Annual Accounts for the year to 31st March 2020

Audited

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

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

LOTHIAN VALUATION JOINT BOARD

C O N T E N T S

LOTHIAN VALUATION JOINT BOARD

MEMBERS AND OFFICIALS

Convener: **Councillor David Key, City of Edinburgh Council**

Vice-Convener: **Councillor Andrew McGuire, West Lothian**

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

Edinburgh Council

Councillor Gavin Corbett
Councillor Phil Doggart
Councillor Karen Doran
Councillor David Key (Convener)
Councillor George Gordon
Councillor Gillian Gloyer
Councillor Ricky Henderson
Councillor Jason Rust
Councillor Norman Work

East Lothian Council

Councillor Jim Goodfellow
Councillor Jeremy Findlay

Midlothian Council

Councillor Margot Russell
Councillor Kieran Munro

West Lothian Council

Councillor Dave King
Councillor Andrew McGuire (Vice-Convener)
Councillor Damian Timson

Officials

Assessor and Electoral Registration Officer :	Graeme Strachan (until 30 September 2020) Gary Elliot (Interim Assessor and ERO from 1 October 2020)
Chief Executive and Clerk :	Andrew Kerr
Treasurer :	Hugh Dunn, CPFA
Solicitor :	Nick Smith

MANAGEMENT COMMENTARY

Strategic Report

1. Basis of the Accounts

The Annual Accounts present the financial position and performance of the Board, for the year to 31st March 2020. The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This is to ensure that the Annual Accounts "present a true and fair view" of the financial position and transactions of the Board. The Annual Accounts have been prepared in accordance with the following fundamental accounting principles: relevance, reliability, comparability, understandability and materiality.

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

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

2. Statutory Background

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

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

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

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

4. Principal risks and uncertainties facing the Board.

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

The second category relates to changes in legislation that impact on the services to be delivered. This can create pressures from both a financial and organisational perspective. The Barclay Review of NDR has in the main been adopted by Scottish Government in the form of a national NDR Reform strategy. This shall introduce the biggest changes to NDR services that have been enacted for many years. There are significant changes directly associated with the Valuation Roll function. This shall involve shortening the current 5 year revaluation cycle to a 3 year cycle and introduce significant alterations to the legislation which supports the Valuation Roll appeal process. Primary legislation has been enacted during 2020 with the principle elements coming into force in 2022. Additional supporting legislative regulations is currently under consideration. The emergence of Covid-19 has resulted in a review, which is currently ongoing, into a number of the key dates within the NDR Reform agenda. Once these changes have been confirmed internal organisational timetables and proposed system developments shall be reviewed to support the effective delivery of the NDR Reform agenda. Within the function of Electoral Registration the cost legacy created by the introduction of Individual Electoral Registration remains an ongoing risk. During 2020 national revisions to the annual household canvass process shall be introduced aimed at reducing costs while maintaining accuracy and completeness within the Register. The Cabinet Office have indicated that supportive additional funding may be available during 2020 to support the transition to the new process. Until it is established whether the canvass changes shall provide the necessary cost savings and that any required funding shall be available there remains budgetary risks to the Board in respect of delivery of the Electoral Service. In terms of Council Tax the system faces continual criticism and it is likely that further consultative processes shall emerge in the coming years concerning changes to the system. This uncertainty moving forward is a risk to the Board.

5. Review of the Lothian Valuation Joint Board performance 2019/20

5.1 Financial Performance

The Board's expenditure was on budget for 2019/20. Detailed variance explanations are provided below.

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

The outturn position, split between core Board duties and IER duties is summarised below:

	Core Revenue Budget			Individual Electoral Registration (IER)			Total		
	Budget 2019/20 £'000	Actual 2019/20 £'000	Variance 2019/20 £'000	Budget 2019/20 £'000	Actual 2019/20 £'000	Variance 2019/20 £'000	Budget 2019/20 £'000	Actual 2019/20 £'000	Variance 2019/20 £'000
• Employees	4,532	4,534	2	44	97	53	4,576	4,631	55
• Property	540	507	(33)	0	0	0	540	507	(33)
• Transport and Plant	76	71	(5)	0	0	0	76	71	(5)
• Supplies and Services	750	767	17	216	219	3	966	986	20
• Third Party Payments	82	100	18	0	0	0	82	100	18
• Support services	67	67	0	0	0	0	67	67	0
Total gross expenditure	6,047	6,046	(1)	260	316	56	6,307	6,362	55
• Sales, fees & charges	(43)	(37)	6	0	0	0	(43)	(37)	6
• IER Grant	0	0	0	(260)	(316)	(56)	(260)	(316)	(56)
• IORB	(3)	(8)	(5)	0	0	0	(3)	(8)	(5)
Total income	(46)	(45)	1	(260)	(316)	(56)	(306)	(361)	(55)
Total net expenditure	6,001	6,001	0	0	0	0	6,001	6,001	0

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

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

The principal reasons for the surplus against the core budget are variances in the following budgets:

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

5. Review of the Lothian Valuation Joint Board performance 2019/20 (Contd.)

In accordance with paragraph 8 of the Valuation Joint Boards (Scotland) Order 1995, all under spending pertaining to the Board is retained in the form of a usable reserve. The audited usable reserve balance at 31st March 2019 was £0.897m which remains the same as at 31st March 2020.

