

**Highland and Western Isles**  
**Valuation Joint Board**  
**Annual Accounts**  
**(Unaudited)**  
**2015/16**



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## MANAGEMENT COMMENTARY

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 10 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.

The Assessor and Electoral Registration Officer (ERO) is William Gillies, MRICS. Robert Shepherd, MRICS, is the Assistant Assessor and ERO, Frank Finlayson, MRICS, and Norman MacKenzie, MRICS are Assistant Assessors. Copies of the minutes of meetings and audited accounts of the Board are available on the Assessors website – [www.highland.gov.uk/hwi-vjb](http://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 2015/16 are named below:

<b>Highland Council (substantive)</b>	<b>Highland Council (substitute)</b>	<b>Western Isles Council (substantive)</b>	<b>Western Isles Council (substitute)</b>
Mr K Gowans (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		
Mrs H Carmichael	Mr C Fraser		
Mr L Fraser	Mr J Gordon		
Mr A Graham	Mr J Gray		
Mrs M Paterson	Mr A MacKinnon		

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during 2015/16 and understand the year-end financial position as at 31 March 2016. 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 is required 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.

### **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

2015/16 was a very busy year for the Board and its employees.

Firstly, the UK Parliamentary Election was held in May of 2015 and this was the first major election to be held in under the new system of Individual Electoral Registration (IER).

The transition period for IER was ended on 31 December 2015 and this resulted in the removal of electors who had not been confirmed as part of the IER process.

The franchise for the Scottish Parliamentary Election in May 2016 included 16 and 17 year olds and it was therefore necessary to take particular additional steps to ensure that young people were considered as part of the 2015 canvass and in the lead up to the election.

IER continues to require additional resource to comply with the statutory regime in terms of both staffing and materials.

There is a revaluation for non-domestic rates scheduled for 2017 and the preparatory work commenced during the financial year 2015/16. During that period and beyond the revaluation makes a substantial draw on the resources of the organisation and reduces the opportunities to deploy technical staff in support of the electoral function. Similarly the very high demand on the administration and clerical sections restricts their capacity to operate in support of the valuation sections.

All of the above factors have their effect on performance.

## Key Performance Indicators – 2015/2016

Valuation Roll	2015/16	2014/15
Total number of entries	20,156	19,770
Total Rateable Value	£334.0m	£333.21m
No of amendments effected	1,691	1,527
Amendments within time periods (%)		
0-3 months	55	61
3-6 months	18	19
Over 6 months	27	21

## Council Tax

Total no. of entries		136,232
Adjustment to band D equivalent		128,613
New entries added	1,648	1,471
New entries within time periods (%)		
0-3 months	77	77
3-6 months	16	17
Over 6 months	7	5

## General

Costs of All permanent staff	£1.811m	£1.711m
Number of FTE staff as at 1 April each year	54	56*

\* Restated - includes 5 temporary staff who were employed to assist with the implementation of individual electoral registration.

There has been a measureable decline in performance relating to the Valuation Roll as measured by the key performance indicators (KPI's), however this is offset by a slight increase in the total number of amendments made to the valuation roll over the period. The KPI's for council tax are broadly similar to the previous year against a background of an increase in the total number of new entries. This outturn reflects the draw on resources as a consequence of the increased workload load relating to 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 2016 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 financial 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 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 2016**

2014/15 Actual £000		Budget £000	2015/16 Actual £000	Variance £000
1,814	Staff costs	1,906	1,938	32
284	Property costs	273	250	(23)
301	Administration expenses	279	173	(106)
6	Transport and plant costs	4	5	1
433	Supplies and services	368	479	111
8	Members Expenses	20	9	(11)
<b>2,846</b>	<b>Gross expenditure</b>	<b>2,850</b>	<b>2,854</b>	<b>4</b>
(6)	Sales of register etc	(5)	(3)	2
(252)	Specific Grants	(184)	(242)	(59)
(2)	Interest on revenue balances	(1)	(3)	(1)
<b>(260)</b>	<b>Gross income</b>	<b>(189)</b>	<b>(247)</b>	<b>(58)</b>
<b>2,586</b>	<b>Net expenditure</b>	<b>2,661</b>	<b>2,607</b>	<b>(54)</b>
<b>(2,586)</b>	<b>Requisition Income</b>	<b>(2,661)</b>	<b>(2,607)</b>	<b>54</b>
<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>

