

Highland and Western Isles

Valuation Joint Board

**Statement of Accounts
(unaudited)**

2012/2013

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2012/13

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EXPLANATORY FOREWORD BY THE TREASURER TO THE BOARD

Statement of Accounts

The Statement of Accounts reports on the financial performance of the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2013.

The Statement of Accounts (the Accounts) comprise:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than expenditure permitted by regulations which is funded by requisitions from the constituent authorities. The funding position is shown in the Movement in Reserves Statement.

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, i.e. those reserves that the Board may use to provide services, subject to the need to maintain a prudent level of reserves. The second category of reserves is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Pension Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by 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 flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisitions or from the 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 by providers of capital (i.e. borrowing) to the Board.

Accounting Policies and Notes to the Accounts

Explanations are provided for the basis of the figures included within the Accounts and the policies adopted particularly where there is more than one acceptable basis. Notes are included to provide detail of certain aspects contained within the core financial statements.

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Summary of financial results

The Board's financial results for the year, compared against budget, are as shown below. This presentation differs slightly from that shown in the Comprehensive Income and Expenditure Statement which discloses corporate and democratic core costs and non-distributed costs as required by SerCOP. A reconciliation can be found in Note 14.

**Budget Performance Statement
For the year ended 31 March 2013**

2011/12		2012/13		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
1,829	Staff costs	1,868	1,802	(66)
209	Property costs	233	238	5
134	Administration expenses	196	168	(28)
3	Transport and plant costs	2	2	-
404	Supplies and services	367	414	47
2,579	Gross expenditure	2,666	2,624	(42)
(7)	Sales of register etc	(4)	(4)	-
(2)	Interest on revenue balances	(1)	(1)	-
(9)	Gross income	(5)	(5)	-
2,570	Net expenditure	2,661	2,619	(42)
50	Transfer to Reserves	-	2	2
(2,620)	Requisition Income	(2,661)	(2,621)	40
-		-	-	-

The net budgeted expenditure of the Board in 12/13 was £2.661m (2011/12 £2.621m). Actual net expenditure is £2.619m (2011/12 £2.570m). There was an underspend in 2012/13 of £0.042m (2011/12 £0.051m underspend) of which £0.002m was transferred to reserves and £0.040m returned to the constituent authorities. The main variations from budget during the year were as follows:

- The variance on the staffing budget was due to the absence on long term sick leave of the principal administrator; the absence of a member of staff on maternity leave; the temporary filling of a valuer vacancy at technician level; and the deferral of a clerical assistant recruitment to a more advantageous point in time.
- The full provision for administration expenses was not required due to an over pessimistic view of a pending increase in postal charges at the time the budget was drawn up, together with an underspend on the normal general provision made for legal costs.
- The supplies and services budget was greatly overspent under the Valuation Appeal Panel head. This was due to a greater number of sittings than had been anticipated together with a surge in expenditure due to an increased level of activity associated with training events for panel members and work associated with legislative change that gave rise to the possibility of the panels across Scotland becoming involved in a fresh line appeal work associated with the

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benefits regime. The over-spend was partly compensated for by small savings elsewhere in the supplies and services head.

In accordance with CIPFA guidance "Reserves and Balances in a Local Authority" the Board has determined that General Fund balances should be retained for contingencies and for specific initiatives. The Board agreed that the amount transferred to the General Fund will be restricted to 3% of the total budget in the year of the transfer and the cumulative balance should not exceed 5% of the total budget in that year. The amount of the transfer in 2012/13 is £0.002m.

The movements and balances on the Board's revenue reserves for 2012/13 are summarised below:

	Balance at 01/04/12 £000	Surplus 2012/13 £000	Balance at 31/03/13 £000
General Fund Balance	131	2	133
General Fund Total	131	2	133

The reserves are held as a contingency to deal with any pressures arising during the year.

The final requisition has been allocated to the constituent authorities as follows:

2011/12		Constituent Authority	2012/13	
£000	% share		£000	% share
2,343	89.4	The Highland Council	2,346	89.5
277	10.6	Comhairle Nan Eilean Siar	275	10.5
<u>2,620</u>	<u>100.0</u>	Total	<u>2,621</u>	<u>100.0</u>

Statement of Requisitions 2012/13

Constituent Authority	Population No.	Budget requisition £000	Actual requisition £000	Balance due to constituent authority £000
Highland Council	222,370	2,380	2,346	34
Comhairle Nan Eilean Siar	26,080	281	275	6
Total	248,450	2,661	2,621	40

Retirement Benefits

IAS 19 has been fully adopted in preparing the accounts of the Board. The standard prescribes how employing organisations are to account for pension benefits earned by employees in the year and the associated pension assets and liabilities.