5.2 Overview of performance targets in 2019/20

During 2019/20 the Board reached a good level of performance as defined by it's Key Performance Indicators. The principal of these show that 91.21% (93.75% 2018/19; 95.93% 2017/18; 93.86% 2016/17) of all new houses were entered onto the Council Tax List within three months following occupation and that 67.39% (57.86% 2018/19; 63.10% 2017/18; 47.15% 2016/17) of all Valuation Roll amendments were made within three months following completion. During 2019/20 6,004 new houses were added to the Council Tax list while 3,819 amendments were made to the Valuation Roll.

Following the 2017 Revaluation 13,000 appeals were lodged against rateable values appearing in the new Roll. As at 31st March 2020 over 80% of these appeals had been dealt with. The statutory deadline for disposal of all appeals is 31/12/2021.

The Electoral Register during 2019/20 was maintained throughout the year with 76,404 electors added, 49,998 deleted, and 100,311 subject to amendment. The 2019 household canvass which was impacted by the December 2019 UK Parliament General Election maintained the current trend with a 74.2% return rate achieved, (75% 2018; 74% 2017; 70% 2016).

The new process of registration under IER means that following the annual canvass many applications to register are still awaiting return and are not reflected in the electorate figures provided. The following electorate statistics therefore should be viewed as a snap shot, as at April 2020 698,145; April 2019 662,308, April 2018 659,519; March 2017 657,858; April 2016 650,531; February 2015 660,030; March 2014 639,401.

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

The main trends and factors likely to affect the development and performance of the Board are those that influence the future direction of service provision. This direction is driven by legislative changes enacted, new case law and following formal reviews. This creates uncertainty and is amplified when placed within the current environment of fiscal constraint that all local authority bodies are facing. Changes to the Electoral Registration process, the NDR Reform agenda, and the possibility of further review of Council Tax alternatives are all examples of organisational and service delivery challenges. During 2017/18 a Transformation and Cultural Change Programme was initiated aimed at positioning the Board within a positive forward looking environment where these challenges set against fiscal constraint could be properly met. An immediate fiscal gain was secured for 2018/19 creating a reduction in funding requisition of 4.4%. The second Phase of this Programme is ongoing aimed at constraining budget growth during the 2020/21 to 2022/23 period. This phase aims to create organisational savings while establishing increased modernisation, process efficiencies, and cultural change. However, any fiscal saving and drive for modernisation must be set against the requirement for the Board to deliver its statutory duties and services to a high standard and to be properly positioned to undertake any legislative changes that shape and form future service. In general the picture is one of competing priorities; fiscal constraint and the need for savings; a change and modernisation strategy aimed at supporting changing legislative requirement within which services are delivered. While it is unlikely that the emergence of Covid-19 shall derail any of the expected changes to statutory service delivery requirements it is possible certain details may be reviewed and the likely manner in which the organisation and its staff operate shall be subject to review and change. A full risk assessment shall be undertaken and mitigation action taken as necessary. The Interim Assessor is now looking at preparing a plan for the activities that can be undertaken, dependent on which tier of restriction any of the constituent councils are placed in at any given time. This should allow seamless transition as and when tier restrictions are amended for any given location.

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

- The Scottish Government has adopted the main recommendations contained within the 2017 Barclay Review of NDR into an NDR strategy. This strategy has far reaching consequences for the Board. In particular the long standing five yearly process of revaluation shall be condensed into a three yearly cycle. This and other associated legislative changes has required that the NDR business model currently in operation within the Board to be reviewed and overhauled in order to meet this new statutory requirement. While the first revaluation under this three yearly cycle shall take place in 2022, planning, timetabling and systems developments have already commenced. The Scottish Government have announced that it is their intention to delay the next Revaluation until 2023, though as this needs parliamentary approval, is unlikely to be confirmed before January 2021. The appeal timetable for the 2017 Revaluation has been extended to 31st December 2021. Covid -19 and its impact on the NDR Reform Agenda is continuously being assessed and while the overall objectives of the agenda shall be unaltered it is possible that certain key dates may be reviewed. Should this occur internal corresponding timetables and associated planning shall be reviewed to reflect these changes. An appropriate risk register shall be compiled with corresponding mitigation action to reflect this change circumstance. It should be noted that additional funding has been made available by Scottish Government within the annual national budget dispersal process to support the introduction of the NDR Reform agenda. In respect of the Council Tax function, considerable uncertainty remains surrounding its ongoing viability as a taxation system without major overhaul. Until further consultation on possible changes or alternative approaches takes place, the future of Council Tax and the implications that arise remain a risk to the Board.

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

- Volatility within Government means that the risk of snap elections and referendums cannot be discounted. Many major national and international issues could give rise to electoral events. During 2019 an EU Election and snap UK Parliamentary General Election took place, both of which were either unexpected in terms of the normal schedule of elections. This uncertainty over the timing of major electoral events places considerable pressure on all resources, in particular staffing and finances. The ability of the Board to cope with these demands, while other pressures to create savings and modernise are present, represents a risk.

- IER (Individual Electoral Registration) was introduced during 2014. While aimed at improving completeness and accuracy within the Register, and tackling perceived opportunities for fraud, it has left a legacy of increased costs associated with the registration process. Since 2014 additional funding provided direct to the Board by the Cabinet Office reflects these ongoing costs. Mitigating action is being taken both at a national level, where changes to the annual household canvass process are due to be introduced during 2020, and at Board level opportunities to consume IER costs within core budget allocation are being adopted where possible. However the financial risk arising from the introduction of IER remains significant to the Board moving forward until the new processes have been introduced and a financial impact assessment undertaken.