The net budgeted expenditure of the Board in 2015/16 was £2.661m (2014/15 £2.661m). Actual net expenditure is £2.607m (2014/15 £2.586m). There was an underspend in 2015/16 of £0.054m (2014/15 £0.075m 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 largely due to higher than expected overtime costs in respect of individual electoral registration which was compounded by the overlay of a UK Parliamentary General Election. The full impact of these additional costs was mitigated to some degree by delays in filling vacancies. In addition some saving was made by replacement staff being appointed at lower initial salaries.
- The underspend in property costs was largely due to lower rent and service charges than had been anticipated together with savings in gas and cleaning costs.
- The underspend in administration costs is largely due to postages in respect of electoral registration which are now funded as part of the printing contract with Fujitsu which largely accounts for the apparent overspend in supplies and services.
- Supplies and services are overspent as a consequence of additional printing and posting costs as a consequence of IER.

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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.

As a consequence of these changes there continue to be additional demands on resource over and above that required previously for electoral registration.

### 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 2015/16. 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 01/04/15 £000	General Fund Balance	Balance at 31/03/16 £000
133		133

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

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

2014/15		Constituent Authority	2015/16	
£000	% share		£000	% share
2,312	89.4	The Highland Council	2,329	89.3
274	10.6	Comhairle Nan Eilean Siar	278	10.7
2,586	100.0	Total	2,607	100.0

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**Statement of Requisitions 2015/16**

Constituent Authority	Population No.	Budget requisition £000	Actual requisition £000	Balance due to constituent authority £000
Highland Council	232,132	2,378	2,329	(49)
Comhairle Nan Eilean Siar	<u>27,684</u>	<u>283</u>	<u>278</u>	<u>(5)</u>
<b>Total</b>	<u><u>259,816</u></u>	<u><u>2,661</u></u>	<u><u>2,607</u></u>	<u><u>(54)</u></u>

**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 28 shows that the Board has a net pension liability of £5.162m as at 31 March 2016 (31 March 2015 5.779m) 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 2016.

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. While most appeals from the 2010 revaluation have now been concluded, there remain a small number of cases referred for hearing by the Lands Tribunal. However, by their nature, these appeals tend to be high value and complex appeals.

Electoral registration continued to see high levels of activity through 2015 and this will continue through 2016. The Scottish Parliamentary Election was held in May 2016 and this will be followed by the European Referendum in June 2016.

In the autumn another full canvass will 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 will intensify over the course of this 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 provided additional funds to meet the incremental cost of the altered registration arrangements for the transition period and continues to provide additional grant for continuing additional costs, however, the actual costs still contain a degree of uncertainty. In total £242,409 was received in 2015/16 from both the Scottish and UK governments for electoral registration purposes.

In setting its budget for 2016/17 the Valuation Joint Board agreed an increase in requisitions for the constituent authorities of 7.5%. This is a challenging financial position given the actual reduction in Scottish Government grant, and such levels of increase in funding are not sustainable for the future. This will place significant pressure on the statutory basis for the services provided by the Assessor and Electoral Registration Officer. The Valuation Joint Board needs to sustain sufficient resources to ensure the delivery of services that are crucial for both elections and tax revenues for councils. As such the Assessor needs to ensure proper dialogue with the constituent authorities so that there is a full financial plan and adequate resources for the future at a time when councils are facing a significant reduction in funding.

## **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 £5.162m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.053m.

**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

Ken Gowans  
Convener

William Gillies MRICS, IRRV(Hons)  
Assessor and Electoral Registration Officer

30 May 2016

## **STATEMENT OF RESPONSIBILITIES**

### **The Joint Board's Responsibilities**

The Joint 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.

