b>Balance Sheet</b>			
Short-term creditors as at 31 March 2020	(459)	284	(175)

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT

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### Scope of Responsibility

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

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

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

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

### Accountability

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

### Transparency

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

### Effectiveness and Efficiency

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

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

### The Board's Governance Assurance Framework

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

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

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

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

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

In May 2018, LVJB introduced a Governance, Risk and Best Value Group. The Governance Group has been recently reviewed and a new Governance Strategy Group (GSG) formed. The GSG will provide a focal point for Board members to discuss LVJB organisational and operational objectives and will provide internal assurance and quality control over the primary functions and services of LVJB. The Group also reports to members of the Board. The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge is City of Edinburgh Council's Internal Audit service and LVJB's appointed external auditors, Azets Audit Services. It is anticipated that the activities of the GSG will enhance the appreciation and interpretation of the future strategic direction of LVJB.

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

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

# LOTHIAN VALUATION JOINT BOARD

## ANNUAL GOVERNANCE STATEMENT (Contd.)

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### Review of Effectiveness

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

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

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

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

- **The Lothian Valuation Joint Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Board's performance.
- **Internal Audit** provides an independent and objective assurance service to the Board by delivering one audit each year and providing an opinion on the design and operating effectiveness of the key internal controls established to manage the Board's most significant risks.
- the **External Audit** undertaken by Azets Audit Services and reported in the Annual Audit Report to the Board.
- **The Strategic, Operational and Project Risk Registers** are reviewed as part of the Board's Corporate and Service Plan. The Corporate and Service Plan is approved by the Board. Key risks are reported quarterly to the Board, financial risks through budget reports and service risks through the Assessors Progress report. This ensures that actions can be considered to effectively manage the Board's highest risks.
- **The Monitoring Officer** is responsible to the Board for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

### Internal Audit Opinion

Internal Audit progressed one review in 2020/21, which assessed the adequacy of design and operating effectiveness of LVJB's Council Tax controls. LVJB will review the report recommendations with the outcome reported to the Board.

### CIPFA Financial Management Code

An additional requirement of this year's statement is to undertake a preliminary assessment of the extent to which the Board's financial management arrangements comply with the principles set out within the CIPFA Financial Management (FM) Code. 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. While 2020/21 is a "shadow" year for implementation of the Code, all local government organisations are encouraged to undertake an early assessment in preparation for full adoption during 2021/22.

The assessment was undertaken to include reference to the 2021/22 budget-setting process, following an External Audit recommendation on the 2019/20 Annual Audit report "that more frequent discussions are held at Board level with regard to the future financial position of the organisation with actions developed to address this position". The assessment has highlighted recent improvements contributing positively to the Board's financial resilience and stability, including setting a balanced 3-year budget for the period 2021 to 2024.

The Board's financial management arrangements are initially assessed as being compliant with the FM Code.

### Coronavirus Pandemic

The challenge faced by LVJB to provide continued levels of high-quality service around its three core functions and also to sustain the necessary governance and control mechanisms over services was considerable. LVJB migrated to the Microsoft Office 365 cloud-based software as a service model over the latter part of 2019. When the required reaction to the emerging pandemic in March 2020 became clear, LVJB could allocate staff to work from home where they would have remote access to essential systems and applications, enabling services to be maintained. An internal subset of the Corporate Leadership Group was created and met daily during this time. The group considered the implications of staff wellbeing, communication and risk, service delivery and performance, accommodation conditions and use, and kept continually appraised and informed of a constantly developing set of circumstances.

Managers were provided with procedures and guidance on how to assign, assess and measure tasks and performance. Financial resources were re-allocated to enable provision of suitable new mobile equipment and software for home use. This was supplemented by staff who were prepared to use their personal equipment for secure remote access to LVJB systems to allow processing of key tasks to continue. Through sustained investment LVJB anticipates that all staff will be supplied with corporate equipment for future use in any new home and office-based hybrid working landscape. It is recognised that this will generate additional strain on LVJB's budget, but the ICT investment to date has been essential to maintaining functional operability.

During this time, the LVJBs Governance Committee, Project Management Framework, Quality Assurance procedures, internal first and second line checking and Corporate Leadership Team continually reviewed and assessed risk to provide ongoing assurance and support.

## LOTHIAN VALUATION JOINT BOARD

### ANNUAL GOVERNANCE STATEMENT (Contd.)

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#### 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 2021. 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 2020/21, 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:** \_\_\_\_\_

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

**Convener of Lothian Valuation Joint Board:**

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

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2020/21;
- Details of the Board's senior employees who participate in the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the benefits provided under the scheme.

### 1. Audit of Remuneration Report

Auditors are required to read the remuneration report to identify any;

- material inconsistencies with the financial statements;
- information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by auditors in the course of performing the audit, or that is otherwise misleading.