- The 2017 Revaluation gave rise to receipt of 13,000 appeals, the highest ever following a revaluation exercise. 2020 is the final year in which these appeals must be concluded and disposal scheduling, pre-covid, was in place to ensure that was achieved. The current disposal level is around 85%. Post covid the disposal schedule may be significantly reduced. This shall impact on the deployment of resources within the organisation with a possible impact on other areas of service delivery. In addition the emergence of Coronavirus has resulted in the receipt of circa 10,000 additional appeals that shall, on current timetables, require to be disposed of by 31st March 2021. While it can be anticipated that a number of these shall be dealt with quickly, this represents another significant body of work which shall place additional pressure on resources.

7. COVID-19 pandemic

The Interim Assessor is now looking at preparing a plan for the activities he shall be able to undertake depending on which tier of restriction any of the constituent councils are placed in at any given time. This should allow seamless transition as and when tier restrictions are amended for any given location. From the end of March 2020 all Board staff commenced working from home. The vast majority of staff have remote access to organisational IT systems. This has resulted in a high level of service delivery across all statutory functions being maintained. This is only restricted where access to paper material is required, where the flow of necessary information from third parties has been disrupted, or where a physical inspection of properties is required. During ongoing working from home, led by the organisation's temporary COBRA group, a high level of communication amongst all staff levels is being maintained. This has been essential in terms of maintaining and supporting staff wellbeing, and ensuring that productivity levels remains at acceptable levels. Access to the organisation via email and telephone for the public and other stakeholders has also been maintained. Health and wellbeing of staff during this time is paramount and considerable additional information has been made available to staff through regular updates on the internal staff intranet. Currently a Restart Programme is under construction which anticipates a level of return to work during a reducing covid infection period. The Programme reflects the initial period resulting in a concentration on two elements; the application of social distancing and virus containment within the workplace and a review of service delivery priorities identifying areas where prompt recovery of service is required. This Programme shall be subject to regular revision to reflect national guidance both prior to and during initial return to work by staff. Due to the high level of success during working from home conditions a second phase of the Restart Programme shall be initiated to reflect on any organisational improvements, efficiencies, and process and procedural reviews that can be made. In addition changes within the wider community shall be assessed in situations where contact with third parties concerning the delivery of statutory services was normally required pre-covid. It is anticipated that adjustments, possibly supported by a wider adoption of technology allowing remote contact, shall require to be made. A Covid-19 office reopening risk assessment has been constructed, focusing on any area where a resumption of "normal" service is not possible, with options for alternative approaches identified. This document undergoes regular review in accordance with any Scottish Government updates or other factors which may affect service resumption. This is available to view on the LVJB website. At this stage, it is not possible to forecast long term budgetary impacts arising from Covid-19. An update of the 2020/21 financial forecast is presented to the Board on 9th November 2020. To date, apart from minor contained expenditure on additional IT equipment to support home working, no major additional expenditure has resulted.

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

Interim Assessor and Electoral Registration Officer: ____________ **Date:** 30 November 2020
Gary Elliot

Treasurer: ____________ **Date:** 30 November 2020
Hugh Dunn, CPFA

Convener: ____________ **Date:** 02 December 2020
David Key

LOTHIAN VALUATION JOINT BOARD

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required:

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

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

Convener: ______________________ **Date:** 02 December 2020
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 2020, and its income and expenditure for the year ended 31st March 2020.

Treasurer: ______________________ **Date:** 30 November 2020
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.

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

	Usable Reserves	Unusable Reserves	Total Board Reserves
2019/20 - Current Financial Year	**General Fund Balance**		
	£'000	**£'000**	**£'000**
Opening Balances at 1 April 2019	**(897)**	**8,606**	**7,709**
Movement in reserves during 2019/20			
(Surplus) or deficit on provision of services	478	0	478
Other Comprehensive Expenditure and Income	0	(3,185)	(3,185)
Total Comprehensive Income and Expenditure	**478**	**(3,185)**	**(2,707)**
Adjustments between accounting basis & funding basis under regulations (Note 7.1)	(478)	478	**0**
Net (increase)/decrease before transfers to Other Statutory Reserves	**0**	**(2,707)**	**(2,707)**
(Increase)/Decrease in 2019/20	**0**	**(2,707)**	**(2,707)**
Balance at 31 March 2020 carried forward	**(897)**	**5,899**	**5,002**

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

LOTHIAN VALUATION JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19				2019/20		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
7,222	(39)	7,183	Core budget	6,280	(37)	6,243
233	(219)	14	Individual electoral registration	340	(316)	24
7,455	**(258)**	**7,197**	**Cost Of Services**	**6,620**	**(353)**	**6,267**
			Financing and Investment Income:			
0	(8)	(8)	Interest & Investment income (Note 10.5)	0	(9)	(9)
1,601	0	1,601	Interest Cost on Defined Benefit Obligation (Note 21.5)	1,603	0	1,603
0	(1,423)	(1,423)	Interest Income on Plan Assets (Note 21.4)	0	(1,382)	(1,382)
1,601	**(1,431)**	**170**	**Total Financing and Investment Income**	**1,603**	**(1,391)**	**212**
			Non-Specific Grant Income:			
0	(5,847)	(5,847)	Constituent council requisitions (Note 25)	0	(6,001)	(6,001)
0	**(5,847)**	**(5,847)**	**Total Non-Specific Grant Income**	**0**	**(6,001)**	**(6,001)**
9,056	**(7,536)**	**1,520**	**(Surplus) or Deficit on Provision of Services (Note 2)**	**8,223**	**(7,745)**	**478**
			Other Comprehensive Income and Expenditure:			
4,915	0	4,915	Change in Financial Assumptions (Note 21.5)	0	(6,684)	(6,684)
0	0	0	Change in Demographic Assumptions (Note 21.5)	0	0	0
63	0	63	Other Experience (Note 21.5)	0	(294)	(294)
0	(3,558)	(3,558)	Return on pension assets excl. amounts included in net int. (Note 21.4)	3,793	0	3,793
14,034	**(11,094)**	**2,940**	**Total Comprehensive Income and Expenditure**	**12,016**	**(14,723)**	**(2,707)**