Ken Gowans  
Convener

### **The Treasurer's Responsibilities**

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

The Treasurer has also:

- Kept proper 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 2016.

Derek Yule B.Com, CPFA, IRRV(Hons)  
Treasurer  
30 May 2016

## **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 The Highland Council website, at [www.highland.gov.uk](http://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 2016 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 Board's vision of its purpose and intended outcomes for citizens and service users
- reviewing the Board's vision and the implications for its governance arrangements



- translating the vision into objectives for the Board and its partnerships
- measuring the quality of services for users, for ensuring they are delivered in accordance with the Board'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 Board'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 below, 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 2016 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 2015/16 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 Valuation Roll and Council Tax List.

Control issues were 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:

- The risk management process is not sufficiently robust and concentrates upon the identification rather than the management of risk. This concern was reported last year and is reported again as the agreed management action has not been implemented as a consequence of the necessary management of resourcing issues.

Despite the above issues, on the basis of the work undertaken during the year, it was 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 2016.

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 Board are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (the Treasurer) to report directly to the Chief Executive (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.
- It is considered that the review of the effectiveness of the governance framework by the Valuation Joint Board provides reassurance 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**

- The risk management process is not sufficiently robust. This point has been raised previously and is currently being addressed by management;
- Contract standing orders have not been updated since 2010. This point was first raised in 2012/13 and remains outstanding;

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- As detailed in the previous 2 bullet points, the management agreed actions in response to audit reports are not always implemented within the agreed timescale.
- Over the coming year, the Board will take steps to address the above matters to further enhance governance arrangements. This will then address the need for improvements that were identified in the review of effectiveness. The implementation and operation of these improvements will be monitored as part of the next annual review.

Ken Gowans  
Convener  
September 2016

William Gillies MRICS  
Assessor and Electoral Registration Officer

## **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 and Electoral Registration Officer, Assistant Assessor and Electoral Registration Officer, and Assistant Assessors) 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 Human Resources Department. The current grading for the post of Assessor and Electoral Registration Officer was agreed by the Board in August 2013.

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 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

Total Remuneration including salary, fees and allowances

2014/15	Name and Post Title	2015/16
£		£
89,235	William Gillies, Assessor and Electoral Registration Officer	<b>91,007</b>
54,735	Robert Shepherd, Assistant Assessor and Electoral Registration Officer	<b>59,145</b>
50,306	Frank Finlayson, Assistant Assessor	<b>54,093</b>
47,434	Norman MacKenzie, Assistant Assessor	<b>51,236</b>

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

2014/15		2015/16
Number	Salary Band	Number
2	£50,000-£54,999	2
-	£55,000-£59,999	1
1	£85,000-£89,999	-
-	£90,000-£94,999	1

### 3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

The following table provides total details of the remuneration including salary, fees and allowances paid to the Convener and Vice-Convener of the Highlands and Western Isles Valuation Joint Board.

2014/15 £	Councillor Name and Responsibility	2015/16 £
4,142	H Carmichael - Convener to 16/09/15	1,929
-	K Gowans - Convener from 17/09/15	2,254
3,107	J MacKay – Vice Convener	3,138

### 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.

2014/15 £	Type of Remuneration	2015/16 £
7,249	Salaries	7,321
7,662	Expenses	2,075
<b>14,911</b>	<b>Total</b>	<b>9,396</b>

The annual return of Councillors' salaries and expenses for 2015/16 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>

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**4. Pension Benefits**

The pension entitlement of senior employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year

Name and Post Title	In-year pension contributions		Accrued Pension Benefits		
	For year to 31/3/16	For year to 31/3/15	As at 31/3/16	Difference from March 2015	
	£	£	£000	£000	
William Gillies, Assessor and Electoral Registration Officer	16,756	16,062	<b>Pension</b>	37	2
			<b>Lump Sum</b>	79	1
Robert Shepherd, Assistant Assessor and Electoral Registration Officer	10,790	9,852	<b>Pension</b>	18	2
			<b>Lump Sum</b>	34	2
Frank Finlayson, Assistant Assessor	9,855	8,981	<b>Pension</b>	21	3
			<b>Lump Sum</b>	43	3
Norman MacKenzie, Assistant Assessor	9,327	8,538	<b>Pension</b>	28	2
			<b>Lump Sum</b>	66	4

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 2015/16 is 18% of the pensionable salary which is the same as the 2014/15 contribution rate.

