

Highland and Western Isles

Valuation Joint Board

Annual Accounts

2014/15

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INTRODUCTION

The Highland and Western Isles Valuation Joint Board succeeded the Joint Valuation Committee on 1st April 1996, following a local government reorganisation, for the discharge of certain statutory functions relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List (Valuation List). The Assessor also provides the electoral registration function on behalf of both island areas. All three documents (Valuation Roll, Council Tax Valuation List and Electoral Register) are available for public inspection at the Assessor's offices and at public libraries.

The Highland and Western Isles Valuation Joint Board is one of the ten joint boards in Scotland appointed by combinations of local authorities; there are 4 boards appointed by single local authorities making 14 boards in total. Each board appoints an independent assessor to ensure that valuations are seen to be free from political influence or interference. This is essential to the performance of the Assessor's statutory duties which can involve situations where the interests of the local authority and the ratepayer may conflict.

During 2014/15, the Assessor was William Gillies, MRICS who was appointed in October 2013. Robert Shepherd, MRICS, Assistant Assessor & ERO, Frank Finlayson, MRICS, Assistant Assessor and Norman MacKenzie, MRICS, Assistant Assessor were all appointed on 1st April 2014. Copies of the minutes of meetings and audited accounts of the Board can be obtained by emailing assessor@highland.gov.uk. Alternatively, they can also be found on the Assessors website – www.highland.gov.uk/hwi-vjb

The Board Composition

The Board is a separate public body from the two constituent authorities, but draws its membership from them. The Board Members for 2014/15 are named below:

Highland Council (substantive)	Highland Council (substitute)	Western Isles Council (substantive)	Western Isles Council (substitute)
Mrs H Carmichael (Convener)	Mrs C Caddick	Mr J MacKay (Vice Convener)	Mr R MacKinnon
Mr D Bremner	Miss J Campbell	Mr A MacLeod	Mr G Murray
Mr A Duffy	Mr N Donald		
Mr J Ford	Mr D Fallows		
Mr K Gowans	Mr C Fraser		
Mr L Fraser	Mr J Gordon		
Mr A Graham	Mr J Gray		
Mrs M Paterson	Mr A MacKinnon		

MANAGEMENT COMMENTARY

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during 2014/15 and understand the year-end financial position as at 31 March 2015. In addition, it provides a narrative on the financial outlook for the Board during financial year 2015/16 and beyond.

Background

Each of the 32 local Councils within Scotland is a valuation authority and is responsible for appointing an Assessor either individually or through a valuation joint board, who must in turn compile and maintain a Valuation Roll and a Council Tax Valuation List.

The functions of the Assessor are different from those of most other Local Government Officers, whose duties are to carry out the policies of Authorities, as determined by elected councillors. The Assessor requires to balance the interests of individual ratepayers against those of others, in terms of valuation levels. The independence of the Assessor is necessary to ensure that decisions are made on considerations of value, without political pressure. The actions of the Assessor are subject to scrutiny however, through an appeals process. (from: <http://www.saa.gov.uk/theassessor.html>)

The Statutory Framework

The accounting framework defines local authorities as councils constituted under section 2 of the Local Government (Scotland) Act 1994 and the Valuation Joint Boards (Scotland) Order 1995; the Strathclyde Partnership for Transport and those bodies to which section 106(1) of the Local Government (Scotland) Act 1973 applies (i.e. committees, joint committees and joint boards, the members of which are appointed by local authorities and charities, etc).

In Scotland the local authority accounting framework is enacted as follows:

- the Local Government (Scotland) Act 1973, section 96, requires Scottish authorities to keep accounts;
- the Local Government in Scotland Act 2003, section 12 places a duty of Best Value on the authority and also a duty to observe proper accounting practices; the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS), the Service Reporting Accounting Code of Practice (SeRCOP) and the Prudential Framework and other statutory guidance issued under section 12 of the 2003 Act, defines proper accounting practices for local authorities in the UK;
- the Local Authority Accounts (Scotland) Amendment Regulations 2014 (SSI No.2014/200) amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No.1985/267) to require local authorities in Scotland prepare a Remuneration Report as part of the annual statutory accounts;

- under paragraph 21 of the Local Authority Accounts (Scotland) Regulations 2014 (Finance circular 7/2014) the proper officer is responsible for certifying that the Financial Statements give a true and fair view of the financial position of the local authority and its group for the year then ended. The certification includes a statement to this effect as part of the Statement of Responsibilities and by signing the Balance Sheet. This certification is required before the Annual Accounts are submitted to the appointed auditor. The proper officer re-certifies the audited Annual Accounts after they have been approved for signature by the local authority or a committee of the local authority, in this case the Highland and Western Isles Valuation Joint Board. The proper officer, known as the Treasurer, is the Director of Finance of Highland Council; and
- The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or after 1 April 2013.