LOTHIAN VALUATION JOINT BOARD

BALANCE SHEET

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

31 March 2019 £'000		Notes	31 March 2020 £'000
304	Property, plant and equipment	8.1	268
58	Intangible assets	9	43
73	Long-term debtors	23	68
435	**Long term assets**		379
125	Short-term debtors	11	125
1,715	Cash and cash equivalents	12	1,492
1,840	**Current assets**		1,617
(645)	Short-term creditors	13	(459)
(645)	**Current liabilities**		(459)
(455)	Other long-term liabilities	24	(420)
(8,884)	Other long-term liabilities (Pensions)	21.3	(6,119)
(9,339)	**Long-term liabilities**		(6,539)
(7,709)	**Net liabilities**		**(5,002)**
(897)	Usable reserves	14	(897)
8,606	Unusable reserves	14	5,899
7,709	**Total reserves**		**5,002**

The unaudited Annual Accounts were authorised for issue by the Treasurer on the **5th June 2020**.
The audited Annual Accounts were authorised for issue by the Treasurer on **30 November 2020**

Treasurer: ______________________ **Date:** 30 November 2020
Hugh Dunn, CPFA

LOTHIAN VALUATION JOINT BOARD

CASH FLOW STATEMENT

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

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

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.

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;

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.9 Non-Current Assets (Contd.)

b) Property, Plant and Equipment (Contd.)

Depreciation (Contd.):

- Non-current assets are depreciated as follows:

Asset		Years
Property	(Leasehold improvements) - 25 years (currently 12 years remaining) Depreciated over remaining life of asset	12
Vehicles, plant and equipment		5

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

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

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

1.10 Overheads and Support Services

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

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

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.12 Leases

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

a) Finance Leases

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

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

b) **Operating Leases**

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

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

1.13 Provisions

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

1.14 Contingent Liability

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

1.15 Contingent Assets

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

1.16 Employee Benefits

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

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.

1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

1.21 Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. As at 31st March, 2020, the Board had no borrowings.

b) Financial Assets

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

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

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

1.22 Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts is adjusted to reflect such items;

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

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

1.23 Exceptional Items

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

1.24 Going Concern

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

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions from local authorities) by the Lothian Valuation Joint Board in comparison with those resources consumed or earned by the Lothian Valuation Joint Board in accordance with general accounting practice. It also shows how this expenditure is allocated for decision making purposes between service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) (see page 8).

EXPENDITURE AND FUNDING ANALYSIS

2018/19 Net Expend. Chargeable to the General Fund £000	2018/19 Adjustments £000	2018/19 Net Expenditure in the CIES £000		2019/20 Net Expend. Chargeable to the General Fund £000	2019/20 Adjustments £000	2019/20 Net Expenditure in the CIES £000
5,748	1,434	7,182	Core Budget	6,001	242	6,243
0	15	15	Individual Electoral Registration	0	24	24
5,748	**1,449**	**7,197**	**Net Cost of Services**	**6,001**	**266**	**6,267**
			Other Income and Expenditure			
(5,847)	0	(5,847)	Constituent council requisitions	(6,001)	0	(6,001)
0	(8)	(8)	Interest and investment income	0	(9)	(9)
0	178	178	Net pension interest cost	0	221	221
(99)	**1,619**	**1,520**	**(Surplus) or deficit on the provision of services**	**0**	**478**	**478**
(798)			Opening General Fund Balance	(897)		
(99)			(Surplus) / Deficit on the provision of services	0		
(897)			**Closing General Fund Balance at 31 March**	**(897)**		

Notes to the Expenditure and Funding Analysis:

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

	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000	Presentation Adjusts. £000	Total Adjusts. £000
Core budget	50	175	8	233	9	242
Individual electoral registration	0	24	0	24	0	24
Net Cost of Services	**50**	**199**	**8**	**257**	**9**	**266**
Other Income and Expenditure						
Constituent council requisitions	0	0	0	0	0	0
Interest and investment income	0	0	0	0	(9)	(9)
Net pension interest cost	0	221	0	221	0	221
(Surplus) or deficit on the provision of services	**50**	**420**	**8**	**478**	**0**	**478**

2. EXPENDITURE AND FUNDING ANALYSIS (Contd.)

Notes to the Expenditure and Funding Analysis:

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

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

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

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

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

2.3 Expenditure and Income Analysed by Nature

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

Expenditure	2018/19 £000	2019/20 £000
Employee expenses	5,640	4,837
Other service expenses	1,647	1,631
Support service recharges	67	68
Depreciation and impairment	101	84
Interest payments	1,601	1,603
Total Expenditure	**9,056**	**8,223**
Income		
Fees, charges and other service income	(258)	(353)
Interest and investment income	(1,431)	(1,391)
Income from constituent Councils	(5,847)	(6,001)
Government grants and other contributions	0	0
Total Income	**(7,536)**	**(7,745)**
(Surplus) or Deficit on the Provision of Services	**1,520**	**478**

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

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

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is high degree of uncertainty about future levels of funding for local government, however, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to reduce levels of service provision.
- Local Government Pension Scheme - Guaranteed minimum pension (GMP). The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single State Pension in 2016 has resulted in a recalculation of pension liabilities relating to the estimated impact of GMP indexation changes. The increased liability (£0.187m at 31st March 2019) has been reflected in the roll-forward pension liability as at 31st March 2020 as a past service cost (refer to Note 21 Defined Benefit Pension Schemes). This is an estimate which will be revised at the upcoming valuation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. Legislation requires the LGPS to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities). The Board's actuary has included an estimate within the pension liability as a past service cost. The allowance has been reduced in the current valuation to reflect the recent proposed changes to eligibility.
- The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities. The Board's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.03% higher.