Derek Yule B.Com, CPFA, IRRV(Hons)  
Treasurer  
30 May 2016

Ken Gowans  
Convenor

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**MOVEMENT IN RESERVES STATEMENT 2014/15**

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



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**MOVEMENT IN RESERVES STATEMENT 2015/16**

	Notes	General Fund £000	<b>Total Usable Reserves £000</b>	Pension Reserve £000	Employee Statutory Mitigation Account £000	<b>Total Reserves £000</b>
<b>Balance at 31 March 2015</b>		<b>133</b>	<b>133</b>	<b>(5,779)</b>	<b>(28)</b>	<b>(5,674)</b>
<b>Movement in reserves during 2015/16</b>						
Surplus/(deficit) on provision of services		(342)	(342)	-	-	(342)
Other Comprehensive Expenditure and Income	10	-	-	963	-	963
<b>Total Comprehensive Expenditure and income</b>		<b>(342)</b>	<b>(342)</b>	<b>963</b>	<b>-</b>	<b>621</b>
Adjustments between accounting basis and funding basis under regulations	5	342	342	(346)	4	-
<b>Increase/(decrease) in 2015/16</b>		<b>-</b>	<b>-</b>	<b>617</b>	<b>4</b>	<b>621</b>
<b>Balance at 31 March 2016</b>		<b>133</b>	<b>133</b>	<b>(5,162)</b>	<b>(24)</b>	<b>(5,053)</b>

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the 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.

2014/15			2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
817	-	817		568	-	568
1,001	(258)	743		568	(245)	323
1,039	-	1,039		1,702	-	1,702
169	-	169	6	176	-	176
<b>3,026</b>	<b>(258)</b>	<b>2,768</b>	<b>14</b>	<b>3,014</b>	<b>(245)</b>	<b>2,769</b>
		212	7			180
		(2,586)	8			(2,607)
		<b>394</b>	<b>14</b>			<b>342</b>
		(667)	16			171
		1,523	16			(945)
		(588)	16			(189)
		<b>662</b>				<b>(621)</b>
		<b>662</b>				<b>(621)</b>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD  
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**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'.

31/03/15 £000		Notes	£000	31/03/16 £000
	<b>Current assets</b>			
23	Short term debtors	19	180	
396	Cash and cash equivalents	12	270	
<u>419</u>				<b>450</b>
<u>(314)</u>	Short term creditors	20	(341)	
(314)	<b>Current liabilities</b>			<b>(341)</b>
<u>(5,779)</u>	Other long term liabilities	16	(5,162)	
(5,779)	<b>Long term liabilities</b>			<b>(5,162)</b>
<u>(5,674)</u>	<b>Net liabilities</b>			<b>(5,053)</b>
133	General Fund	9	133	
(5,779)	Pension Reserve	10	(5,162)	
(28)	Employee Statutory Mitigation Account	10	(24)	
<u>(5,674)</u>	<b>Total reserves</b>			<b>(5,053)</b>

Derek Yule B.Com, CPFA, IRRV(Hons)  
Treasurer  
30 May 2016

## 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.

31/03/15	Notes	31/03/16
£000		£000
(394)	Net deficit on the provision of services	(342)
542	Adjust net deficit on the provision of services for non-cash movements	216
2	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	2
<u>150</u>	Net cash inflow/(outflow) from operating activities	<u>(124)</u>
(2)	Financing activities	(2)
<b>148</b>	Net increase/(decrease) in cash and cash equivalents	<b><u>(126)</u></b>
<u>248</u>	Cash and cash equivalents at the beginning of the year	<u>396</u>
<b><u>396</u></b>	<b>Cash and cash equivalents at the end of the year</b>	<b><u>270</u></b>

## **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 2015/16 financial year and its position at the year end. 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 2015/16 and the Service Code of Practice 2015/16, 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 £0.270m (2014/15 £0.396m) 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.