The Code reiterates the primacy of legislative requirements whereby the overriding principle of public sector accounts is that where an accounting treatment is prescribed by law the legal requirement must be applied

The overriding requirement of the Code is that the Annual Accounts provide a true and fair view of the financial position and the financial transactions of the Board.

Performance Information

2014/15 was a very busy year for the Board and its employees.

Firstly, the Scottish Independence Referendum which was held on the 18 September 2014 had a significant impact on staff and resources. The entitlement of 16 and 17 year olds to vote for the first time created data protection issues and also required amendments to computer software requiring additional staff training. A much greater level of public engagement in the Scottish Independence Referendum resulted in a high level of public involvement and expectation, particularly from electors who were not familiar with being involved in the electoral process. Large increases were seen in registration and absent voting activity.

Immediately following the Scottish Independence Referendum, work began on the transition to Individual Electoral Registration (IER). This involved confirming existing electors during 2014/15 before the first full canvass of all households under IER which takes place in August 2015. An additional requirement of this canvass will be the addition of 14 and 15 year olds to the register, in preparation for the lowering of the voting age at the next Scottish Parliamentary election. IER also requires significantly more input of resources and staffing, both in training and computer system developments during the transition and on an ongoing basis.

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Key Performance Indicators – 2014/2015

	2014/15	2013/14
VALUATION ROLL		
Total number of entries	19,770	19,564
Total Rateable Value	£333.21m	£329.63m
No of Amendments Effected	1,527	1,682
Amendments within time periods (%)		
0-3 months	61	59
3-6 months	19	18
Over 6 months	21	24
Adjustment from Appeal Settlement (%)	n/a	n/a
COUNCIL TAX		
Total No of Entries	136,232	136,028
Adjustment to Band D Equivalent	128,613	127,432
New Entries Added	1,471	1,535
New entries within time periods (%)		
0-3 months	77	83
3-6 months	17	11
Over 6 months	5	6
GENERAL		
Costs of All Permanent Staff	£1.711m	£1.64m
Number of FTE staff as at 1 April each year	54	52

There has been a slight improvement in performance relating to the Valuation Roll as measured by the key performance indicators (KPI's), however this is offset by a slight reduction in the total number of amendments made to the valuation roll over the period. The KPI's for council tax have seen a significant reduction and this is a consequence of the additional workload associated with the Scottish Referendum and the introduction of individual electoral registration.

Primary Financial Statements

The Annual Accounts summarise the Highland and Western Isles Valuation Joint Board's transactions for the year, its year-end position at 31 March 2015 and its cash flows. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of the Primary Financial Statements has been included immediately prior to the four statements: the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. These four Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Board and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The Primary Financial Statements and Notes to the Accounts, including the accounting policies, form the relevant Annual Accounts for the purpose of the auditor's certificate and opinion.

Financial Performance

The purpose of the Annual Accounts is to present a public statement on the stewardship of funds for the benefit of both members of the Valuation Joint Board and the public. The Valuation Joint Board is funded by Highland Council and Western Isles Council. The Board normally meets four times a year, with its budget meeting taking place in January. The Valuation Joint Board's budget is its prime annual planning document and actual expenditure is monitored against it during the year.

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 as required by CIPFA's Service Reporting Code of Practice (SeRCOP). A reconciliation can be found in Note 14.

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**Budget Performance Statement
For the year ended 31 March 2015**

2013/14 Actual £000		Budget £000	2014/15 Actual £000	Variance £000
1,738)	Staff costs	1,894	1,814	80
1111125255)	Property costs	253	284	(31)
208)	Administration expenses	288	301	(13)
4)	Transport and plant costs	4	6	(2)
405)	Supplies and services	419	433	(14)
11)	Members Expenses	9	8	1
2,621)	Gross expenditure	2,867	2,846	21
(5)	Sales of register etc	(5)	(6)	1)
(15)	Specific Grants	(200)	(252)	52)
(1)	Interest on revenue balances	(1)	(2)	1)
(21)	Gross income	(206)	(260)	54)
2,600)	Net expenditure	2,661)	2,586)	75)
(2,600)	Requisition Income	(2,661)	(2,586)	(75)
-)		-)	-)	-)

The net budgeted expenditure of the Board in 2014/15 was £2.661m (2013/14 £2.661m). Actual net expenditure is £2.586m (2013/14 £2.600m). There was an underspend in 2014/15 of £0.075m (2013/14 £0.061m underspend) which was returned to the constituent authorities in the same proportion as requisition funding. The main variations from budget during the year were as follows:

- The variance in the staffing budget was in part due to delays in vacancies being filled following the retirement of the assessor in October 2013 and the absence on long term sick leave of the principal administrator. While this situation was settled by a reorganisation of senior staff during the financial year, the delay brought about by the process contributed to the underspend under this budget head. The postponement of the 2015 Revaluation also allowed vacancies to be carried for two valuer posts and this resulted in the greater part of the variance in expenditure. This underspend was partially offset by an overspend in overtime costs relating to Individual Electoral Registration (IER) and the Referendum.
- The overspend in property costs was in the main caused by a backdated claim for rent payable to the Highland Council in respect of the Board's offices in Wick.
- The overspend in administration costs was caused mainly by the additional costs associated with the introduction of individual electoral registration.
- Administration costs and Supplies and Services are overspent as a result of increased costs relating to IER.

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- The increased costs relating to the Referendum have been offset by grant income received from the Scottish Government.

On 18 September 2014 people in Scotland voted in a referendum to remain in the United Kingdom. This was a one off event and whilst additional costs were incurred, some elements of the process were seen as “business as usual”. Additional costs for overtime, supply of supplementary lists and postages were £46,507 which was reimbursed by the Scottish Government in March 2015.

On 19 September 2014 Individual Electoral Registration (IER) was introduced in Scotland. Prior to 19 September one person in every household was responsible for registering everyone else who lived at an address. Under IER each person is now required to register to vote individually, rather than by household.

Under Individual Electoral Registration 'identifying information' such as dates of birth and national insurance numbers have to be provided when applying to register and application are verified with the Department of Work and Pensions before individuals are added to the register. Anyone unable to supply this information can provide an alternative specified form of evidence of their identity.

The introduction of IER brought about changes to working practices, the introduction of new electoral software and staff training. This was the biggest change to the way people register to vote in over 100 years.

Reserves

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 maximum balance was reached previously so there was no transfer to reserves in 2014/15. The full amount of the surplus for the year was returned to the constituent authorities.

The balance on the Board's General Fund is as follows:

	Balance at 01/04/14 £000	Balance at 31/03/15 £000
General Fund Balance	<u>133</u>	<u>133</u>

The reserves are held as a contingency to deal with any pressures arising during future years.

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

2013/14		Constituent Authority	2014/15	
£000	% share		£000	% share
2,325	89.4	The Highland Council	2,312	89.4
275	10.6	Comhairle Nan Eilean Siar	274	10.6
<u>2,600</u>	<u>100.0</u>	Total	<u>2,586</u>	<u>100.0</u>

Statement of Requisitions 2014/15

Constituent Authority	Population No.	Budget requisition £000	Actual requisition £000	Balance due to constituent authority £000
Highland Council	232,910	2,379	2,312	(67)
Comhairle Nan Eilean Siar	27,560	282	274	(8)
Total	260,470	2,661	2,586	(75)

Provisions, Contingencies and Write-offs

The Board is not aware of any eventualities which may have a material effect on the financial position and has made no provisions for such eventualities.

In general, any contingent liabilities known to the Board are covered by insurance arrangements.

There were no write offs during the year.

Retirement Benefits

International Accounting Standard (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.

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 30 shows that the Board has a net pension liability of £5.779m as at 31 March 2015 (31 March 2014 £5.121m) 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 2015.

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.

Service Changes and Future Developments

The previously anticipated 2015 revaluation has been deferred until 2017 allowing some relief from the overlap of appeal disposal and revaluation preparation. However, there remained a number of high values and complex appeals which have been referred to the Lands Tribunal for Scotland, together with others where there was an onward appeal to the Lands Valuation Appeal Court.

Electoral registration saw unprecedented levels of activity through 2014 and this shall continue into 2015. During the previous year two major polls have been facilitated together with the greatest change to the arrangements for electoral registration in modern times as household based registration moves to individual registration and the level of checking and security is enhanced. This was followed by the General Election in May 2015.

In the Autumn the first full canvass shall take place in terms of the new system of electoral registration.

Although the revaluation has been postponed until 2017, the process of revaluation has commenced and this work shall intensify over the course of the next year.

The Service continues to plan for the impact these changes will have on the budget particularly with regard to the cost of the continued additional volume of mail and canvassing associated with individual registration together with the cost of complying with the increased checking requirements. The UK Government has provided additional funds to meet the incremental cost of the altered registration arrangements for the transition period; however the actual costs are as yet unknown. In total £206,566 was received in 2014/15 from both the Scottish and UK governments for electoral registration purposes.

Events after the Balance Sheet

Events after the Balance Sheet date until the date of signing of the accounts have been taken into consideration.

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.

The IAS 19 Pension and Injury Benefits Liabilities of £5.779m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.674m.