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Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by the Highland Council. Note 16 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary to the Scheme.

The Balance Sheet on Page 17 shows that the Board has a net pension liability of £4.368m as at 31 March 2013 (31 March 2012 £4.186m) due to the accrual of pension liabilities in accordance with IAS 19.

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Board. The liability relates to benefits earned by existing or previous employees up to 31 March 2013.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in the future. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used.

Economic Climate

The current economic climate has led to diverse pressures on the department. On the one hand the need to reduce public sector budgets has constrained available resources at a time when the economic effects in the commercial property market have given rise to unprecedented numbers of appeals year on year that require to be resolved in accordance with a statutory timetable. The recession has also seen a reduction in domestic building activity and sales: the reduced resource for this activity being offset by the need to prepare for radical change in the electoral registration regime.

Going Concern

A going concern basis of accounting has been adopted in the preparation of the financial statements as future actuarial valuations of the pension scheme will consider the appropriate employer's rate to meet the commitments of the Scheme. The constituent authorities of the Board are required to fund the liabilities of the Board as they fall due.

Acknowledgement

I conclude my report by thanking the staff of my service for their support during the year and my colleagues in other services and the Highland and Western Isles Valuation Joint Board for their continued co-operation.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
7 June 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of the Board

The Board is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In the Highland and Western Isles Valuation Joint Board that officer is the Treasurer to the Board.
- (ii) manage its affairs to secure economy, efficiency and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

In preparing this Statement of Accounts, the Treasurer:-

- (i) selected suitable accounting policies and then applied them consistently,
- (ii) made judgements and estimates that were reasonable and prudent, and
- (iii) complied with the Code.

The Treasurer has also:-

- (i) kept proper accounting records which were up to date, and
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I, Derek Yule, Treasurer to the Board, state that the Accounts for the year ended 31 March 2013 give a true and fair view of the financial position of the authority as at that date and its income and expenditure for the year then ended.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
7 June 2013

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2013. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within The Highland Council and the Valuation Joint Board. In particular, the internal financial control system includes:

- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

The Treasurer to the Board has overall responsibility for Internal Audit in Highland and Western Isles Valuation Joint Board. The Highland Council's Head of Audit and Risk Management is responsible for the day to day management of the service and reports to the Treasurer on management and performance issues. In accordance with the principles of Corporate Governance, regular reports are made to the Board. The Internal Audit Service operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom and therefore the Head of Audit and Risk Management prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control.

My review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Valuation Board;
- The work of the internal auditors as described above, and
- The external auditors in their annual audit letter and other reports.

A high level review of the Valuation Board's system of internal control was undertaken, and this did not identify any areas of concern. The Board uses the Highland Council's financial systems and during the year 2012/13, individual audits were undertaken of the Debtors system. In addition, the other main financial systems; Creditors, Payroll, General Ledger, Income and Budgetary Control have been subject to a review of the key controls, and a sample of transactions across all organisations which use the systems (including the Valuation Board) was selected for detailed testing to verify that the controls were operating as expected. This was verified from the testing of the Council's transactions and no control issues were identified. There are some minor findings which will be addressed in a separate audit report.

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy, and therefore the Board can place reliance upon the effectiveness of the Board's internal control systems.

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In 2010 CIPFA issued its Statement on the Role of the Chief Financial Officer in Local Government together with an application note enabling authorities to review the effectiveness of their own governance arrangements by reference to best practice and using self-assessment. This review has been undertaken and the arrangements within the Valuation Service are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (nb the Treasurer) to report directly to the Chief Executive (nb the Assessor and Electoral Registration Officer) and be a member of the leadership team. With regard to the Valuation Service the following arrangements are in place which contribute to delivering the same impact:

- The Valuation Board's Financial Regulations recognise the Treasurer as being "responsible for the proper financial administration of the Board's affairs, and acts as financial adviser to the Board". In addition, the Regulations require:
 - That the Assessor and Electoral Registration Officer ensures that all spending conforms to proper accounting standards and will seek appropriate clarification on such matters from the Treasurer.
 - The accounting procedures, records of the Board and Annual Accounts to be prepared in accordance with directions provided by the Treasurer.
 - Reports to the Board containing financial implications to be discussed with the Treasurer.
- The Treasurer's staff work closely with the Valuation Service staff regarding financial matters.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
7 June 2013

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REMUNERATION REPORT

All information disclosed in the tables at paragraphs 3 and 4 in the Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Appointments

Appointments of senior employees in the Valuation Board (Assessor & Electoral Registration Officer and Depute Assessor & Electoral Registration Officer) are made by the Board. The Assessor is responsible for making any further appointments and ensuring that they are made in accordance with staff structures approved by the Board.