### 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 3.4% (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 Board – 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**

##### 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 2015/16 (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.

### **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.

### **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 2016 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 Board to meet future capital and revenue expenditure.

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2014/15	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	<b>Total 2014/15</b>
		£000	£000	£000	<b>£000</b>
<b>Adjustments involving the Pensions Reserve</b>					
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	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
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)	-
<b>Total adjustments</b>		<b>394</b>	<b>(390)</b>	<b>(4)</b>	<b>-</b>

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2015/16	Notes	General Fund £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total 2015/16 £000
<b>Adjustments involving the Pensions Reserve</b>					
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	604	(604)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	16	(258)	258	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
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	-
<b>Total adjustments</b>		<b>342</b>	<b>(346)</b>	<b>4</b>	<b>-</b>

**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.

2014/15 Expenditure £000		2015/16 Expenditure £000
62	Democratic representation and management	67
107	Corporate management	109
<b>169</b>	<b>Total</b>	<b>176</b>

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

2014/15 £000		2015/16 £000
214	Pensions Net Interest	182
(2)	Interest receivable	(2)
<u>212</u>		<u>180</u>

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

2014/15 £000		2015/16 £000
<u>(2,586)</u>	Requisitions from constituent authorities	<u>(2,607)</u>

**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.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD  
ANNUAL ACCOUNTS 2015/16 (UNAUDITED)

**Pensions Reserve**

2014/15 £000		2015/16 £000
(5,121)	Balance at 1 April 2015	(5,779)
667	Return on plan assets (excluding the amount included in the net interest expense)	(171)
(1,272)	Actuarial (losses)/gain arising on changes in financial assumptions	945
(251)	Actuarial (losses)/gain arising on changes in demographic assumptions	-
588	Experience adjustments	189
(268)		<b>963</b>
(626)	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	<b>(604)</b>
236	Employer's pension contributions and direct payments to pensioners payable in the year	<b>258</b>
<u>(5,779)</u>	Balance at 31 March 2016	<u><b>(5,162)</b></u>

(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.

2014/15 £000		2015/16 £000
(24)	Balance at 1 April 2015	(28)
24	Settlement or cancellation of accrual made at the end of the preceding year	28
(28)	Amounts accrued at the end of the current year	(24)
<u>(28)</u>	Balance at 31 March 2016	<u><b>(24)</b></u>

### 11. Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2014/15 £000		2015/16 £000
<u>(2)</u>	<b>Interest received</b>	<u>(2)</u>

### 12. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

2014/15 £000		2015/16 £000
<u>396</u>	Temporary Advances to Highland Council Loans Fund	<u>270</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

2014/15 £000		2015/16 £000
2,586	Net expenditure in the service analysis	<b>2,607</b>
	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)	
412	Current service cost	422
<u>(236)</u>	Employer's contribution	<u>(258)</u>
176		<b>164</b>
4	Movement in Employee Leave Accrual	<b>(4)</b>
	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	
2	Interest receivable	<b>2</b>
<u>2,768</u>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<u><b>2,769</b></u>



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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 (CIES).