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

Helen Carmichael
Convener

William Gillies MRICS
Assessor and Electoral Registration Officer

17 September 2015

STATEMENT OF RESPONSIBILITIES

The Board's Responsibilities

The Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the appointed Treasurer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For the Joint Board, that officer is the Director of Finance, Highland Council.
- Manage its affairs to secure economic, efficient and effective use of 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 Board at its meeting on 17 September 2015.

Signed on behalf of Valuation Joint Board

Helen Carmichael
Convener
17 September 2015

The Treasurer's Responsibilities

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

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 local authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

- Kept adequate accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Highland and Western Isles Joint Board at the reporting date and the transactions of the Board for the year ended 31 March 2015.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
17 September 2015

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Highland and Western Isles Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Board also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Highland and Western Isles Valuation Joint Board is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Highland and Western Isles Valuation Joint Board has approved and adopted a code of corporate governance, an "Overview of Governance Arrangements", a copy of which is available on Highland Councils website, at www.highland.gov.uk or can be obtained from the Assessor and ERO, Moray House, 16-18 Bank Street, Inverness, IV1 1QY. This statement explains how Highland and Western Isles Valuation Joint Board has complied with this code and also meets the requirements of The Local Authority Accounts (Scotland) Regulations 2014, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Board is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Highland and Western Isles Valuation Joint Board for the year ended 31 March 2015 and up to the date of approval of the Board's Annual Accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Board's governance arrangements include the following:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and its implications for the authority's governance arrangements

- translating the vision into objectives for the authority and its partnerships
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Further detail is provided in the "Overview of Governance Arrangements".

Review of effectiveness

Highland and Western Isles Valuation Joint Board has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the governance framework and system of internal control is informed by:

- Financial and budget monitoring;
- 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.

The work undertaken by the Internal Audit Section during the year to 31 March 2015 consists of that undertaken directly for the Board and indirectly where the Highland Council's financial systems are used. For this year, the planned work included:

- A review of the systems of internal control for the financial year 2014/15 consisting of a high level review of the adequacy and effectiveness of the Board's system of internal control and targeted testing of key controls. These key controls, summarised below are examined to confirm that the main financial systems are operating as intended.
 - Financial procedures and guidance issued to staff;
 - Segregation of duties;
 - User access levels and appropriateness;
 - System backups.
- An audit of the Assessor's payroll. The payroll is processed by Highland Council staff using their system, with a separate payroll used for the Assessor.

Assurance is also provided by individual audits of the Council's main financial systems. For this year this consisted of the creditors and budgetary control systems.

Control issues have been identified from the Internal Audit work undertaken and the audit findings will be addressed in the relevant audit reports. The high priority issues are summarised as follows:

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- Financial Regulations have not been reviewed since November 2012.
- The risk management process is not robust and concentrates upon the identification rather than the management of risk.

Audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. The matters arising from the Statement of Internal Control (SIC) 2012/13 report still has outstanding actions. Furthermore, these were actions from the previous year's report that should have been implemented but when these were followed up had not been done. A further agreed action was put in place that the Assessor's policies would be updated by 30 September 2014. The two policies detailed below have not been revised and as a result:

- The local Code of Corporate Governance has not been updated since 2010. In particular it has not been prepared in accordance with the CIPFA/SOLACE guidance "Delivering Good Governance in Local Government" which sets out a framework to assist organisations in reviewing their governance arrangements and how they can demonstrate compliance with the principles of good governance.
- Contract Standing Orders were last updated in 2010. This version does not reflect subsequent changes to EU tendering thresholds and the revisions made to the Public Contracts (Scotland) Regulations 2012.

Despite the above issues, 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. However as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2015.

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.

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- We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Valuation Joint Board and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

- Financial Regulations have not been reviewed since November 2012;
- The risk management process is not robust;
- The local code of corporate governance has not been updated since 2010;
- Contact standing orders have not been updated since 2010.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Helen Carmichael
Convener

William Gillies MRICS
Assessor and Electoral Registration Officer

17 September 2015

INDEPENDENT AUDITORS REPORT

Independent auditor's report to the members of Highland and Western Isles Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Movement in Reserves Statements, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. 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 2014/15 (the 2014/15 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the Highland and Western Isles Valuation Joint Board as at 31 March 2015 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 2014/15 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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government.

I have nothing to report in respect of these matters.

Maggie Bruce CA
Senior Audit Manager
Audit Scotland - Audit Services
Ballantyne House, 84 Academy Street
Inverness IV1 1LU

17 September 2015

REMUNERATION REPORT

All information disclosed in the tables at paragraphs 3 and 4 in the Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report have been 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 and Electoral Registration Officer, Assistant Assessor and Electoral Registration Officer, and Assistant Assessor) 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 and Electoral Registration Officer, Assistant Assessor and Electoral Registration Officer, and Assistant Assessors) 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 and Western Isles Valuation Joint Board are remunerated by the Council of which they are a council member.