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

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

5.1 Property, Plant and Equipment

Uncertainties

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

Effect if Actual Result Differs from Assumptions

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

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

5.2 Pension Liabilities

Uncertainties

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

Effect if Actual Result Differs from Assumptions

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

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

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

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

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

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

	Approximate % increase to Employer Obligations %	Approximate monetary value £000
0.5% decrease in Real Discount Rate	10%	6,337
0.5% increase in the Salary Increase Rate	2%	1,301
0.5% increase in the Pension Increase Rate	8%	4,912

6. EVENTS AFTER THE REPORTING PERIOD

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

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.

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

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.

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

8. PROPERTY PLANT AND EQUIPMENT

Movements on balances:

8.1 Current Year Movements in 2019/20

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

8.2 Previous Year Movements in 2018/19

Cost or Valuation	Leasehold Improvements £000's	Vehicles Plant and Equipment £000's	Total Property Plant and Equipment £000's
At 1st April 2018	432	340	772
Derecognised assets GBV reversal	0	(68)	(68)
Additions	0	16	16
At 31st March 2019	432	288	720
Accumulated Depreciation			
At 1st April 2018	(185)	(224)	(409)
Derecognised assets depreciation reversal	0	68	68
Depreciation charge	(17)	(58)	(75)
At 31st March 2019	(202)	(214)	(416)
Net Book Value at 31st March 2019	**230**	**74**	**304**

8.3 Depreciation

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

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

8. PROPERTY PLANT AND EQUIPMENT (Contd.)

8.4 Capital Commitments

At 31st March 2020, there were no capital commitments entered into by the Board.

8.5 Revaluations

Property, plant and equipment are shown in the balance sheet at depreciated historic cost. This does not comply with the Code, however, the difference is not considered material.

The significant assumptions applied in estimating the fair values are:

- the property was not inspected - this was neither practical nor considered by the valuer to be necessary for the purpose of the valuation;

- unless stated otherwise, all properties with greater than de-minimus value were assumed to be in reasonable state of repair and have a life expectancy of more than 50 years;

- the valuations were prepared using information from the City of Edinburgh Council's internal records as well as the Valuation Roll produced by the Lothian Valuation Joint Board.

9. INTANGIBLE ASSETS

The Board accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a useful life, based on assessments of the period that the software is expected to be of use to the Board. The useful lives assigned to the major software suites used by the Board are:

3 years:
- Trustmarque Solutions Ltd - Anti-virus software

5 years:
- Civica UK Ltd - Software to increase robustness
- Trustmarque Solutions Ltd - Sharepoint software
- Zerion - Canvass operation software
- Trustmarque Solutions Ltd - Visual Studio and SQL server licences
- FMP HR and Payroll Software Limited - Software

10 years :
- Dacoll virtual environment - software/licences
- Microsoft Office licences
- Document & Data Disposal Module software

The carrying amount of intangible assets is depreciated on a straight-line basis. Amortisation of £0.020m was charged to the Comprehensive Income and Expenditure during 2019/20.

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

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

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

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

	Non-Current		Current	
	31st March 2019	31st March 2020	31st March 2019	31st March 2020
Cash and Cash Equivalents	£'000	£'000	£'000	£'000
Loans and receivables	0	0	1,715	1,492
Debtors				
Trade debtors	0	0	0	0

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

10.4 **Financial Instruments - Fair Values**

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

10. FINANCIAL INSTRUMENTS (Contd.)

10.4 **Financial Instruments - Fair Values (Contd.)**

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Cash and cash equivalents – actual indebtedness balance. The Board maintains its funds as part of the City of Edinburgh Council's group of bank accounts. Loans to and from the City of Edinburgh Council are variable rate and repayable on demand. The fair value of these loans has therefore been taken to be their carry value.
- The fair value of short-term instruments, including trade payables and receivables, is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

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

10.5 **Income, Expenses, Gains and Losses**

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

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

11. SHORT TERM DEBTORS

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

12. CASH AND CASH EQUIVALENTS

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

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

13. SHORT TERM CREDITORS

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

14. USABLE AND UNUSABLE RESERVES

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

	UNUSABLE	2018/19	2019/20
		£'000	£'000
14.2	Capital Adjustment Account	(361)	(311)
14.3	Pension Reserve	8,884	6,119
14.4	Accumulated Absence Account	83	91
		8,606	5,899

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.

	2018/19	2019/20
Year	£'000	£'000
2010/11	(228)	(228)
2011/12	(42)	(42)
2012/13	(127)	(127)
2013/14	(24)	(24)
2014/15	(175)	(175)
2015/16	(153)	(153)
2016/17	(262)	(262)
2017/18	213	213
2018/19	(99)	(99)
2019/20	0	0
	(897)	(897)

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.