2. Remuneration Policy

2.1 Senior Employees

There is no national salary mechanism in place for Assessors. It is up to individual authorities and Boards to determine these salaries. As such, the salaries of senior employees (Assessor & Electoral Registration Officer and Depute Assessor & Electoral Registration Officer) are set and approved by the Board, based on advice received from the Highland Council's Personnel Service. The current grading for these senior posts was agreed by the Board in May 2004.

No other benefits are received by senior employees of the Board.

2.2 Senior Councillors

The Convener and Vice-convener of the Highland & Western Isles Valuation Joint Board are remunerated by the Council of which they are a council member.

The remuneration of councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, The Civic Head, Senior Councillors or Councillors. These regulations also set out the amounts a councillor may be paid for being a convener or vice-convener of a Joint Board. This is inclusive of any amount payable to them as either a councillor or senior councillor.

The Board has an arrangement with each Council who 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.

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Name and Post Title	Salary, Fees and Allowances	Taxable Expenses	Total Remuneration 2012-13	Total Remuneration 2011-12
	£	£	£	£
Douglas Gillespie, Assessor & Electoral Registration Officer	87,474	271	87,745	88,227
William Gillies, Depute Assessor & Electoral Registration Officer	68,583	-	68,583	68,583

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The senior employees included in the table include any employee:

- Who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;
- Who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the Board's paid service;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

The Board also receives services from the Treasurer and the Clerk under a Service Level Agreement with Highland Council. The individuals involved receive no additional payments for carrying out these roles and are included in the Council's remuneration report.

3.2 Remuneration by Pay Band

Analysis of Employees Earning Over £50,000

	2012-13	2011-12
Salary Band	Number	Number
£50,000-£54,999		
£55,000-£59,999		
£60,000-£64,999		
£65,000-£69,999	1	1
£70,000-£74,999		
£75,000-£79,999		
£80,000-£84,999		
£85,000-£89,999	1	1

3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

The following table provides details of the remuneration paid to the Convener and Vice-Convener of the Highlands and Western Isles Valuation Joint Board.

Councillor Name & Responsibility	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits-in-kind	Total Remuneration 2012-13	Total Remuneration 2011-12
	£	£	£	£	£
H Carmichael – Convener to 3 May 2012 and again from 21 June 2012	3,526	-	-	3,526	4,096
M MacLeod – Vice Convener to 3 May 2012	270	-	-	270	3,100
J MacKay – Vice Convener from 21 June 2012	2,030	-	-	2,030	*

* post not held in 2011-12

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3.4 Remuneration Paid to Councillors

The Board paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

Type of Remuneration	2012-2013	2011-2012
	£	£
Salaries	5,826	7,105
Allowances	-	-
Expenses	1,467	629
Total	7,293	7,734

The annual return of Councillors' salaries and expenses for 2012-2013 is available for any member of the public to view at all public offices and is also available on the Council's website at <http://www.highland.gov.uk/yourcouncil/finance/accountingandbudgeting/membersexpenses.htm>

4. Pension Benefits

The pension entitlement of senior employees for the year to 31 March 2013 are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year

Name and Post Title	In-year pension contributions			Accrued Pension Benefits	
	For year to 31 March 2013	For year to 31 March 2012		As at 31 March 2013	Difference from March 2012
	£	£		£000	£000
Douglas Gillespie, Assessor & Electoral Registration Officer	15,745	24,860	Pension Lump Sum	34 83	2 -
William Gillies, Depute Assessor & Electoral Registration Officer	12,345	18,298	Pension Lump Sum	25 60	1 -

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

The pension figures shown in the table relate to the benefits that the person has accrued as a consequence of their total local government service.