The remuneration of councillors is regulated by Local Governance (Scotland) Act 2004 Remuneration Report 2007. 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 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.

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Name and Post Title	Salary, Fees and Allowances	Total Remuneration 2014/15	Total Remuneration 2013/14
	£	£	£
Douglas Gillespie, Assessor and Electoral Registration Officer (to 20/10/13)	-	-	48,925
William Gillies, Assessor and Electoral Registration Officer (from 01/11/13)	89,235	89,235	77,784
Robert Shepherd, Assistant Assessor and Electoral Registration Officer	54,735	54,735	20,648
Frank Finlayson, Assistant Assessor	50,306	50,306	-
Norman MacKenzie, Assistant Assessor	47,434	47,434	-

Note – In 2013/14 only Robert Shepherd reported directly to the Assessor, but as a result of a change in the Board Management Structure, from 1st April 2014 all three Assistant Assessors now report directly to the Assessor.

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 their 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

Salary Band	2014/15 Number	2013/14 Number
£50,000-£54,999	2	-
£75,000-£79,999	-	1
£85,000-£89,999	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 Highland and Western Isles Valuation Joint Board.

Councillor Name and Responsibility	Salary, Fees and Allowances	Total Remuneration 2014/15	Total Remuneration 2013/14
	£	£	£
H Carmichael - Convener	4,142	4,142	4,101
J MacKay – Vice Convener	3,107	3,107	3,045

No taxable expenses, non-cash expenses or benefits in kind were paid during the year.

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	2014/15	2013/14
	£	£
Salaries	7,249	7,146
Expenses	1,066	3,309
Total	8,315	10,455

The annual return of Councillors' salaries and expenses for 2014/15 is available for any member of the public to view at all public offices, and is also available on the Council's website.

4. Pension Benefits

The pension entitlement of senior employees for the year to 31 March 2015 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 31/03/15 £	For year to 31/03/14 £		As at 31/03/15 £000	Difference from 31/03/14 £000
Douglas Gillespie, Assessor and Electoral Registration Officer to 20/10/13	-	8,807	Pension	-	-
			Lump Sum	-	-
William Gillies, Assessor and Electoral Registration Officer from 01/11/13	16,062	14,001	Pension	35	6
			Lump Sum	78	10
Robert Shepherd, Assistant Assessor and Electoral Registration Officer	9,852	1,599	Pension	15	2
			Lump Sum	32	4
Frank Finlayson, Assistant Assessor	8,981	-	Pension	18	-
			Lump Sum	40	-
Norman MacKenzie, Assistant Assessor	8,538	-	Pension	26	-
			Lump Sum	62	-

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 2014/15 is 18% of the pensionable salary which is the same as the 2013/14 contribution rate.

Helen Carmichael
Convener

William Gillies MRICS
Assessor and Electoral Registration Officer

17 September 2015

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2014/15

MOVEMENT IN RESERVES STATEMENT 2013/14

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.

	Notes	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total Reserves £000
Balance at 31 March 2013		133	133	(4,368)	(30)	(4,265)
Movement in reserves during 2013/14						
Surplus/(deficit) on provision of services		(347)	(347)	-	-	(347)
Other Comprehensive Expenditure and Income	10	-	-	(400)	-	(400)
Total Comprehensive Expenditure and income		(347)	(347)	(400)	-	(747)
Adjustments between accounting basis and funding basis under regulations	5	347	347	(353)	6	-
Net increase/(decrease) before transfers to other statutory reserves		-	-	(753)	6	(747)
Increase/(decrease) in 2013/14		-	-	(753)	6	(747)
Balance at 31 March 2014		133	133	(5,121)	(24)	(5,012)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2014/15

MOVEMENT IN RESERVES STATEMENT 2014/15

	Notes	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total Reserves £000
Balance at 31 March 2014		133)	133)	(5,121)	(24)	(5,012)
Movement in reserves during 2014/15						
Surplus/(deficit) on provision of services (accounting basis)		(394)	(394)	-)	-)	(394)
Other Comprehensive Expenditure and Income	10	-)	-)	(268)	-)	(268)
Total Comprehensive Expenditure and income		(394)	(394)	(268)	-)	(662)
Adjustments between accounting basis and funding basis under regulations	5	394)	394	(390)	(4)	-)
Net increase/(decrease) before transfers to other statutory reserves		-)	-)	(658)	(4)	(662)
Increase/(decrease) in 2014/15		-)	-)	(658)	(4)	(662)
Balance at 31 March 2015		133)	133	(5,779)	(28)	(5,674)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2014/15

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.