Azets Audit Services have reported in their annual report that the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### 2. Remuneration policy

The Lothian Valuation Joint Board is responsible for approving the remuneration level of the Assessor and Electoral Registration Office. The Scottish Joint Negotiating Committee (SJNC) for Local authority Services sets the salaries for the Chief Officials of Scottish local authorities and is responsible for agreeing annual inflationary increases. The post of Assessor and Electoral Registration Officer was reviewed at the creation of the Joint Board in 1996. Advice on such matters is received from the Human Resources division of the City of Edinburgh Council and from the Executive Director of Resources, City of Edinburgh Council.

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

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

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

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

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

### 3. Pension Entitlement of Senior Employees

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

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

The tiers and members contributions rates for 2020/21 are as follows:

On earnings up to and including £22,200 (5.5%), on earnings above £22,200 and up to £27,100 (7.25%), on earnings above £27,100 and up to £37,200 (8.5%), on earnings above £37,200 and up to £49,600 (9.5%) and on earnings above £49,600 (12%).

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 3. Pension Entitlement of Senior Employees (Contd.)

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

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

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

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

### 4. Remuneration by Pay Band

Details of the Board's employees receiving more than £50,000 remuneration for the year, excluding employer's NI and pension contributions are:

Remuneration Band	Number of Employees	
	2019/20	2020/21
£50,000 - £54,999	1	2
£55,000 - £59,999	3	4
£60,000 - £64,999	-	1
£65,000 - £69,999	1	2
£70,000 - £74,999	3	2
£75,000 - £79,999	-	1
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
<b>Totals</b>	<b>10</b>	<b>14</b>

### 5. Remuneration paid to Senior Employees

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

Name and Post Title	Salary, Fees and Allowances 31 March 2020	Salary, Fees and Allowances 31 March 2021
	£	£
G. Strachan - Assessor and Electoral Reg Officer	127,584	64,300
G. Elliott - Interim Assessor and Electoral Officer (appointed 1st October 2020)	n/a	101,936
<b>Total</b>	<b>127,584</b>	<b>166,236</b>



# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

### 6. Pension Entitlement of Senior Employees

<u>In-year pension contributions</u>		For year to 31 March 2020	For year to 31 March 2021
<u>Name and Post Title</u>		£	£
G. Strachan - Assessor and Electoral Reg Officer		27,693	14,403
G. Elliott - Interim Assessor and Electoral Officer ( <i>appointed 1 October 2020</i> )		n/a	22,827
<u>Accrued Pension Benefits</u>		As at 31 March 2021	Difference from 31 March 2020
<u>Name and Post Title</u>		£'000	£'000
G. Strachan - Assessor and Electoral Reg Officer	Pension	71	2
	Lump sum	136	2
G. Elliott - Interim Assessor and Electoral Officer ( <i>appointed 1st October 2020</i> )	Pension	47	n/a
	Lump sum	84	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 the remuneration paid to the Board's Convener and Vice-Convener by the Board, excluding NI and Pensions.

<u>Name and Post Title</u>	Salary, fees and allowances £	Taxable Expenses £	Total Remun. 2020/21 £	Total Remun. 2019/20 £
D.Key - Convener	4,488	0	4,488	4,392
A. McGuire - Vice Convener *	3,892	0	3,892	3,189
	8,380	0	8,380	7,581

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

<u>In-year pension contributions</u>		For year to 31 March 2020	For year to 31 March 2021
<u>Name and Post Title</u>		£	£
D.Key - Convener		4,870	5,089
<u>Accrued Pension Benefits</u>		As at 31 March 2021	Difference from 31 March 2020
<u>Name and Post Title</u>			
D.Key - Convener	Pension	4	1
	Lump sum	0	0

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

# LOTHIAN VALUATION JOINT BOARD

## REMUNERATION REPORT (Contd.)

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### 9. Exit Packages

The following information details the number, and total cost, of exit packages agreed and approved by 31st March 2021, 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	
	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	2	0	£ 3,524	£ 0
£20,001 - £40,000	0	1	0	30,115
£40,001 - £60,000	1	0	48,631	0
£60,001 - £80,000	0	1	0	74,966
£80,001 - £100,000	0	1	0	93,461
£100,000+	0	2	0	220,349
<b>Totals</b>	<b>3</b>	<b>5</b>	<b>52,155</b>	<b>418,891</b>

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

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

The Lothian Valuation Joint Board is required to report a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2020/21, the equivalent of 0.86 FTE (over 3 individuals) of paid facility time was made available, with an associated cost of £11,653. This sum equates to 0.23% 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:** \_\_\_\_\_  
Gary Elliot

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

**Convener:** \_\_\_\_\_  
David Key

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

# LOTHIAN VALUATION JOINT BOARD

## INDEPENDENT AUDITOR'S REPORT

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

#### Report on the audit of the financial statements

##### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Lothian Valuation Joint Board for the year ended 31 March 2021 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

##### Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

##### Responsibilities of the Treasurer and the board for the financial statements

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

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

The Board is responsible for overseeing the financial reporting process.

##### Auditor's responsibilities for the audit of the financial statements

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

## LOTHIAN VALUATION JOINT BOARD

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

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

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

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

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been

#### **Statutory other information**

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

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

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

## LOTHIAN VALUATION JOINT BOARD

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

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#### Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

#### Conclusions on wider scope responsibilities

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

#### Use of our report

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

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

Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

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

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