The employer's contribution rate in 2012/13 is 18% of the pensionable salary which compares with the rate applied in 2011/12 of 290% of the employees' rate.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
7 June 2013

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MOVEMENTS IN RESERVE STATEMENT 2011/12

	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Absences Reserve £000	Total Reserves £000
Balance at 31 March 2011	81	81	(2,296)	(28)	(2,243)
Movement in reserves during 2011/12					
Surplus/(deficit) on provision of services	110	110	-	-	110
Other Comprehensive Expenditure and Income (note 10)	-	-	(1,948)	-	(1,948)
Total Comprehensive Expenditure and income	110	110	(1,948)	-	(1,838)
Adjustments between accounting basis and funding basis under regulations (note 5)	(60)	(60)	58	2	-
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	50	50	(1,890)	2	(1,838)
Increase/(Decrease) in 2011/12	50	50	(1,890)	2	(1,838)
Balance at 31 March 2012 carried forward	131	131	(4,186)	(26)	(4,081)

MOVEMENTS IN RESERVES STATEMENT 2012/13

	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Absences Reserve £000	Total Reserves £000
Balance at 31 March 2012 brought forward	131	131	(4,186)	(26)	(4,081)
Movement in reserves during 2012/13					
Surplus/(deficit) on provision of services (accounting basis)	(130)	(130)	-	-	(130)
Other Comprehensive Expenditure and Income (note 10)	-	-	(54)	-	(54)
Total Comprehensive Expenditure and income	(130)	(130)	(54)	-	(184)
Adjustments between accounting basis and funding basis under regulations (note 5)	132	132	(128)	(4)	-
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	2	2	(182)	(4)	(184)
Increase/(Decrease) in 2012/13	2	2	(182)	(4)	(184)
Balance at 31 March 2013 carried forward	133	133	(4,368)	(30)	(4,265)

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2011/12 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2012/13 Gross Income £000	Net Expenditure £000
944	(3)	941	Council Tax Valuation	779	(1)	778
543	(2)	541	Electoral registration	561	(1)	560
872	(2)	870	Rating Valuation	1,097	(2)	1,095
238	-	238	Corporate and democratic core (note 6)	294	-	294
2,597	(7)	2,590	Cost of services (note 14)	2,731	(4)	2,727
		(80)	Financing and investment income and expenditure (note 7)			24
		(2,620)	Taxation and non-specific grant Income (note 8)			(2,621)
		(110)	(Surplus)/deficit on provision of services (note 14)			130
		1,948	Actuarial (gains)/losses on pension assets/liabilities (note 16)			54
		1,838	Total comprehensive income and expenditure			184

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BALANCE SHEET

31/03/12 £000		Notes		31/03/13 £000
	Non Current Assets			
1	Long Term Debtors	19		2
	Current assets			
26	Short Term Debtors	19	12	
169	Cash and cash equivalents	12	217	
196				229
(91)	Short Term Creditors	20	(128)	
(91)	Current liabilities			(128)
(4,186)	Other long term liabilities	16	(4,368)	
(4,186)	Long term liabilities			(4,368)
(4,081)	Net assets			(4,265)
131	General Fund		133	
(4,186)	Pension reserve		(4,368)	
(26)	Employee Statutory Mitigation Account		(30)	
(4,081)	Total reserves			(4,265)
(4,081)				(4,265)

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
7 June 2013

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
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CASH FLOW STATEMENT

31/03/12 £000	Notes	31/03/13 £000
110	Net surplus/(deficit) on the provision of services	(130)
(110)	Adjust net surplus/(deficit) on the provision of services for non-cash movements	178
2	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1
2	Net cash flow from operating activities	49
-	Investing activities	-
(2)	Financing activities	(1)
(0)	Net increase/(decrease) in cash and cash equivalents	48
169	Cash and cash equivalents at the beginning of the year	169
169	Cash and cash equivalents at the end of the year	217

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the transactions of the Board for the 2012/13 financial year and its position at the year end of 31 March 2013. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is historical cost.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by officers of the Board) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £0.217m (2011/12 £0.169m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

Prior period adjustments and changes in accounting policies and 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, other events and 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.

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Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening general fund balances and comparative amounts for the prior period.

Employee benefits

Benefits payable during employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, bonuses, paid annual leave and paid sick leave for current employees, are recognised as an expense in the year in which the employees render service to the Board. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is required under statute to be reversed out of the General Fund balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movements in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Board are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. This is a defined benefit final salary scheme. In addition the Board has liabilities for discretionary pension payments outside the main scheme.

Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on the iBOxx AA rated over 15 year corporate bond index).

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- The assets of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- expected return on assets – the annual investment return on the fund assets attributable to the Board, based on the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- contributions paid to the Highland Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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Events after the reporting period

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 Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of 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 Statement of Accounts.

Exceptional items

When items of income and expense are material, their nature and amount is 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.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Board when there is reasonable assurance that:

- the Board will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Board does not have any finance leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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The Board as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

Property, plant and equipment

The Board does not currently hold fixed assets. Any expenditure on the acquisition or creation of property, plant and equipment will be capitalised on an accruals basis provided it yields benefits to the Board and the services that it provides for more than one financial year. A de minimis level of £20,000 has been applied to all asset categories.

Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Code of Practice 2012/13 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Board’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Provisions, Contingent liabilities and Contingent assets

Provisions

Provisions are made where an event has taken place that gives the Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Board may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Board becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Board settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Board a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board. Contingent liabilities also arise in circumstances

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where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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 otherwise of uncertain future events not wholly within the control of the Board.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The General Fund Reserve is the accumulated balance of any underspends since 1 April 2010.

The Pension Reserve and the Accumulating Compensated Absences Adjustment Reserve are kept to manage the accounting processes for employee benefits and retirement benefits and do not represent usable resources for the Board – these reserves are explained in note 10 to the accounts.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting standards that have been issued but have not yet been adopted

There are none that apply to the Board.

3. 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 Statement of Accounts are:

- There is a 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 Board might need to reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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The items in the Board's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2012/13, the Board's actuaries advised that the net pensions liability had increased by £0.182m attributable to updating of the assumptions.

5. Movement in Reserves Statement – adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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 Authority to meet future capital and revenue expenditure.

2011/12	General Fund	Pension Reserve	Employee Absences Reserve	Total 2011/12
	£000	£000	£000	£000
Adjustments involving the Pensions Reserve				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 16)	(206)	206		-
Employers' pension contributions and direct payments to pensioners payable in the year	264	(264)		-
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
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	2		(2)	-
Total adjustments	60	(58)	(2)	-

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2012/13	General Fund £000	Pension Reserve £000	Employee Absences Reserve £000	Total 2012/13 £000
Adjustments involving the Pensions Reserve				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 16)	(375)	375	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	247	(247)	-	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
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	(4)	-	4	-
Total adjustments	(132)	128	4	-

6. Comprehensive Income and Expenditure Statement
Corporate and democratic core costs

Corporate and democratic core costs include the costs of democratic representation and management relating to corporate policy making and all other elected member based activities. It also includes the costs of corporate management relating to the activities of the general running of the Board.

2011/12 Net £000		2012/13 Expenditure £000	Income £000	Net £000
110	Democratic representation and management	163	-	163
128	Corporate management	131	-	131
238	Total	294	-	294

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**7. Comprehensive Income and Expenditure Statement
Financing and investment income and expenditure**

2011/12 £000	2012/13 £000
- Interest payable and similar charges	-
Pensions interest cost and expected return on pension assets	25
(78)	(1)
(2) Interest and investment income	(1)
(80)	24

**8. Comprehensive Income and Expenditure Statement
Taxation and non specific grant income**

2011/12 £000	2012/13 £000
(2,620) Requisitions from constituent authorities	(2,621)
(2,620)	(2,621)

9. Balance Sheet – usable reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement and note 5.

10. Balance Sheet – unusable reserves

(a) Pensions Reserve

The Pensions 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 pensions 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.

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2011/12 £000		2012/13 £000
2,296	Balance at 1 April	4,186
1,948	Actuarial (gains)/losses on pension assets and liabilities	54
206	Reversal 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	375
(264)	Employer's pension contributions and direct payments to pensioners payable in the year	(247)
<u>4,186</u>	Balance at 31 March	<u>4,368</u>

(b) Accumulating compensated absences adjustment account

The Accumulating compensated absences adjustment 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. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

2011/12 £000		2012/13 £000
28	Balance at 1 April	26
(28)	Settlement or cancellation of accrual made at the end of the preceding year	(26)
26	Amounts accrued at the end of the current year	30
<u>26</u>	Balance at 31 March	<u>30</u>

11. Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
(2)	Interest received	(1)
-	Interest paid	-
<u>(2)</u>		<u>(1)</u>

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12. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