2013/14 (restated)			2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
852	-)))	852)		817	-)	817)
699	(20)	679)		1,001	(258)	743)
1,052	-))	1,052)		1,039	-)	1,039)
174	-))	174)	6	169	-)	169)
2,777	(20)	2,757)	14	3,026	(258)	2,768)
		190)	7			212)
		(2,600)	8			(2,586)
		347)	14			394)
		(333)	16			(667)
		701)	16			1,523)
		32)	16			(588)
		747)				662)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2014/15

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 is 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'.

31/03/14 £000		Notes	£000	31/03/15 £000
	Current assets			
23	Short term debtors	19	23	
248	Cash and cash equivalents	12	396	
<u>271</u>				419
<u>(162)</u>	Short term creditors	20	<u>(314)</u>	
(162)	Current liabilities			(314)
<u>(5,121)</u>	Other long term liabilities	16	<u>(5,779)</u>	
(5,121)	Long term liabilities			(5,779)
<u>(5,012)</u>	Net liabilities			<u>(5,674)</u>
133	General Fund	9	133	
(5,121)	Pension Reserve	10	(5,779)	
(24)	Employee Statutory Mitigation Account	10	<u>(28)</u>	
<u>(5,012)</u>	Total reserves			<u>(5,674)</u>

The unaudited Annual Accounts were issued on 27 May, and the audited accounts were authorised for issue on 17 September 2015.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
17 September 2015

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.

31/03/14	Notes	31/03/15 £000
£000		
(347) Net deficit on the provision of services		(394)
378 Adjust net deficit on the provision of services for non-cash movements		542
1 Adjust for items included in the net deficit on the provision of services that are investing and financing activities		2
32 Net cash inflow from operating activities		150
(1) Financing activities	11	(2)
31 Net increase in cash and cash equivalents		148
217 Cash and cash equivalents at the beginning of the year		248
248 Cash and cash equivalents at the end of the year	12	396

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.

1. ACCOUNTING POLICIES

General principles

The Annual Accounts summarise the transactions of the Board for the 2014/15 financial year and its position at the year-end of 31st March 2015. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 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 2014/15 and the Service Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual 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.
- Where income 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 £0.396m (2013/14 £0.248m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

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 Employee Statutory Mitigation 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 credit 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 3.1% (based on the indicative rate of return on the iBOxx AA rated over 15 year corporate bond index).

- The assets of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet at their fair value as below:
 - 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 the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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.
- net interest on the defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements of the net defined benefit liability (asset) comprising:

- the return on pension plan assets – excluding amounts included in net interest on the net pensions liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

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.

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 Annual Accounts are authorised for issue. Two types of events can be identified:

Adjusting events

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events

Non-adjusting events

- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are 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.

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.

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 2014/15 (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 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 at the maximum level permitted.

The Pension Reserve and the Employee Statutory Mitigation Account are kept to manage the accounting processes for employee benefits and retirement benefits and do not represent usable resources for the Board – movements on 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 HM Revenue and Customs. VAT receivable is excluded from income.

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

There are no accounting standards relevant to the financial statements of the Board which have not been adopted.

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 Annual 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 Annual Accounts contain 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.

The only item in the Board's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension liability. The impact of changes in the assumptions used on the pension liability has been assessed by the actuaries and is illustrated in note 16.

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.

2013/14	Notes	General Fund £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total 2013/14 £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	16	591	(591)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	16	(238)	238	-	-
Adjustments involving the Employee Statutory Mitigation 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	9	(6)	-	6	-
Total adjustments		347	(353)	6	-

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
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2014/15	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2014/15
		£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	16	626)	(626)	-)	-
Employers' pension contributions and direct payments to pensioners payable in the year	16	(236)	236)	-)	-
Adjustments involving the Employee Statutory Mitigation 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	10	4)	-)	(4)	-
Total adjustments		394)	(390)	(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.

2013/14		Expenditure	2014/15	Net
Net		£000	Income	£000
£000			£000	
44	Democratic representation and management	62	-	62
130	Corporate management	107	-	107
174	Total	169	-	169

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

2013/14		2014/15
£000		£000
191	Pensions Net Interest	214
(1)	Interest and investment income	(2)
190		212

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

2013/14		2014/15
£000		£000
(2,600)	Requisitions from constituent authorities	(2,586)

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 pension funds or 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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2013/14 £000		2014/15 £000
(4,368)	Balance at 1 April 2014	(5,121)
333	Return on plan assets (excluding the amount included in the net interest expense)	667
(701)	Actuarial losses arising on changes in financial assumptions	(1,272)
-	Actuarial losses arising on changes in demographic assumptions	(251)
(32)	Experience adjustments	588
(400)		(268)
(591)	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	(626)
238	Employer's pension contributions and direct payments to pensioners payable in the year	236
(5,121)	Balance at 31 March 2015	(5,779)

(b) Employee Statutory Mitigation Account

The Employee Statutory Mitigation 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.