14. USABLE AND UNUSABLE RESERVES (Contd.)

14.2 Capital Adjustment Account (Contd.)

	2018/19 £'000	2019/20 £'000
Balance at 1st April	(429)	(361)
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	75	64
• Depreciation of intangible assets	25	20
Net written out amount of the cost of non-current assets consumed in year	(329)	(277)
Capital financing for the year:		
• Statutory provision for the financing of capital expenditure	(32)	(34)
Balance at 31st March	(361)	(311)

14.3 Pension Reserve

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

	2018/19 £'000	2019/20 £'000
Balance at 1st April	5,933	8,884
Remeasurements of the net defined benefit liability / (asset)	1,420	(3,185)
Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	2,374	1,225
Employer's pension contributions and direct payments to pensioners payable in the year.	(843)	(805)
Balance at 31st March	8,884	6,119

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14. USABLE AND UNUSABLE RESERVES (Contd.)

14.4 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000
Balance at 1st April		63		83
Settlement or cancellation of accrual made at the end of the preceding year	(63)		(83)	
Amounts accrued at the end of the current year	83		91	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		20		8
Balance at 31st March		83		91

15 CASH FLOW STATEMENT

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

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

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

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

16. MEMBERS ALLOWANCES

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

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

17. EXTERNAL AUDIT COSTS

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

	2018/19	2019/20
	£000's	£000's
External audit services carried out for the year	7	7

18. RELATED PARTIES

The Board is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

18.1 Scottish Government

The Scottish Government is responsible for providing the statutory framework within which the Board operates. It provides the majority of the Board's funding in the form of grants to the constituent councils, and prescribes the terms of many of the transactions that the Board has with other parties. Constituent councils provide funding to the Board at the start of each financial year.

18.2 Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid in 2019/20 shown in Note 16 and the Remuneration Report.

18.3 Other Parties

During the year, the Board entered into the following transactions with related parties:

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

18. RELATED PARTIES (Contd.)

18.3 Other Parties (Contd.)

	2018/19 £000's	2019/20 £000's
• **The Cabinet Office**		
IER grant received	(591)	(600)
• **Midlothian Council**		
Constituent council contribution	(540)	(549)
CT liability hearings	0	(2)
• **East Lothian Council**		
Constituent council contribution	(636)	(642)
• **West Lothian Council**		
Constituent council contribution	(1,096)	(1,132)
Vice Convener remuneration	4	4
• Clackmannanshire Council	23	36
• Fife Council	0	2
• Glasgow City Council	7	7
• Renfrewshire Council	1	1
• HM Revenue and Customs	4	5
• Convention of Scottish Local Authorities	1	1
• Lothian Buses PLC	1	1
• Registers of Scotland	2	2
• Scottish Court Service	(3)	(4)

19. TERMINATION BENEFITS

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

20. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Board, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Board that has yet to be financed.

	2018/19 £000's	2019/20 £000's
Opening Capital Financing Requirement	**0**	**0**
Capital investment		
• Property, Plant and Equipment	16	28
• Intangible assets	16	6
Sources of finance		
• Direct revenue contributions	(32)	(34)
Closing Capital Financing Requirement	**0**	**0**

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:

Comprehensive Income and Expenditure Statement	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
Cost of services, comprising:				
Current service costs	1,189		1,462	
Past service costs	1,007		(458)	
		2,196		1,004
Financing and investment income:				
Net interest expense		178		221
Total post employee benefit charged to the surplus on the provision of services		2,374		1,225
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(3,558)		3,793	
Actuarial gains and (losses) arising on changes in financial and demographic assumptions	4,915		(6,684)	
Other experience	63		(294)	
		1,420		(3,185)
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		3,794		(1,960)
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(2,951)		2,765
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		760		720
Contributions in respect of unfunded benefits		83		85
		843		805

21. DEFINED BENEFIT PENSION SCHEMES (Contd.)

21.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Board's obligations in respect of its defined benefit plan is as follows:

	2018/19	2019/20
	£000	£000
Fair value of employer assets	57,672	55,093
Present value of funded liabilities	(64,635)	(59,444)
Present value of unfunded liabilities	(1,921)	(1,768)
Net liability arising from defined benefit obligation	(8,884)	(6,119)

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

	2018/19	2019/20
	£000	£000
Opening fair value of scheme assets	52,764	57,672
Interest income	1,423	1,382
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	3,558	(3,793)
Contributions from employer	760	720
Contributions from employees into the scheme	198	218
Contributions in respect of unfunded benefits	83	85
Benefits paid	(1,031)	(1,106)
Unfunded benefits paid	(83)	(85)
Closing fair value of scheme assets	57,672	55,093

21.5 Reconciliation of Present Value of the Scheme Liabilities

	2018/19	2019/20
	£000	£000
Present value of funded liabilities	(56,872)	(64,635)
Present value of unfunded liabilities	(1,825)	(1,921)
Opening balance at 1 April	(58,697)	(66,556)
Current service cost	(1,189)	(1,462)
Interest cost	(1,601)	(1,603)
Contributions from employees into the scheme	(198)	(218)
Remeasurement gain / (loss):		
Change in financial assumptions	(4,915)	6,684
Change in demographic assumptions	0	0
Other experience	(63)	294
Past service cost	(1,007)	458
Benefits paid	1,031	1,106
Unfunded benefits paid	83	85
Closing balance at 31 March	(66,556)	(61,212)

21. DEFINED BENEFIT PENSION SCHEMES (Contd.)

21.6 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

The IAS19 asset split is based on the Plan's benchmark investment split.