31/03/12 £000	2012/13 £000
- Cash held by officers	-
169 Temporary Advances to Highland Council Loans Fund	217
- Short term deposits	-
<hr/> 169 Total cash and cash equivalents	<hr/> 217

13. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Code of Practice. However, decisions about resource allocation are taken by the Board on the basis of monitoring reports analysed across the service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

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14. Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2011/12		2012/13
£		£
2,570	Net expenditure in the service analysis	2,619
	Net expenditure of services and support services not included in the analysis	
	<i>Amounts in the Comprehensive Income and Expenditure relating to Non Statutory Charges</i>	
	IAS 19 pension benefits net charges made to the <u>Comprehensive Income and Expenditure Statement (note 16)</u>	
284	Current service cost	350
(264)	Employer's contribution	(247)
-	Past service cost	-
-	Settlements and Curtailments	-
20		103
(2)	IAS 19 Employee Leave	4
	<i>Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement</i>	
2	Interest on revenue balances	1
2,590	Cost of services in Comprehensive Income and Expenditure Statement	2,727

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Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2012/13	Service analysis £000	Non Statutory Charges £000	Amounts not included in I and E £000	Cost of services £000	Corporate amounts £000	Total £000
Fees, charges & other service income	(4)	-	-	(4)	-	(4)
Interest and investment income	(1)	-	1	-	(1)	(1)
Income from requisitions	-	-	-	-	(2,621)	(2,621)
Government grants and contributions	-	-	-	-	-	-
Total Income	(5)	-	1	(4)	(2,622)	(2,626)
Employee expenses	1,802	-	-	1,802	-	1,802
Other service expenses	764	-	-	764	-	764
Support Service recharges	58	107	-	165	-	165
Pension interest cost and expected return on Pension Assets	-	-	-	-	25	25
Total expenditure	2,624	107	-	2,731	25	2,756
(Surplus)/deficit on the provision of services	2,619	107	1	2,727	(2,597)	130

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2011/12 comparative figures	Service analysis £000	Non Statutory Charges £000	Amounts not included in I & E £000	Cost of services £000	Corporate amounts £000	Total £000
Fees, charges & other service income	(7)	-	-	(7)	-	(7)
Interest and investment income	(2)	-	2	-	(2)	(2)
Income from requisitions	-	-	-	-	(2,620)	(2,620)
Government grants and contributions	-	-	-	-	-	-
Total Income	(9)	-	2	(7)	(2,622)	(2,629)
Employee expenses	1,829	18	-	1,847	-	1,847
Other service expenses	694	-	-	694	-	694
Support Service recharges	56	-	-	56	-	56
Pension interest cost and expected return on Pension Assets	-	-	-	-	(78)	(78)
Total expenditure	2,579	18	-	2,597	(78)	2,519
(Surplus)/deficit on the provision of services	2,570	18	2	2,590	(2,700)	(110)

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15. External audit costs

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

2011/12		2012/13
£		£
8,090	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7,700
<u>8,090</u>		<u>7,700</u>

16. Defined benefit pension schemes

Participation in pension schemes

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

The authority participates in one post employment scheme:

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

The Board recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax 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.

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2011/12 £000		2012/13 £000
	Comprehensive Income and Expenditure Statement	
	<i>Cost of services</i>	
284	Current service cost	350
-	Past service cost	-
-	Settlements and curtailments	-
284		350
	<i>Financing and investment income and expenditure</i>	
705	Interest cost	685
(783)	Expected return on scheme assets	(660)
(78)		25
206	Total post employment benefits charged to the surplus or deficit on the provision of services	375
	<i>Other post employment benefits charged to the comprehensive income and expenditure statement</i>	
1,948	Actuarial (gains) and losses	54
2,154	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	429
	Movement in reserves statement	
(206)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement	(375)
	<i>Actual amount charged against the General Fund balance for pensions in the year</i>	
264	Employers contributions payable to the scheme	247

The cumulative amount of actuarial gains and losses since 1 April 2005, recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £2.927m.