2013/14 £000		2014/15 £000
(30)	Balance at 1 April 2014	(24)
30	Settlement or cancellation of accrual made at the end of the preceding year	24
(24)	Amounts accrued at the end of the current year	(28)
(24)	Balance at 31 March 2015	(28)

11. Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2013/14 £000		2014/15 £000
(1)	Interest received	(2)

12. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

2013/14 £000		2014/15 £000
<u>248</u>	Temporary Advances to Highland Council Loans Fund	<u>396</u>

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.

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

2013/14 £000		2014/15 £000
2,600	Net expenditure in the service analysis	2,586
	Net expenditure of services and support services not included in the analysis	
	Amounts in the Comprehensive Income and Expenditure relating to Non Statutory Charges	
	IAS 19 pension benefits net charges made to the Comprehensive Income and Expenditure Statement (note 16)	
400	Current service cost	412
(238)	Employer's contribution	(236)
-	Past service cost	-
-	Settlements and Curtailments	-
162		176
(6)	IAS 19 Employee Leave	4
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	
1	Interest on revenue balances	2
2,757	Cost of services in Comprehensive Income and Expenditure Statement	2,768

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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

2014/15	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 and other service income	(6)	-)	-)	(6)	-)	(6)
Interest and investment income	(2)	-)	2)	-)	(2)	(2)
Income from requisitions	-)	-)	-)	-)	(2,586)	(2,586)
Government grants and contributions	(252)	-)	-)	(252)	-)	(252)
Total Income	(260)	-)	2)	(258)	(2,588)	(2,846)
Employee expenses	1,822)	180)	-)	2002)	214)	2216)
Other Service expenses	965)	-)	-)	965)	-)	965)
Support Service recharges	59)	-)	-)	59)	-)	59)
Total expenditure	2,846)	180)	-)	3,026)	214)	3,240)
Deficit on the provision of services	2,586)	180)	2)	2,768)	(2,374)	394)

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2013/14 comparative figures	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 and other service income	(5)	-	-)	(5)	-)	(5)
Interest and investment income	(1)	-	1)	-)	(1)	(1)
Income from requisitions	-)	-	-)	-)	(2,600)	(2,600)
Government grants and contributions	(15)	-	-)	(15)	-)	(15)
Total Income	(21)	-	1)	(20)	(2,601)	(2,621)
Employee expenses	1,749)	156	-)	1,905)	191)	2,096)
Other service expenses	815)	-	-)	815)	-)	815)
Support Service recharges	57)	-	-)	57)	-)	57)
Total expenditure	2,621)	156	-)	2,777)	191)	2,968)
Deficit on the provision of services	2,600)	156	1)	2,757)	(2,410)	347)

15. External audit costs

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

2013/14 £		2014/15 £
<u>7,700</u>	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	<u>7,800</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 constituent authorities 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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2013/14		2014/15
£000		£000
Comprehensive Income and Expenditure Statement		
Cost of services		
400	Current service cost	412
-)	Past service cost (including curtailments)	-)
<u>400</u>)		<u>412</u>)
	Financing and investment income and expenditure	
191	Net interest expense	214
<u>591</u>)	Total post employment benefits charged to the deficit on the provision of services	<u>626</u>)
	Other post employment benefits charged to the comprehensive income and expenditure statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(333)	Return on plan assets (excluding the amount included in the net interest expense)	(667)
701	Actuarial losses arising on changes in financial assumptions	1,272
-)	Actuarial losses arising on changes in demographic assumptions	251
32	Experience adjustments	(588)
<u>991</u>)	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>894</u>)
Movement in reserves statement		
<u>(591)</u>	Reversal of net charges made to the deficit on the provision of services for post employment benefits in accordance with the code	<u>(626)</u>
Actual amount charged against the General Fund balance for pensions in the year		
<u>238</u>)	Employers contributions payable to the scheme	<u>236</u>)

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Pension assets and liabilities recognised in the Balance Sheet

31/03/14 £000		31/03/15 £000
(17,938)	Present value of the defined benefit obligation	(19,401)
12,817	Fair value of pension fund assets	13,622
(5,121)	Net liability arising from defined benefit obligation	(5,779)

Information about the defined benefit obligation

	£000	Liability split Percentage (%)	Duration Years
Active members	10,214	53.3%	20.2
Deferred members	1,501	7.8%	26.4
Pensioner members	7,466	38.9%	10.8
Total	19,181	100.0%	16.1