<b>2015/16</b>	Service analysis £000	Non Statutory Charges £000	Amounts not included in CIES £000	<b>Cost of services £000</b>	Corporate amounts £000	<b>Total £000</b>
Fees, charges and other service income	(3)	-	-	<b>(3)</b>	-	<b>(3)</b>
Interest and investment income	(2)	-	2	-	(2)	<b>(2)</b>
Requisition income	-	-	-	-	(2,607)	<b>(2,607)</b>
Government grants and contributions	(242)	-	-	<b>(242)</b>	-	<b>(242)</b>
<b>Total Income</b>	<b>(247)</b>	-	<b>2</b>	<b>(245)</b>	(2,609)	<b>(2,854)</b>
Employee expenses	1,946	160	-	<b>2,106</b>	182	<b>2,288</b>
Other service expenses	851	-	-	<b>851</b>	-	<b>851</b>
Support Service recharges	57	-	-	<b>57</b>	-	<b>57</b>
<b>Total expenditure</b>	<b>2,854</b>	<b>160</b>	-	<b>3,014</b>	182	<b>3,196</b>
<b>Deficit on the provision of services</b>	<b>2,607</b>	<b>160</b>	<b>2</b>	<b>2,769</b>	(2,427)	<b>342</b>

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<b>2014/15 comparative figures</b>	Service analysis £000	Non Statutory Charges £000	Amounts not included in CIES £000	<b>Cost of services</b> £000	Corporate amounts £000	<b>Total</b> £000
Fees, charges and other service income	(6)	-	-	<b>(6)</b>	-	<b>(6)</b>
Interest and investment income	(2)	-	2	-	(2)	<b>(2)</b>
Requisition income	-	-	-	-	(2,586)	<b>(2,586)</b>
Government grants and contributions	(252)	-	-	<b>(252)</b>	-	<b>(252)</b>
<b>Total Income</b>	<b>(260)</b>	<b>-</b>	<b>2</b>	<b>(258)</b>	(2,588)	<b>(2,846)</b>
Employee expenses	1,822	180	-	<b>2002</b>	214	<b>2,216</b>
Other Service expenses	965	-	-	<b>965</b>	-	<b>965</b>
Support Service recharges	59	-	-	<b>59</b>	-	<b>59</b>
<b>Total expenditure</b>	<b>2,846</b>	<b>180</b>	<b>-</b>	<b>3,026</b>	214	<b>3,240</b>
<b>Deficit on the provision of services</b>	<b>2,586</b>	<b>180</b>	<b>2</b>	<b>2,768</b>	(2,374)	<b>394</b>

## 15. External audit costs

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

2014/15 £		2015/16 £
<u>7,800</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 Board 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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2014/15		2015/16
£000		£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services</b>		
412	Current service cost	422
-	Past service cost (including curtailments)	-
412		422
214	Financing and investment income and expenditure	
	Net interest expense	182
626	<b>Total post employment benefits charged to the deficit on the provision of services</b>	604
Other post employment benefits charged to the comprehensive income and expenditure statement		
Remeasurement of the net defined benefit liability comprising:		
(667)	Return on plan assets (excluding the amount included in the net interest expense)	171
1,272	Actuarial losses/(gain) arising on changes in financial assumptions	(945)
251	Actuarial losses/(gain) arising on changes in demographic assumptions	-
(588)	Experience adjustments	(189)
894	<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	(963)
<b>Movement in reserves statement</b>		
(626)	Reversal of net charges made to the deficit on the provision of services for post employment benefits in accordance with the code	(604)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>		
236	Employers contributions payable to the scheme	258
<b>Pension assets and liabilities recognised in the Balance Sheet</b>		
31/03/15		31/03/16
£000		£000
(19,401)	Present value of the defined benefit obligation	(18,559)
13,622	Fair value of pension fund assets	13,397
(5,779)	<b>Net liability arising from defined benefit obligation</b>	(5,162)

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**Information about the defined benefit obligation**

	£000	Liability split	Duration
		Percentage (%)	Years
Active members	10,111	55.0%	20.2
Deferred members	1,387	7.6%	26.4
Pensioner members	6,860	37.4%	10.8
<b>Total</b>	<b>18,358</b>	<b>100.0%</b>	<b>16.1</b>

**Reconciliation of the movements in the fair value of scheme assets**

31/03/15		31/03/16
£000		£000
12,817	Opening fair value of scheme assets	13,622
517	Interest income	415
667	Return on plan assets	(171)
236	Contributions by employer	258
80	Contributions by Scheme participants	84
(695)	Estimated benefits paid (net of transfers in)	(811)
<b>13,622</b>	<b>Closing fair value of scheme assets</b>	<b>13,397</b>