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Assets and liabilities in relation to post employment benefits

Reconciliation of present value of scheme liabilities (defined benefit obligation)

31/03/12		31/03/13
£000		£000
12,225	Opening value	15,067
284	Current service cost	350
705	Interest cost	685
2,356	Actuarial loss/(gain)	802
(575)	Estimated benefits paid (net of transfers in)	(433)
87	Contributions by scheme participants	86
(15)	Unfunded pension payments	(13)
-	Past service cost	-
-	Losses on curtailments	-
15,067	Closing value	16,544

Reconciliation of fair value of the scheme assets

31/03/12		31/03/13
£000		£000
9,929	Opening value	10,881
783	Expected return on Scheme assets	660
408	Actuarial gain	748
264	Contributions by employer	247
87	Contributions by Scheme participants	86
(590)	Estimated benefits paid (net of transfers in)	(446)
10,881	Closing value	12,176

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1.440m. (2011/12 £ 0.224m)

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Scheme history

Year ended	31/03/13	31/03/12	31/03/11	31/03/10	31/03/09
	£000	£000	£000	£000	£000
Present value of liabilities	(16,544)	(15,067)	(12,225)	(13,808)	(9,020)
Fair value of assets	12,176	10,881	9,929	9,289	6,916
Deficit	(4,368)	(4,186)	(2,296)	(4,519)	(2,104)

Assets prior to 31 March 2009 are shown at bid price (estimated where necessary)

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £16.544m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £4.265m. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Board in the year to 31 March 2014 is £0.228m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal actuarial assumptions adopted as at 31 March 2013 are as follows:

Expected Return on Assets:

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore we are not required to disclose an expected return assumption for the year to 31 March 2014.

For the year to 31 March 2013, the expected return was 6.1% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013.

2011/12	2012/13
Longevity at age 65 for current pensioners	
21.3 Men	21.3
23.5 Women	23.6
Longevity at age 65 for future pensioners	
22.6 Men	22.6
25.1 Women	25.1

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Financial Assumptions

2011/12	2012/13
3.3% RPI Increases	3.3%
2.5% CPI Increases	2.5%
4.8% Rate of increase in salaries	4.7%
2.5% Rate of increase in pensions	2.5%
4.6% Rate for discounting scheme liabilities	4.3%
50.0% Take up of option to convert annual pension into retirement lump sum	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held

2011/12	2012/13
76% Equities	77%
7% Gilts	7%
7% Bonds	7%
9% Property	8%
1% Cash	1%
100% Total	100%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
% Experience adjustments on Scheme liabilities	(0.1%)	(5.5%)	0.1	0.4	13.3
% Experience adjustments on Scheme assets	6.1%	3.7%	0.8	24.8	(42.7)

During the year there was a significant change in actuarial gains/losses. The main factor which affected this was an increase in the real interest rate.

17. 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.

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Highland Council

The Highland Council provided £2.346m representing 89.5% of the funding for the Board and holds 8 of the 10 seats on the Board. In addition Highland Council provides administrative, financial and computing services to the Board. In 2012/13 the Board paid £0.058m to the Highland Council for these services.

Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.275m representing 10.5% of the funding for the Board and holds 2 of the 10 seats on the Board.

18. Operating Leases

The Board leases a number of office premises.

Board as Lessee

The future minimum lease payments due under non-cancellable leases in future years are

31/03/12		31/03/13
£		£
112,395	Not later than one year	112,395
454,167	Later than one year and not later than five years	457,372
594,674	Later than five years	528,850
<u>1,161,236</u>		<u>1,098,617</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was

31/03/12		31/03/13
£		£
112,395	Minimum lease payments	112,395
<u>112,395</u>		<u>112,395</u>

19. Debtors

Long Term Debtors

31/03/12 (Restated) £000		2012/13 £000
<u>1</u>	Car Loans payable in more than 1 year	<u>2</u>
<u>1</u>	Total	<u>2</u>

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Short Term Debtors

31/03/12 (Restated) £000		2012/13 £000
26	Other entities and individuals	<u>12</u>
<u>26</u>	Total	<u>12</u>

20. Short Term Creditors

31/03/12 £000		2012/13 £000
30	Central government bodies	27
5	Other local authorities	41
<u>56</u>	Other entities and individuals	<u>60</u>
<u>91</u>	Total	<u>128</u>

21. Contingent Liability

A contingent liability is a possible obligation which may require a payment or a transfer of economic benefits.

As the Board develops a plan to implement its equalities policy, it is possible that this may lead to changes in the employment conditions of staff. It is not possible to assess the cost impact of these possible changes, or the timing of any outcome. Therefore no provision for these outcomes has been made in the year and disclosure is by way of contingent liability.

22. Events after the Balance Sheet date

The unaudited statement of the accounts was issued by the Treasurer on 6 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.