Reconciliation of the movements in the fair value of scheme assets

31/03/14 £000		31/03/15 £000
12,176	Opening fair value of scheme assets	12,817
519	Interest income	517
333	Return on plan assets	667
238	Contributions by employer	236
82	Contributions by Scheme participants	80
(531)	Estimated benefits paid (net of transfers in)	(695)
12,817	Closing fair value of scheme assets	13,622

Assets and liabilities in relation to post employment benefits

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

31/03/14 £000		31/03/15 £000
16,544	Opening defined benefit obligation - funded	17,727
	Opening defined benefit obligation - unfunded	211
400	Current service cost	412
710	Interest cost	731
82	Contributions by scheme participants	80
	Remeasurement (gains) and losses:	
701	Actuarial losses from changes in financial assumptions	1,272
-	Actuarial losses from changes in demographic assumptions	251
32	Experience Adjustments	(588)
(517)	Estimated benefits paid (net of transfers in)	(682)
(14)	Unfunded pension payments	(13)
17,938	Closing value	19,401

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Analysis of Pension Fund's Assets

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

2013/14		2014/15
2%	Cash and cash equivalents	1%
	Equity Securities:	
	By industry type	
11%	Consumer	11%
8%	Manufacturing	8%
6%	Energy and utilities	4%
10%	Financial institutions	10%
3%	Health and care	3%
7%	Information technology	7%
2%	Other	2%
	Debt Securities:	
	By sector	
12%	Corporate	14%
7%	Government	7%
2%	Private Equity	3%
	Property:	
7%	UK	10%
1%	Overseas	1%
	Other Investment Funds:	
22%	Equity	19%
<u>100%</u>	Total	<u>100%</u>

Note: The risks relating to assets in the scheme are also analysed below:

31/03/14	Fair value of pension fund assets	31/03/15
£000		£000
	Equity Instruments	
11,588	Quoted in an active market	11,841
1,229	Not quoted in an active market	1,781
<u>12,817</u>	Sub total equity instruments	<u>13,622</u>

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 Hymans Robertson 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 2014.

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The significant assumptions used by the actuary have been:

2013/14		2014/15
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
21.3)	Men	22.5
23.6)	Women78	24.1
	Longevity at 65 for future pensioners (years)	
22.6)	Men	24.7
25.1)	Women	26.8
2.8%	Rate of inflation	2.1%
4.9%	Rate of increase in salaries	4.0%
2.6%	Rate of increase in pensions	2.1%
4.1%	Rate for discounting fund liabilities	3.1%
50.0%	Take up option to convert annual pension into retirement lump sum	50.0%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from that used in the previous period.

	Impact on the Defined Benefit Obligation in the Fund	
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Member life expectancy (increase or decrease in 1 year)	3%	582
Rate of increase in salaries (increase or decrease by 0.5%)	3%	511
Rate of increase in pensions (increase or decrease by 0.5%)	7%	1,285
Rate for discounting fund liabilities (increase or decrease by 0.5%)	9%	1,832

Impact on the Board's Cash Flow

The aims of the fund are to:

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Enable employer contributions to be kept as nearly constant as possible and at reasonable cost to the taxpayers and employers
- Manage employers liabilities effectively
- Maximise the returns from investments within reasonable risk parameters

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (the most recent being as at 31 March 2014), or at any other time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2016 will be approximately £0.244m.

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.

Highland Council

The Highland Council provided £2.312m representing 89.4% 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 2014/15 the Board paid £0.059m to the Highland Council for these services.

Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.274m representing 10.6% 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

2013/14 £000		2014/15 £000
114	Not later than one year	121
440	Later than one year and not later than five years	404
429	Later than five years	400
983		925

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

2013/14 £000		2014/15 £000
112	Minimum lease payments	121

19. Debtors

Short Term Debtors

2013/14 £000		2014/15 £000
23	Other entities and individuals	23

20. Short Term Creditors

2013/14 £000		2014/15 £000
(43)	Central government bodies	(45)
(64)	Other local authorities	(138)
(55)	Other entities and individuals	(131)
(162)	Total	(314)

21. Financial Instrument Balances

The following categories of financial instruments are carried in the Balance Sheet:

2013/14 Current £000		2014/15 Current £000
248	Cash and cash equivalents	396
23	Debtors	23
162	Creditors	314

22. Contingent Liability

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

The Board is required to implement a single status and equal pay scheme in respect of the employment conditions of staff. Discussions have been held with Personnel at the Highland Council and the financial risk has been identified as being low.

As a consequence of the level of risk, and the uncertainty regarding the timing of eventual implementation, no provision for these outcomes has been made in the year and disclosure is by way of contingent liability.

23. Events after the Balance Sheet date

The unaudited statement of the accounts was issued by the Treasurer on 27 May 2015 and the audited accounts were authorised for issue on 17 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.