	2018/19 £000	2018/19 %	2019/20 £000	2019/20 %
Equity Securities				
Consumer *	6,136.3	11	5,250.8	10
Manufacturing *	7,095.9	13	7,945.7	15
Energy and Utilities *	4,356.8	8	3,513.9	6
Financial Institutions *	4,851.7	8	3,583.1	7
Health and Care *	3,133.3	5	3,812.4	7
Information Technology *	1,878.4	3	2,381.4	4
Other *	5,623.4	10	4,022.2	7
Sub-total Equity Securities	**33,075.8**		**30,509.5**	
Debt Securities:				
Corporate Bonds (investment grade) *	0.0	0	922.8	2
Corporate Bonds (investment grade)	0.0	0	2,027.6	4
UK Government *	5,859.8	10	3,391.7	6
Sub-total Debt Securities	**5,859.8**		**6,342.1**	
Private Equity				
All	782.1	1	479.3	1
Sub-total Private Equity	**782.1**		**479.3**	
Real Estate:				
UK Property *	3,906.2	7	633.7	1
UK Property	0.0	0	2,976.4	5
Overseas Property	0.0	0	48.5	0
Sub-total Real Estate	**3,906.2**		**3,658.6**	
Investment Funds and Unit Trusts:				
Equities *	569.7	1	674.6	1
Bonds	1,462.0	3	236.5	0
Infrastructure	7,158.8	12	7,746.3	14
Sub-total Investment Funds and Unit Trusts	**9,190.5**		**8,657.4**	
Derivatives:				
Foreign Exchange *	14.6	0	112.4	0
Sub-total Derivatives	**14.6**		**112.4**	
Cash and Cash Equivalents				
All *	4,843.0	8	5,333.7	10
Sub-total Cash and Cash Equivalents	**4,843.0**		**5,333.7**	
Total Fair Value of Employer Assets	**57,672.0**	**100**	**55,093.0**	**100**

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

21. DEFINED BENEFIT PENSION SCHEMES (Contd.)

21.7 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2020 were those from the beginning of the year (i.e. 31 March 2019) and have not been changed during the year. The main assumptions in the calculations are:

Average future life expectancies at age 65:		2018/19	2019/20
Current pensioners	male	21.7 years	21.7 years
Current pensioners	female	24.3 years	24.3 years
Future pensioners	male	24.7 years	24.7 years
Future pensioners	female	27.5 years	27.5 years

Financial assumptions:	2018/19	2019/20
Pension increase rate	2.5%	1.9%
Salary increase rate	4.2%	3.5%
Discount rate	2.4%	2.3%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2020 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

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

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

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

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(1,241)	(1,241)	-37.80%
Total Service Cost	0	(1,241)	(1,241)	-37.80%
Interest income on plan assets	1,264	0	1,264	38.50%
Interest cost on defined benefit obligation	0	(1,409)	(1,409)	-42.90%
Total Net Interest Cost	1,264	(1,409)	(145)	-4.40%
Total included in Profit or Loss	1,264	(2,650)	(1,386)	-42.20%

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

21.9 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Board has agreed a contribution stability mechanism with the schemes actuary until 31st March 2021.

22. LEASES

Operating Leases

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

17a South Gyle Crescent - offices	2018/19	2019/20
The future minimum lease payments due in future years are:	£000's	£000's
• Not later than 1 year	305	305
• Later than 1 year not later than 5 years	1,526	1,526
• Later than 5 years	2,137	1,831
	3,968	3,662

Car Leases

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

	2018/19	2019/20
The future minimum lease payments due in future years are:	£000's	£000's
• Not later than 1 year	23	22
• Later than 1 year not later than 5 years	27	24
	50	46

The Board has two operational leases. These relate to mobile phones/tablet devices and a Xerox photocopying agreement. The costs incurred under both for financial year 2019/20 were £8,310 and £9,263 respectively.

The Board has no finance lease obligations.

23. LONG TERM DEBTORS

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

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

24. OTHER LONG TERM LIABILITIES

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

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

25. CONSTITUENT COUNCIL REQUISITIONS

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

	Due for 2019/20 £000's	Received 2019/20 £000's	Due (to)/from Councils 2019/20 £000's
City of Edinburgh Council	3,678	3,678	0
Midlothian Council	549	549	0
East Lothian Council	642	642	0
West Lothian Council	1,132	1,132	0
	6,001	6,001	0

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 it's commitments to make payments is considered immaterial given the statutory responsibility that the Board has to have a balanced budget and that constituent authorities have to fund the activities of the Board;
- Price risk - the possibility that fluctuations in equity prices has a significant impact on the value of financial instruments held by the Board is considered immaterial because the Board does not generally invest in equity shares; and
- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Board is considered immaterial because there are no financial assets or liabilities held at the year end denominated in foreign currencies.

The Board holds its surplus funds with the City of Edinburgh Council and does not place external deposits in its own name. The balance held by and due from the City of Edinburgh Council at 31st March 2020 amounted to £1.492m (2018/19 £1.715m). No breaches of the Board's counterparty criteria occurred during the reporting period and the Board does not expect any losses from non-performance by any of its counterparties in relation to deposits. During the reporting period, the Board held no collateral as security.

LOTHIAN VALUATION JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

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

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

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

In May 2018, the Board introduced a Governance, Risk and Best Value Group. The first meeting with external stakeholders was held on 24th October 2018. The Group met twice during 2019/20. The Governance Group provides formal, transparent arrangements for monitoring corporate reporting, risk management and internal financial and core system controls within Lothian Valuation Joint Board. These arrangements support an appropriate relationship with the Board's external auditors and satisfy internal quality assurance and Joint Board requirements. An annual report by the Board's Head of Governance was presented to the Board on 15th June 2020, providing information on Governance activity undertaken during 2019/20 and planned activity for 2020/21.