**Assets and liabilities in relation to post employment benefits**

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

31/03/15		31/03/16
£000		£000
17,727	Opening defined benefit obligation - funded	19,181
211	Opening defined benefit obligation - unfunded	220
412	Current service cost	422
731	Interest cost	597
80	Contributions by scheme participants	84
	Remeasurement (gains) and losses:	
1,272	Actuarial losses/(gain) from changes in financial assumptions	(945)
251	Actuarial losses/(gain) from changes in demographic assumptions	-
(588)	Experience Adjustments	(189)
(682)	Estimated benefits paid (net of transfers in)	(798)
(13)	Unfunded pension payments	(13)
<b>19,401</b>	<b>Closing value</b>	<b>18,559</b>

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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:

2014/15		2015/16
1%	<b>Cash and cash equivalents</b>	4%
	<b>Equity Securities:</b>	
	By industry type	
11%	Consumer	14%
8%	Manufacturing	5%
4%	Energy and utilities	4%
10%	Financial institutions	10%
3%	Health and care	2%
7%	Information technology	8%
2%	Other	2%
	<b>Debt Securities:</b>	
	By sector	
14%	Corporate	13%
7%	Government	5%
3%	<b>Private Equity</b>	4%
	<b>Property:</b>	
10%	UK	10%
1%	Overseas	-
	<b>Other Investment Funds:</b>	
19%	Equity	19%
<u>100%</u>	<b>Total</b>	<u>100%</u>

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

31/03/15	Fair value of pension fund assets	31/03/16
£000		£000
	Equity Instruments	
11,841	Quoted in an active market	12,860
1,781	Not quoted in an active market	537
<u>13,622</u>	<b>Sub total equity instruments</b>	<u>13,397</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:

2014/15		2015/16
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
22.5	Men	22.5
24.1	Women	24.1
	Longevity at 65 for future pensioners (years)	
24.7	Men	24.7
26.8	Women	26.8
2.1%	Rate of inflation	2.1%
4.0%	Rate of increase in salaries	4.1%
2.1%	Rate of increase in pensions	2.1%
3.1%	Rate for discounting fund liabilities	3.4%
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.

	<b>Impact on the Defined Benefit Obligation in the Fund</b>	
	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
Member life expectancy (increase or decrease in 1 year)	3%	557
Rate of increase in salaries (increase or decrease by 0.5%)	3%	483
Rate of increase in pensions (increase or decrease by 0.5%)	7%	1,261
Rate for discounting fund liabilities (increase or decrease by 0.5%)	10%	1,772

## 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 2017 will be approximately £0.251m.

## 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 £2.329m representing 89.34% 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 2015/16 the Board paid £0.057m to the Highland Council for these services.

### Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.278m representing 10.66% 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

2014/15 £000		2015/16 £000
121	Not later than one year	121
404	Later than one year and not later than five years	443
400	Later than five years	606
<u>925</u>		<u>1,170</u>



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

2014/15 £000		2015/16 £000
<u>121</u>	Minimum lease payments	<u>121</u>

**19. Debtors**

**Short Term Debtors**

2014/15 £000		2015/16 £000
<u>23</u>	Other entities and individuals	<u>180</u>

**20. Short Term Creditors**

2014/15 £000		2015/16 £000
(45)	Central government bodies	(33)
(138)	Other local authorities	(143)
(131)	Other entities and individuals	(165)
<u>(314)</u>	Total	<u>(341)</u>

**21. Financial Instrument Balances**

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

2014/15		2015/16
Current £000		Current £000
<u>396</u>	Cash and cash equivalents	<u>270</u>
<u>23</u>	Debtors	<u>180</u>
<u>314</u>	Creditors	<u>(341)</u>

## **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 annual accounts were issued by the Treasurer on 27 May 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.