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

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

Review of Effectiveness

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

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

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

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

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

Internal Audit Opinion
Internal Audit progressed one Internal Audit review in 2019/20, focused on the Board's electoral registration process. The objective of the review was to assess the adequacy of the design and operating effectiveness of the controls established to comply with statutory and legislative requirements of the electoral registration process. The final outcome of this review will be reported to the Board on 9th November 2020.

Coronavirus Pandemic
The coronavirus pandemic has required changes to governance arrangements. This Governance Statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20. All meetings of the Board due to take place in 2019/20 took place, but the Board meeting of 20th April 2020 was cancelled due to the pandemic. In 2020/21, since 15th June 2020, Board meetings have taken place using electronic technology.

Certification
In compliance with accounting practice, the Treasurer has provided the Assessor and Electoral Registration Officer with a statement on the adequacy and effectiveness of the Board’s internal financial control system for the year ended 31st March 2020. It is the Treasurer’s opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board’s internal control system.

A review was undertaken of the Schedule of Assurance prepared by management. The review did not identify any instances of non-compliance. During 2019/20 no significant Internal Audit findings were raised in relation to the governance and scrutiny performed by the Board.

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

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

Interim Assessor and Electoral Registration Officer: **Date:** 30 November 2020
Gary Elliot

Convener of Lothian Valuation Joint Board: **Date:** 02 December 2020
David Key

REMUNERATION REPORT

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

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

- Details of the number of employees whose remuneration was £50,000 or more, which will be disclosed in pay bands of £5,000;
- Details of remuneration paid to senior employees of the Board for 2019/20;
- Details of the Board's senior employees who participate in the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the benefits provided under the scheme.

1. Audit of Remuneration Report

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

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

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

2. Remuneration policy

The Lothian Valuation Joint Board is responsible for approving the remuneration level of the Assessor and Electoral Registration Office. The post of Depute Assessor was removed from 1st April 2018 following the approval of a new staffing structure as part of the Transformation and Cultural Change Programme. The Scottish Joint Negotiating Committee (SJNC) for Local authority Services sets the salaries for the Chief Officials of Scottish local authorities and is responsible for agreeing annual inflationary increases. The post of Assessor and Electoral Registration Officer was reviewed at the creation of the Joint Board in 1996. Advice on such matters is received from the Human Resources division of the City of Edinburgh Council and from the Executive Director of Resources, City of Edinburgh Council.

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

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

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

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

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

3. Pension Entitlement of Senior Employees

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

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

The tiers and members contributions rates for 2019/20 are as follows:

On earnings up to and including £21,800 (5.5%), on earnings above £21,801 and up to £26,700 (7.25%), on earnings above £26,701 and up to £36,600 (8.5%), on earnings above £36,601 and up to £48,800 (9.5%) and on earnings above £48,801 (12%).

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:

	Number of Employees	
Remuneration Band	2018/19	2019/20
£50,000 - £54,999	3	1
£55,000 - £59,999	-	3
£60,000 - £64,999	1	-
£65,000 - £69,999	2	1
£70,000 - £74,999	-	3
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
Totals	**8**	**10**

5. Remuneration paid to Senior Employees

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

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

6. Pension Entitlement of Senior Employees

In-year pension contributions	For year to 31 March 2019	For year to 31 March 2020
Name and Post Title	£	£
G. Strachan - Assessor and Electoral Reg Officer	25,718	27,693

Accrued Pension Benefits		As at 31 March 2020	Difference from 31 March 2019
Name and Post Title		£'000	£'000
G. Strachan - Assessor and Electoral Reg Officer	Pension	69	5
	Lump sum	134	6

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

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

7. Remuneration of Convener and Vice Conveners

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

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

8. Pension Entitlement of Convener and Vice Convener

In-year pension contributions	For year to 31 March 2019	For year to 31 March 2020
	£	£
Name and Post Title	4,631	4,870
D.Key - Convener		

Accrued Pension Benefits		As at 31 March 2020	Difference from 31 March 2019
Name and Post Title			
D.Key - Convener	Pension	3	0
	Lump sum	0	0

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

9. Exit Packages

The following information details the number, and total cost, of exit packages agreed and approved by 31st March 2020, grouped in rising bands of £20,000 up to £100,000.

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

	Number of Employees		Total Cost	
	2018/19	2019/20	2018/19	2019/20
Exit Packages Band			£	£
£0 - £20,000	0	2	0	3,524
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	1	0	48,631
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
Totals	**0**	**3**	**0**	**52,155**

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

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

The Lothian Valuation Joint Board is required to report a range of information on facility time made available to its employees who are trade union representatives. For the reporting year 2019/20, the equivalent of 0.03 FTE (over 3 individuals) of paid facility time was made available, with an associated cost of £3,097. This sum equates to 0.07% of Lothian Valuation Joint Board’s overall pay bill. Of the total time made available, no individual spent 100% of time during the year on trade union-related activities, only between 0% and 50%.

Interim Assessor and Electoral Registration Officer: ______________ **Date:** 30 November 2020
Gary Elliot

Convener: ______________ **Date:** 02 December 2020
David Key

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

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

In our opinion the accompanying financial statements:

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

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

Conclusions relating to going concern basis of accounting
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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

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

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

The Board is responsible for overseeing the financial reporting process.

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

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

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

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

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

Report on other requirements

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

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

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

Matters on which we are required to report by exception
We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

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

Karen Jones, for and on behalf of Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 02 December 2020